

Registration number: SC309396

SSE Venture Capital Limited
Directors' Report and Financial Statements
for the Year Ended 31 March 2023

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SSE Venture Capital Limited

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SSE Venture Capital Limited

Company Information

Directors

Gregor Alexander

Barry O'Regan

Company secretary

Peter Lawns

Registered office

Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

Auditors

Ernst & Young LLP
G1 Building
5 George Square
Glasgow
G2 1DY

Registered number

SC309396

SSE Venture Capital Limited

Strategic Report for the Year Ended 31 March 2023

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

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 "Company").

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of the Company during the year ended 31 March 2023, as well as those matters which are likely to affect its future development and performance.

Fair review of the business

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

At 31 March 2023, the Company has investments totalling £30.8m (2022 : £11.7m) in a range of 'clean tech' businesses. The principal investments are:

- 1) Corran Environmental LP, which is in the process of identifying potential solar, wind and storage opportunities.
- 2) The Environmental Energies Fund LP which comprises one remaining investment in Vital Energi Utilities Limited a provider of energy and energy related services.
- 3) The SEP (IV) Fund which provides growth, equity and venture capital to businesses in the information technology, energy and health care sectors.

On 30 June 2022 and 8 November 2022, the Company advanced funding of £9.4m and £9.3m respectively into the Corran Environmental LP Fund, in accordance with the Partnership agreement.

On 24 November 2022, the Company recognised a further gain of £0.3m (2022: £2.9m) in relation to Scottish Equity Partners' sale of Smarter Grid Solutions Limited from its Environmental Energies Fund.

SSE Venture Capital Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

Financial performance

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

	2023	2022
	£m	£m
Operating profit	0.4	3.4
Net assets	24.8	23.8

Company priorities in 2023/24 and beyond

In the year ahead the Company will manage its investments and where opportunities arise will seek to realise the value from these investments. New investments may be added when opportunities arise to add value to the current portfolio.

Principal risks and uncertainties

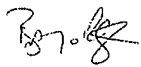
The Directors acknowledge that they have responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable 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.

This involves thorough financial, commercial, technical, legal and safety due diligence.

Approved by the Board on 21 September 2023 and signed on its behalf by:



.....
Barry O'Regan
Director

SSE Venture Capital Limited

Directors' Report for the Year Ended 31 March 2023

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

Directors of the company

The Directors, who held office during the year, were as follows:

Gregor Alexander

Barry O'Regan

Principal activity

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

Dividends

The directors do not recommend payment of a dividend (2022: £nil) be made in respect of the financial year ended 31 March 2023.

Future developments

The Company will continue to fund its current investments, and new investments may be added where opportunities arise to add value to the current portfolio. This investment in renewable or clean energy and related technologies aligns with the Group's long-term strategy, which is to invest in the UK's transition towards a net zero economy.

Going concern

The financial statements are prepared on a going concern basis which has been supported by the provision of a parental letter of support from SSE plc. The Group letter of support confirms that the Group will provide support to 31 December 2024 where required. The Directors are satisfied that the Group has the ability to provide this support, should it be required.

In assessing the financial strength of the letter of support provided, the directors considered the cash and cash equivalents balance of £891.8m at 31 March 2023, and the undrawn committed bank facilities of £2.75bn maintained by the Group. In coming to this conclusion, the Directors have taken into account the Group's credit rating and the successful issuance of £1.6bn of long term funding in the 22/23 financial year being a €1bn NC6 Hybrid at 4% in April 2022, a 7 year €650m Eurobond at a coupon of 2.875% and a £350m dual tranche US Private Placement. As well as taking account of the factors noted, the going concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including removal of proceeds from unconfirmed future divestments, negative and positive sensitivities on operating cash flows and uncommitted capex and other adjustments.

Having reviewed the financial strength of the Group, the directors are satisfied that the Group, and the Company itself, will remain funded for foreseeable future. The Directors have therefore concluded it is appropriate for the financial statements to be prepared on a going concern basis.

