

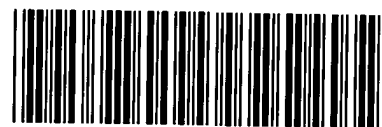
# SSE Venture Capital Limited

Directors' report and financial statements

Year ended 31/March 2018

*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

### 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 2018.

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 Business 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 2018, 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 SSE plc ("the Group"). The key focus is to consolidate historical investments in small to medium 'clean tech' businesses (those involved with renewable or clean energy, and in related technologies) and realise their value.

### 2 Business review and key performance indicators

The Directors believe that the following indicators will provide shareholders with sufficient information to assess how effectively the Company is performing:

Financial	2018 £m	2017 £m
Operating loss	12.4	1.4
Net Assets/(liabilities)	16.8	(74.8)

During the year, the company's parent SSE plc made a capital contribution of £110m to the company in the form of writing off loans payable by the company.

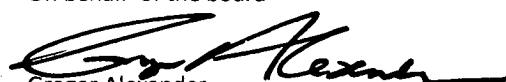
As at 31 March 2018, the Company has investments of £39.0m (2017: £36.6m) in a range of "clean tech" businesses. The principal investments are summarised in the table below:

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 further invested in UK based clean energy infrastructure projects.

In the year to 31 March 2018 exceptional charges of £10.5m were recognised for the sale of the Company's investment in Burntisland Fabrications Limited and £1.9m following a review of the company's investment in Vantage Point Capital Partners. 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 portfolio.

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  
19 October 2018

# SSE Venture Capital Limited

## Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 March 2018.

Reporting requirements on the Company's principal activities and future developments 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 2019.

### 3 Results and dividends

The loss for the financial year amounted to £18.4m (2017: loss of £7.1m).

### 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 directors have assessed that the company will prepare its financial statements on a going concern basis, see note 1 for details.

### 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 (2017: £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  
19 October 2018

# 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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  
19 October 2018

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

## Opinion

We have audited the financial statements of SSE Venture Capital Limited ("the company") for the year ended 31 March 2018 which comprise the Income statement, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.



## Independent Auditor's Report to the Members of SSE Venture Capital Limited *(continued)*

### **Directors' responsibilities**

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

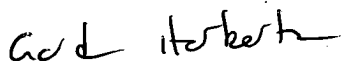
### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



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

25 October 2018

# SSE Venture Capital Limited

## Profit and Loss Account for the year ended 31 March 2018

	Note	2018 £m	2017 £m
Administrative costs		-	(1.1)
Exceptional items	3	(12.4)	-
Other operating costs		-	(0.3)
<b>Operating loss</b>	2	<b>(12.4)</b>	<b>(1.4)</b>
Interest payable and similar charges	5	(6.0)	(5.6)
<b>Loss before taxation</b>		<b>(18.4)</b>	<b>(7.0)</b>
Tax on loss	6	-	(0.1)
<b>Loss for the financial year</b>		<b>(18.4)</b>	<b>(7.1)</b>

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 2018

	Note	2018 £m	2017 £m
<b>Fixed assets</b>			
Investments	7	39.0	36.6
		<u>39.0</u>	<u>36.6</u>
<b>Current assets</b>			
Debtors	8	0.1	0.2
<b>Total current assets</b>		<u>0.1</u>	<u>0.2</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	9	(12.9)	(12.7)
<b>Net current liabilities</b>		<u>(12.8)</u>	<u>(12.5)</u>
<b>Total assets less current liabilities</b>		<u>26.2</u>	<u>24.1</u>
<b>Creditor: amounts falling due after more than one year</b>	10	(9.4)	(98.9)
<b>Net assets/(liabilities)</b>		<u>16.8</u>	<u>(74.8)</u>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account		(93.2)	(74.8)
Capital contribution		110.0	-
<b>Equity Shareholders' funds/(deficit)</b>		<u>16.8</u>	<u>(74.8)</u>

