

SSE Venture Capital Limited

Directors' report and financial statements

Year ended 31 March 2017

Registered No.: SC309396

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SSE Venture Capital Limited

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SSE Venture Capital Limited

Directors and Other Information

Directors

Gregor Alexander
Robert McDonald
Brandon Rennet (Resigned 23 February 2017)

Registered office

Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ
Scotland

Secretary

Peter Lawns

Auditor

KPMG LLP
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS

Registered number

SC309396

SSE Venture Capital Limited

Strategic Report

The directors submit their report and audited financial statements of the company for the year ended 31 March 2017.

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the directors have performed their duty to promote the success of SSE Venture Capital Limited.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of SSE Venture Capital Limited (the "Company") during the year ended 31 March 2017, as well as those matters which are likely to affect its future development and performance.

1 Strategy and Objectives

The Company acts as an investment vehicle for the Group. The key focus is to consolidate its historical investments in small to medium 'clean tech' businesses (those involved with renewable or clean energy, and in related technologies) and realise the value these have.

2 Business review and key performance indicators

The profit and loss account for the year ended 31 March 2017 is set out on page 7. The loss for the year after taxation amounted to £7.1m (2016: loss of £6.9m). The balance sheet at 31 March 2017 is set out on page 8 and indicates net liabilities of £74.8m (2016: net liabilities of £67.7m).

As at 31 March 2017, the Company has investments of £36.6m (2016: £40.1m) in a range of "clean tech" businesses.

The principal investments are summarised in the table below:

Investment	Investment type	Business activity
Environmental Energies Fund	Associate	A fund of investments originally comprising 8 companies of which 4 investments remain, Smarter Grid Solutions, CyberHawk, Vital Energi and Solar Century.
SEP (IV) Fund	Associate	A fund which provides growth equity and venture capital to businesses in the information technology, energy and health care sectors.
Environmental Capital Fund	Associate	This infrastructure fund was launched in September 2014 by the acquisition of SSE Pipelines and will further invest in UK based clean energy infrastructure projects.
Burntisland Fabrications Limited	Single Investment	Steel fabricators for the renewable energy and offshore oil and gas industries.

In the year to 31 March 2017 exceptional charges are £nil. (2016 : £3.4m).

In the year ahead the Company will manage its historical investments and where opportunities arise will seek to realise the value from these investments. It is unlikely that any new investments will be added to the current range of investments.

The Directors and management have in place a rigorous process associated with the screening, selection and post investment appraisal of investment opportunities. This involves thorough financial, commercial, technical, legal and safety due diligence.

The principal risks and uncertainties affecting the Company have been disclosed within the Directors' Report on page 3.

On behalf of the board



Gregor Alexander
Director
27 September 2017

SSE Venture Capital Limited

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 March 2017.

Reporting requirements on the Company's principal activities and future developments and its key performance indicators can be found in the Strategic Report on page 2.

1 Principal activities

The Company's principal activity is to act as an investment vehicle for the Group.

2 Principal risks and uncertainties

The Directors acknowledge that they have responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Company.

No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the Directors have regard to what controls, in their judgement, are appropriate to the Company's business and to the relative costs and benefits of implementing specific controls.

The principal risks facing the company relate to realising the full value of its investments. The directors have in place a rigorous screening, selection and post investment appraisal process in place to mitigate against these risks.

The company is aware of the political uncertainty following the announcement of Brexit. This is being closely monitored by the Company but is not considered to have a significant impact on the accounts for the year ended 31 March 2017.

3 Results and dividends

The loss for the financial year amounted to £7.1m (2016: loss of £6.9m).

4 Directors

The directors and secretary who served during the year are as listed on page 1. In accordance with the Articles of Association of the company the directors are not required to retire by rotation.

5 Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

6 Going concern

The company is dependent on ongoing financial support from a fellow group company. The financial statements have been prepared on a going concern basis which assumes adequate finance will be available for the foreseeable future. A fellow group company has given an undertaking not to demand repayment of monies advanced to the company for the foreseeable future.