Non adjusting events after the financial period

On 28 June 2023 the Company, in accordance with the Partnership agreement entered into with Corran Environmental LP, advanced funding amounting to £9.3m.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

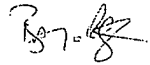
SSE Venture Capital Limited

Directors' Report for the Year Ended 31 March 2023 (continued)

Reappointment of auditors

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 21 September 2023 and signed on its behalf by:



.....
Barry O'Regan
Director

SSE Venture Capital Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards including FRS 101, 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 appropriate to presume that the company will not continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations.

Approved by the Board on 21 September 2023 and signed on its behalf by:



.....
Barry O'Regan
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SSE VENTURE CAPITAL LIMITED

Opinion

We have audited the financial statements of SSE Venture Capital Limited for the year ended 31 March 2023 which comprise the Profit and Loss Account, the Balance Sheet, the statement of comprehensive income, the statement of changes in equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SSE VENTURE CAPITAL LIMITED (Continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SSE VENTURE CAPITAL LIMITED
(Continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
(Continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS101 and Companies Act 2006) and relevant tax compliance regulations in the UK. We also determined there was no non-compliance with regulatory requirements.
- We understood how SSE Venture Capital Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We confirmed our enquiries through our review of board minutes, regulatory correspondence and papers provided to the SSE plc Audit Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls at a group level.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of legal counsel and management. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

DocuSigned by:

Ernst & Young LLP

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Gillian Gilmour (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow
22 September 2023

SSE Venture Capital Limited

Profit and Loss Account for the Year Ended 31 March 2023

	Note	2023 £ m	2022 £ m
Other gains	4	0.3	3.4
Other operating income	5	0.1	-
Operating profit		0.4	3.4
Interest receivable and similar income	8	0.2	0.1
Profit before tax		0.6	3.5
Tax on profit	10	-	(0.1)
Profit for the year		0.6	3.4

The above results were derived from continuing operations.

SSE Venture Capital Limited

Statement of Comprehensive Income for the Year Ended 31 March 2023

	Note	2023 £ m	2022 £ m
Profit for the year		0.6	3.4
Items that may be reclassified subsequently to profit or loss			
Surplus/(deficit) on changes in fair value of investments	12	0.4	(0.4)
Total comprehensive income for the year		1.0	3.0

The notes on pages 14 to 24 form an integral part of these financial statements.

SSE Venture Capital Limited

(Registration number: SC309396)
Balance Sheet as at 31 March 2023

	Note	31 March 2023 £ m	31 March 2022 £ m
Fixed assets			
Investments	11	27.1	8.4
Other investments	12	3.7	3.3
Amounts owed by Group undertakings	13	6.4	24.5
		<u>37.2</u>	<u>36.2</u>
Current liabilities			
Creditors: amounts falling due within one year	14	(12.4)	(12.4)
Net current liabilities		<u>(12.4)</u>	<u>(12.4)</u>
Net assets		<u>24.8</u>	<u>23.8</u>
Capital and reserves			
Called up share capital	15	-	-
Revaluation reserve		1.8	1.4
Profit and loss account		23.0	22.4
Shareholders' funds		<u>24.8</u>	<u>23.8</u>

Approved by the Board on 21 September 2023 and signed on its behalf by:



.....
 Barry O'Regan
 Director

SSE Venture Capital Limited

Statement of Changes in Equity for the Year Ended 31 March 2023

	Share capital £ m	Revaluation reserve £ m	Retained earnings £ m	Total £ m
At 1 April 2021	-	1.8	19.0	20.8
Profit for the year	-	-	3.4	3.4
Other comprehensive income	-	(0.4)	-	(0.4)
Total comprehensive income	-	(0.4)	3.4	3.0
At 31 March 2022	-	1.4	22.4	23.8

	Share capital £ m	Revaluation reserve £ m	Retained earnings £ m	Total £ m
At 1 April 2022	-	1.4	22.4	23.8
Profit for the year	-	-	0.6	0.6
Other comprehensive income	-	0.4	-	0.4
Total comprehensive income	-	0.4	0.6	1.0
At 31 March 2023	-	1.8	23.0	24.8

The notes on pages 14 to 24 form an integral part of these financial statements.