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

These financial statements were approved by the Directors on 19 October 2018 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 2018

	Share capital £m	Profit and loss account £m	Capital contribution £m	Total equity £m
<b>Balance at 1 April 2016</b>	-	(67.7)	-	(67.7)
Profit for the financial year	-	(7.1)	-	(7.1)
<b>Balance at 31 March 2017</b>	-	(74.8)	-	(74.8)
<b>Balance at 1 April 2017</b>	-	(74.8)	-	(74.8)
Loss for the financial year	-	(18.4)	-	(18.4)
Capital contribution	-	-	110.0	110.0
<b>Balance at 31 March 2018</b>	-	(93.2)	110.0	16.8

# SSE Venture Capital Limited

## Notes on the Financial statements for the year ended 31 March 2018

### 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 Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101"). 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;
- The effect of new, but not yet effective, IFRSs;
- comparative period reconciliations for tangible fixed assets;
- 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.

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 financial support provided by its parent SSE plc. SSE plc has given a formal undertaking not to withdraw this support for a period of at least 12 months following approval of these financial statements. Given this formal undertaking to support the company, the directors have considered it appropriate to prepare these financial statements on a going concern basis.

#### Turnover

Turnover comprises the value of investments, held by the Company, realised during the year.

# SSE Venture Capital Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 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)

	2018 £m	2017 £m
Exceptional charges (note 3)	(12.4)	-

The audit fee in the year and the previous year was borne by the Parent company, £2,600 of this was in relation to the audit of SSE Venture Capital Limited (2017: £2,500).

### 3 Exceptional items

	2018 £m	2017 £m
Disposal of investment	(10.5)	-
Investment impairment	(1.9)	-
	(12.4)	-

On 29 March 2018 the Company completed the disposal of its 15% holding in Burntisland Fabrication Limited for a consideration of £1 resulting in a loss on sale of £10.5m. Exceptional charges of £1.9m were recognised in relation to the impairment of the investment in Vantage Point Capital Partners.

### 4 Staff costs and numbers

No staff are directly employed by the company.

# SSE Venture Capital Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 4 Staff costs and numbers *(continued)*

#### Directors' Remuneration

	2018	2017
	£m	£m
Directors' Remuneration	2.7	2.6

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £2.0m (2017:£2.2m), and the company paid contributions of £nil (2017:£nil) to a money purchase scheme on his behalf.

The above value is for two directors of the company who were remunerated via another group company during the year. A value for the allocation of services to the company for these director's cannot be determined therefore the above value represents the remuneration they received for services to the Group as a whole.

### 5 Interest payable and similar charges

	2018	2017
	£m	£m
Interest payable to Group companies	6.0	5.6
	6.0	5.6

### 6 Taxation

	2018	2017
	£m	£m
UK corporation tax		
Current tax on income for the period	-	(0.1)
Adjustment in respect of prior periods	-	0.2
<b>Total current tax charge</b>	-	0.1

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:

	2018	2017
	£m	£m
Loss before taxation	(18.4)	(7.0)
Tax on loss at standard UK corporation tax rate of 19% (2017: 20%)	(3.5)	(1.4)
Effects of:		
Expenses not deductible for tax purposes	3.5	1.1
Non taxable income	-	0.2
Other items	-	0.2
<b>Total tax charge for year</b>	-	0.1

The standard rate of UK corporation tax will reduce from 19% to 17% from 1 April 2020 which will reduce the company's future tax charge accordingly.