7 Post balance sheet events

There have been no significant events since the balance sheet date.

8 Political and charitable donations

The Company did not make any political or charitable donations during the year (2016: £nil).

SSE Venture Capital Limited

Directors' Report *(continued)*

9 Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will, therefore, continue in office.

On behalf of the Board:

A handwritten signature in black ink, appearing to read 'Gregor Alexander', written over a horizontal line.

Gregor Alexander
Director
27 September 2017

SSE Venture Capital Limited

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

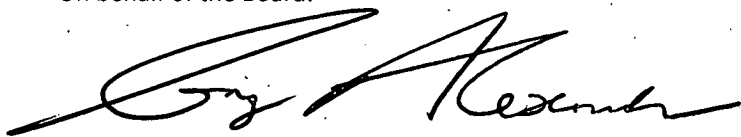
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS101 Reduced Disclosure Framework.

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 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 reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

On behalf of the Board:



Gregor Alexander
Director
27 September 2017

Independent Auditor's Report to the Members of SSE Venture Capital Limited

We have audited the financial statements of SSE Venture Capital Limited for the year ended 31 March 2017 as set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

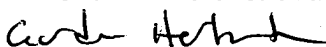
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
27 September 2017

SSE Venture Capital Limited

Profit and Loss Account for the year ended 31 March 2017

	Note	2017 £m	2016 £m
Turnover		-	0.1
Gross profit		-	0.1
Administrative costs		(1.1)	(0.1)
Exceptional items	2,3	-	(3.4)
Other operating costs		(0.3)	(1.2)
Operating loss	2	(1.4)	(4.6)
Interest payable and similar charges	5	(5.6)	(5.5)
Loss before taxation		(7.0)	(10.1)
Tax on loss	6	(0.1)	3.2
Loss for the financial year		(7.1)	(6.9)

The company had no other comprehensive income in the current or prior year.

The results are derived from continuing activities.

The accompanying notes are an integral part of these financial statements.

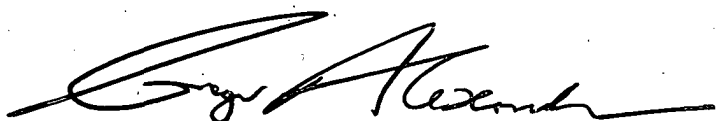
SSE Venture Capital Limited

Balance Sheet as at 31 March 2017

	Note	2017 £m	2016 £m
Fixed assets			
Investments	7	36.6	40.1
		<u>36.6</u>	<u>40.1</u>
Current assets			
Debtors	8	0.2	0.3
Total current assets		<u>0.2</u>	<u>0.3</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(12.7)	(14.6)
Net current liabilities		<u>(12.5)</u>	<u>(14.3)</u>
Total assets less current liabilities		<u>24.1</u>	<u>25.8</u>
Creditor: amounts falling due after more than one year	10	(98.9)	(93.5)
Net liabilities		<u>(74.8)</u>	<u>(67.7)</u>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account		(74.8)	(67.7)
Equity Shareholders' deficit		<u>(74.8)</u>	<u>(67.7)</u>

The accompanying notes form an integral part of this balance sheet.

These financial statements were approved by the Directors on 27 September 2017 and signed on their behalf by:



Gregor Alexander
Director

Company registered number: SC309396

SSE Venture Capital Limited

Statement of Changes in Equity for the year ended 31 March 2017

	Share capital £m	Profit and loss account £m	Total equity £m
Balance at 1 April 2015	-	(60.8)	(60.8)
Profit for the financial year	-	(6.9)	(6.9)
Balance at 31 March 2016	-	(67.7)	(67.7)
Balance at 1 April 2016	-	(67.7)	(67.7)
Loss for the financial year	-	(7.1)	(7.1)
Balance at 31 March 2017	-	(74.8)	(74.8)

SSE Venture Capital Limited

Notes on the Financial statements for the year ended 31 March 2017

1 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with all applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently.