SSE Venture Capital Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

1 General information

The company is a private company limited by share capital, incorporated and domiciled in Scotland.

These financial statements were authorised for issue by the Board on 21 September 2023.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the company has applied the recognition, measurement and disclosure requirements of UK adopted International Financial Reporting Standards, 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.

Summary of disclosure exemptions

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 required by IAS 7;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets required by IAS 1, IAS 16 and IAS 36 respectively;
- The effect of new, but not yet effective, IFRSs required by IAS 1;
- Disclosures in respect of the compensation of key management personnel required by IAS 24;
- Disclosures in respect of capital management required by IAS 1; and
- Related party disclosures required by IAS 24.

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

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

Employee share based payments have not been disclosed on the basis of materiality.

SSE Venture Capital Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

2 Accounting policies (continued)

Going concern

The financial statements are prepared on a going concern basis which has been supported by the provision of a parental letter of support from SSE plc. The Group letter of support confirms that the Group will provide support to 31 December 2024 where required. The Directors are satisfied that the Group has the ability to provide this support, should it be required.

In assessing the financial strength of the letter of support provided, the directors considered the cash and cash equivalents balance of £891.8m at 31 March 2023, and the undrawn committed bank facilities of £2.75bn maintained by the Group. In coming to this conclusion, the Directors have taken into account the Group's credit rating and the successful issuance of £1.6bn of long term funding in the 22/23 financial year being a €1bn NC6 Hybrid at 4% in April 2022, a 7 year €650m Eurobond at a coupon of 2.875% and a £350m dual tranche US Private Placement. As well as taking account of the factors noted, the going concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including removal of proceeds from unconfirmed future divestments, negative and positive sensitivities on operating cash flows and uncommitted capex and other adjustments.

Having reviewed the financial strength of the Group, the directors are satisfied that the Group, and the Company itself, will remain funded for foreseeable future. The Directors have therefore concluded it is appropriate for the financial statements to be prepared on a going concern basis.

Changes in accounting policy

The accounting policies are consistent with those of the prior year.

Finance income and costs policy

Interest income and costs are recognised in the income statement as they accrue, on an effective interest method.

Functional currency

The functional currency of the Company and the presentational currency of these financial statements is pounds sterling. The financial statements have been presented in round millions.

Investment income

Investment income comprises dividends received from the company's investments in associated undertakings. Dividends receivable from investments are recognised when the right to such income is established. This is considered to be at the point that they are appropriately authorised and are no longer at the discretion of the investee company.

SSE Venture Capital Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

2 Accounting policies (continued)

Tax

Taxation on the profit for the year comprises current and deferred tax. Taxation is recognised in the profit and loss account unless it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is calculated using the balance sheet liability method, providing for 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.

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset within the same tax authority and where the company intends to either settle them on a net basis, or to realise the asset and settle the liability simultaneously. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Investments in Associates

Associates are those investments over which the Company has significant influence but neither control nor joint control.

The Company's associates are stated at cost less any impairment.

Other Investments

The Company's other investments, where the Company holds a minority interest, are carried at Fair Value, with adjustments recognised through other comprehensive income.

SSE Venture Capital Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

2 Accounting policies (continued)

Impairment

The carrying amount of the company's investments in associates, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there are indications that a previously recognised impairment loss has reduced. For investments in associates that have previously been identified as exhibiting indications of impairment, the review of impairment will be performed annually until there is sufficient evidence to confirm that any potential impairment loss has been appropriately recognised, or until previously recognised impairment losses have been fully written back.

For assets subject to impairment testing, the asset's carrying value is compared to the asset's recoverable amount. The recoverable amount is determined to be the higher of the fair value less costs to sell (FVLCS) and the value-in-use (VIU) of the asset.

If the carrying amount of the asset exceeds its recoverable amount, an impairment charge will be recognised immediately in the income statement. Reversals of previous impairment charges are recognised if the recoverable amount of the asset significantly exceeds the carrying amount.