# SSE Venture Capital Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 7 Fixed asset investments

	Investment in associated undertakings	Other investments	Total
<i>Cost</i>	£m	£m	£m
At 1 April 2017	79.8	12.8	92.6
Additions to existing investments*	11.7	6.0	17.7
Disposals	(5.1)	(16.5)	(21.6)
Other movements	(2.0)	0.5	(1.4)
Dividends received	(1.8)	(0.1)	(1.9)
<b>At 31 March 2018</b>	<b>82.8</b>	<b>2.7</b>	<b>85.4</b>
<i>Provisions</i>			
At 1 April 2017	(49.6)	(6.4)	(56.0)
Impairments charges	-	(1.9)	(1.9)
Release of impairment on disposal	5.1	6.4	11.5
<b>At 31 March 2018</b>	<b>(44.5)</b>	<b>(1.9)</b>	<b>(46.4)</b>
<i>Net book value</i>			
<b>At 31 March 2018</b>	<b>38.2</b>	<b>0.8</b>	<b>39.0</b>
At 31 March 2017	30.2	6.4	36.6

\*Further cash drawdowns for existing investments.

On 29th March 2018 the Company disposed of its 15% stake in Burntisland Fabrications Limited to its existing shareholders for consideration of £1 and recognised an exceptional charge of £10.5m. An impairment of £1.9m has been recognised in relation to the company's investment in Vantage Point Capital Partners

The accumulated impairment recognised from date of incorporation is £46.4m (2017: £56.0m).

Details of the principal subsidiary, joint ventures, associates and other investments at 31 March 2018 are as follows:

Associated undertakings	Country of incorporation	Registered address key	%Holding 2018	%Holding 2017	Nature of Business
Environmental Energies Fund Limited	England & Wales	2	49.5	49.5	Investment company
SEP (IV) Fund	England & Wales	2	1.4	1.4	Investment company
Environmental Capital Fund	England & Wales	2	48.0	48.0	Investment company
Vanilla Energy Limited**	Scotland	3	42.5	42.5	Fuel cell technology
Aquamarine Power Limited*	Scotland	4	26.9	26.9	Wave energy
Shackleton Secondaries 3 LP	Scotland	5	9.3	9.3	Venture Investment Fund
Sigma Sustainable Energies Fund II	Scotland	5	31.2	31.0	Venture Investment Fund

\*Aquamarine Power Limited entered into administration on 27 October 2015 (period of administration extended to 27 October 2018)

\*\* Vanilla Energy Limited (Previously IE CHP (UK & EIRE) Limited) entered into a members voluntary liquidation on 19 September 2016

\*\*\* SSE Asia, a former subsidiary, was dissolved on 2 January 2018.



# SSE Venture Capital Limited

## Notes on the Financial statements (continued) for the year ended 31 March 2018

### 7 Fixed asset investments (continued)

	Country of incorporation	Registered address key	% Holding 2018	% Holding 2017	Nature of Business
<b>Other Investments</b>					
SSE Insource Energy Limited	England&Wales	1	100.0	100.0	Dormant
SSE Rogerstone Limited	England&Wales	1	100.0	100.0	Production of electricity
Vantage Point Capital Partners	US	6	1.1	1.1	Venture Investment Fund

#### Company registered addresses

1 - No 1 Forbury Place, 43 Forbury Road, Reading RG1 3JH

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

### 8 Debtors

	2018 £m	2017 £m
Corporation tax - group relief receivable	0.1	0.2
	<b>0.1</b>	<b>0.2</b>

### 9 Creditors: amounts falling due within one year

	2018 £m	2017 £m
Amounts owed to group undertakings	12.7	12.7
Accruals and deferred income	0.2	-
	<b>12.9</b>	<b>12.7</b>

### 10 Creditors: amounts falling due after more than one year

	2018 £m	2017 £m
Amounts owed to group undertakings	9.4	98.9
	<b>9.4</b>	<b>98.9</b>

During the year, the company's parent, SSE plc made a capital contribution to the company in the form of writing off loans payable by the company amounting to £110m.

The amounts due to Group undertakings are in respect of amounts owed to its parent, SSE plc. Interest is charged at 5.52% (2017:5.84%)

# SSE Venture Capital Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 11 Share capital

#### Equity:

Allotted, called up and fully paid:

1 ordinary shares of £1.00 each

2018	2017
£	£

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, Inverlmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at [www.sse.com](http://www.sse.com).