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), but has made amendments, where necessary, in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- The effect of new, but not yet effective, IFRSs;
- Disclosures in respect of the compensation of key management personnel;
- Disclosures in respect of capital management; and
- Related party disclosures.

As the consolidated financial statements of SSE plc include the equivalent disclosure, the Company has also taken advantage of the exemptions, under FRS 101, available in respect of the following disclosure:

- Certain disclosures, required by *IAS 36 Impairment of assets*, in respect of the impairment of goodwill and life intangible assets.
- Certain disclosures required by *IFRS 13 Fair value measurement* and the disclosures required by *IFRS 7 Financial instrument* disclosures.

During the year, the Group and company reviewed the presentation of information in the financial statements in order to improve the clarity, relevance and understanding of the statements. This review resulted in the removal of employee share based payments disclosures on the basis of materiality.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The company has net current liabilities and is dependent on ongoing financial support from a fellow group company. The financial statements have been prepared on a going concern basis which assumes adequate finance will be available for the foreseeable future. A fellow group company has given an undertaking not to demand repayment of monies advanced to the company for the foreseeable future.

The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting liabilities as they fall due for payment.

Turnover

Turnover comprises the value of goods, services and facilities provided during the year.

SSE Venture Capital Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

1 Significant accounting policies *(continued)*

Taxation

The credit for taxation is based on the loss for the year and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Interest

Interest incurred on intercompany borrowings is charged to the Profit and Loss Account in the year in which it accrues.

Investments

Fixed asset investments are stated at cost less any provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

2 Expenses and auditor's remuneration

Operating loss is arrived at after (charging)/crediting:

	2017 £m	2016 £m
Exceptional charges (note 3)	-	(3.4)

The audit fee in the year and the previous year was borne by the Parent company, £2,040 of this was in relation to the audit of SSE Venture Capital Limited (2016: £2,040).

3 Exceptional items

	2017 £m	2016 £m
Disposal of investment	-	3.4
	-	3.4

In the year to 31 March 2016 an exceptional charge of £3.4m was recognised in relation to the sale of the company's 80.1% holding in Windtowers (Scotland) Ltd.

4 Staff costs and numbers

	2017 £m	2016 £m
Staff costs:		
Wages and salaries	-	0.1
	-	0.1

SSE Venture Capital Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

4 Staff costs and numbers *(continued)*

Employee numbers

	2017 Number	2016 Number
The monthly average number of people employed by the Company during the year	-	1

5 Interest payable and similar charges

	2017 £m	2016 £m
Interest payable to group companies	5.6	5.5
	<u>5.6</u>	<u>5.5</u>

6 Taxation

	2017 £m	2016 £m
UK corporation tax		
Current tax on income for the period	(0.1)	(0.3)
Adjustment in respect of prior periods	0.2	(2.9)
Total current tax charge/(credit)	<u>0.1</u>	<u>(3.2)</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2017 £m	2016 £m
Loss before taxation	<u>(7.0)</u>	<u>(10.1)</u>
Tax on loss at standard UK corporation tax rate of 20% (2016: 20%)	(1.4)	(2.0)
Effects of:		
Expenses not deductible for tax purposes	1.1	1.7
Non taxable income	0.2	-
Adjustment in respect of previous periods	0.2	(2.9)
Other items	-	-
Total tax charge/(credit) for year	<u>0.1</u>	<u>(3.2)</u>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. A further reduction to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly.

SSE Venture Capital Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

7 Fixed asset investments

	Investment in associated undertakings	Other investments	Total
	£m	£m	£m
Cost			
At 1 April 2016	81.8	13.4	95.2
Additions to existing investments*	2.6	-	2.6
Other movements	(0.3)	(0.3)	(0.6)
Dividends received	(4.3)	(0.3)	(4.6)
At 31 March 2017	79.8	12.8	92.6
Provisions			
At 1 April 2016	(48.7)	(6.4)	(55.1)
Impairment loss	(0.9)	-	(0.9)
At 31 March 2017	(49.6)	(6.4)	(56.0)
Net book value			
At 31 March 2017	30.2	6.4	36.6
At 31 March 2016	33.1	7.0	40.1

*Further cash drawdowns for existing investments

The Company sold its 33% holding in Logan Energy Limited on 23 September 2016 for a consideration of £35,000 resulting in a loss on sale of £340,000.