Value in use (VIU) calculations require the estimation of future cash flows to be derived from the respective assets and the selection of an appropriate discount rate in order to calculate their present value. The VIU methodology is consistent with the approach taken by management to evaluate economic value and is deemed to be the most appropriate for reviews of investments in associates. The methodology is based on the pre-tax cash flows arising from the specific assets or underlying assets, and discounted using a pre-tax discount rate based on the company's cost of funding and adjusted for any specific risks. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the assets.

The fair value less costs to sell methodology also uses a present value technique, unless there is a quoted price in an active market for that asset. The methodology is based on the post-tax cash flows arising from the specific assets or underlying assets, and discounted using a post-tax discount rate determined in the same manner as the rates used in the VIU calculations, adjusted for the relevant taxation rate.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

SSE Venture Capital Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

It should be noted that the impact of variation in some assumptions, judgements and estimates can have a particularly material impact on the reported results. At 31 March 2023, management has applied its judgement to the determination of the value of its investments in associates. While the company holds its investments under the cost model, these are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

At 31 March 2023, management has also applied its judgement to the determination of the fair value of its other investments. These investments are accounted for as fair value through other comprehensive income. Where the fair value of the investment exceeds or falls short of the carrying value, management has applied its judgement as to whether or not this uplift or loss in carrying value is recognised in the accounts. See Note 12 for details.

4 Other gains

The analysis of the company's other gains for the year is as follows:

	2023	2022
	£ m	£ m
Gain from disposals of investments	0.3	3.4

On 24 November 2022, the Company recognised a further gain of £0.3m (2022: £2.9m) in relation to Scottish Equity Partners' sale of Smarter Grid Solutions Limited from its Environmental Energies Fund.

Also in the prior year, the SEP IV Fund disposed of several of its investments resulting in a gain on sale of £0.1m, and the Shackleton Fund disposed of its investment in DEM Solutions Limited and Exterity Limited recording a gain on sale of £0.4m.

5 Other operating income

During the year the Company received dividends of £98,000 from its investment in Shackleton Secondaries 3 LP.

In the prior year, the Company received no dividends from its investments.

6 Staff costs

No staff are directly employed by the Company in the current or prior year.

SSE Venture Capital Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

7 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £4.0m (2022: £3.9m). The above value is for 2 directors (2022: 2), who were remunerated via another Group company in the year. A value of services to the Company for these directors cannot be determined, therefore the above value reflects the remuneration received for services to the SSE Group as a whole.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £3.2m (2022: £3.1m) including company pension contributions of £0.3m (2022: £0.3m) which were made to a defined benefit scheme on their behalf.

8 Interest receivable and similar income

	2023 £ m	2022 £ m
Other finance income	0.2	0.1

9 Auditors' remuneration

The Company incurred an audit fee of £17,473 in the year (2022: £13,163). The fee, in both the current and previous year, is borne by another Group company.

10 Income tax

Tax charged/(credited) in the profit and loss account

	2023 £ m	2022 £ m
Current taxation		
UK corporation tax	-	0.1

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2022 - lower than the standard rate of corporation tax in the UK) of 19% (2022 - 19%).

The differences are reconciled below:

	2023 £ m	2022 £ m
Profit before tax	0.6	3.5
Corporation tax at standard rate of 19% (2022: 19%)	0.1	0.7
Increase from effect of revenues exempt from taxation	(0.1)	(0.7)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	-	0.1
Total tax charge	-	0.1

SSE Venture Capital Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

10 Income tax (continued)

The 2021 Budget announcement, to increase the main corporation tax rate to 25%, effective from 1 April 2023, was substantively enacted on 24 May 2021. Prior to 1 April 2023, the rate of corporation has remained at 19%. Deferred tax has been calculated based on the rate of 25% substantively enacted as at the balance sheet date.