In the prior year an exceptional charge of £3.4m was recognised for the sale of the Company's 80.1% holding in Windtowers (Scotland) Ltd which was held at a net book value of £nil.

The accumulated impairment recognised from date of incorporation is £56.0m (2016: £55.1m).

Details of the principal subsidiary, joint ventures, associates and other investments at 31 March 2017 are as follows:

Subsidiary Undertakings	Country of incorporation	%Holding 2017	%Holding 2016	Nature of Business
SSE Asia Ltd	England & Wales	100	100	Non-Trading Company
SSE Insource Energy Ltd	England & Wales	100	100	Dormant
SSE Rogerstone Ltd	England & Wales	100	100	Production of electricity
Associated undertakings	Country of incorporation	%Holding 2017	%Holding 2016	Nature of Business
Environment Energies Fund Limited	England & Wales	49.5	49.5	Investment company
SEP (IV) Fund	England & Wales	1.4	1.4	Investment company
Enviromental Capital Fund	England & Wales	48.0	48.0	Investment company
Vanilla Energy Limited**	Scotland	42.5	42.5	Fuel cell technology
Aquamarine Power Limited*	Scotland	26.9	26.9	Wave energy
Shackleton Secondaries 3 LP	Scotland	31.9	31.9	Venture Investment Fund
Sigma Sustainable Energies Fund II	Scotland	31.0	31.0	Venture Investment Fund

*Aquamarine Power Limited entered into administration on 27 October 2015

** Vanilla Energy Limited (Previously IE CHP (UK & EIRE) Limited) entered into administration on 19 September 2016

Other Investments	Country of incorporation	%Holding 2017	%Holding 2016	Nature of Business
Burntisland Fabrications Limited	Scotland	15.0	15.0	Steel fabricators for the renewable energy and offshore oil and gas industries.
Vantage Point Capital Partners	US	1.1	1.1	Venture Investment Fund

SSE Venture Capital Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2017

7 Fixed asset investments *(continued)*

Company registered addresses

1 - 55 Vastern Road, Reading, Berkshire, RG1 8BU

2 - 17 Blythswood Square, Glasgow, G2 4AD

3 - 4th Floor, 115 George Street, Edinburgh, EH2 4JN

4 - City Point, 65 Haymarket Terrace, Edinburgh, EH12 5HD

5 - Thistle Court, 1-2 Thistle Street, Edinburgh, EH2 1DD

6 - 1 George Square, Castlebrae, Dunfermline, Fife, KY11 8QF

7 - c/o Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111

8 Debtors

	2017	2016
	£m	£m
Corporation tax - group relief receivable	0.2	0.2
Other debtors	-	0.1
	<u>0.2</u>	<u>0.3</u>

9 Creditors: amounts falling due within one year

	2017	2016
	£m	£m
Amounts owed to group undertakings	12.7	14.6
	<u>12.7</u>	<u>14.6</u>

10 Creditors: amounts falling due after more than one year

	2017	2016
	£m	£m
Amounts owed to group undertakings	98.9	93.5
	<u>98.9</u>	<u>93.5</u>

11 Share capital

	2017	2016
	£	£
Equity:		
Allotted, called up and fully paid:		
1 ordinary shares of £1.00 each	1	1
	<u>1</u>	<u>1</u>

12 Ultimate parent company

The Company is a subsidiary of SSE plc, which is the ultimate parent company and is registered in Scotland. The largest and smallest group in which the results of the Company are consolidated is that headed by SSE plc. The consolidated financial statements of the Group (which include those of the Company) are available from the Company Secretary, SSE plc, Inverlorn House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at www.sse.com.