11 Investments

Investments	Total £ m
Cost or valuation	
At 1 April 2022	19.1
Additions	18.7
Disposals *	<u>(10.7)</u>
At 31 March 2023	<u>27.1</u>
Provision	
At 1 April 2022	(10.7)
Eliminated on disposal *	<u>10.7</u>
At 31 March 2023	<u>-</u>
Carrying amount	
At 31 March 2023	<u>27.1</u>
At 31 March 2022	<u>8.4</u>

* The decrease in both cost and provision relates to investments dissolved in the current year or transferred to 'Other Investments'.

SSE Venture Capital Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

11 Investments (continued)

On 30 June 2022 and 8 November 2022, the Company advanced funding of £9.4m and £9.3m respectively into the Corran Environmental LP Fund, in accordance with the Partnership agreement.

Details of the associates at 31 March 2023 are as follows:

Name of Associate	Principal activity	Registered address (key)	Country of incorporation	Proportion of ownership interest and voting rights held	
				2023	2022
Environmental Energies Fund LP	Investment Company	A	Scotland	49.5%	49.5%
Vanilla Energy Limited*	Fuel Cell technology	B	Scotland	-	42.5%
Corran Environmental LP	Private Fund	C	Scotland	100%	100%

*Vanilla Energy Limited (Previously IE CHP (UK & EIRE) Limited) was dissolved on 10 January 2023.

Company registered addresses

Reference Registered Office:

A	17 Blythswood Square, Glasgow, G2 4AD
B	168 Bath Street, Glasgow G2 4TP
C	4th Floor, 7 Castle Street, Edinburgh, EH2 3AH

SSE Venture Capital Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

12 Other Investments

	Other Investments £ m
Opening fair value	3.3
Fair value remeasurements	<u>0.4</u>
Closing fair value	<u>3.7</u>

At 31 March 2023, the fair value of the Company's investments were: Vantage Point Capital Partners (£0.3m; 2022: £0.3m), SEP(IV) Fund (£3.0m; 2022: £2.7m) and Shackleton Secondaries (£0.4m; 2022: £0.3m).

Details of the other investments as at 31 March 2023 are as follows:

Name of Other Investment	Principal activity	Registered address (key)	Country of incorporation	Proportion of ownership interest and voting rights held	
				2023	2022
Vantage Point Capital Partners	Venture Investment Fund	A	US	1.1%	1.1%
SEP (IV) Fund	Investment company	B	Scotland	1.4%	1.4%
Shackleton Secondaries 3 LP	Venture Investment Fund	C	Scotland	9.3%	9.3%

SSE Venture Capital Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

12 Other Investments (continued)

Company registered addresses

Reference Registered Office

A	1505 East Valley Road, Suite E, Santa Barbara, CA 93108
B	17 Blythswood Square, Glasgow, G2 4AD
C	Thistle Court, 1-2 Thistle Street, Edinburgh, EH2 1DD

13 Trade and other debtors

Amounts falling due after more than one year

	31 March 2023 £ m	31 March 2022 £ m
Amounts owed by Group undertakings	6.4	24.5
	<u>6.4</u>	<u>24.5</u>

The amounts disclosed in the balance sheet as owed by Group undertakings are in respect of amounts advanced by the Company to its ultimate parent SSE plc. Interest was earned at an average rate of 1.75% in the current year (2022: 0.25%).

14 Creditors

Amounts falling due within one year

	31 March 2023 £ m	31 March 2022 £ m
Amounts due to Group undertakings	12.3	12.3
Income tax liability	0.1	0.1
	<u>12.4</u>	<u>12.4</u>

SSE Venture Capital Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

15 Share capital

Allotted, called up and fully paid shares

	31 March 2023		31 March 2022	
	No.	£	No.	£
Allotted, Called up and fully paid of £1 each	1	1	1	1

16 Parent and ultimate parent undertaking

The company's immediate and ultimate parent is SSE plc.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is SSE plc, incorporated in Scotland. The consolidated financial statements of the Group (which include the Company) are available from the Company Secretary, SSE plc, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the parent company's website at www.sse.com.

17 Non adjusting events after the financial period

On 28 June 2023 the Company, in accordance with the Partnership agreement entered into with Corran Environmental LP, advanced funding amounting to £9.3m.