

**REGISTERED NO.**  
**SC303682**

## **SSE Heat Networks Limited**

### **Financial statements for the year ended 31 March 2015**

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## **Report of the Directors**

The Directors present their report together with the audited financial statements for the year ended 31 March 2015.

### **1. Principal activities**

SSE Heat Networks Limited (the “company”) is a wholly owned subsidiary of SSE plc and part of the SSE Group (the ‘Group’).

The company’s principal activity during the year was the development, operation and maintenance of district heating schemes, delivering electricity, heat and cooling. The technologies utilised include combined heat and power plant, biomass boilers and heat pumps.

### **2. Business review**

The demand for new solutions outside traditional energy provision is being driven by planning requirements on developers to achieve carbon reductions and by customers demanding more environmentally and socially sustainable sources of energy at more predictable and financially attractive rates.

The company uses Combined Heat and Power (CHP) generation on District Heating schemes to provide hot water and space heating mainly to high density residential developments. There are now 13 heat networks in operation and 3 further schemes where the company is the preferred bidder. Over 800 new heat customers have been connected in the last 12 months, including the delivery of one of Scotland’s largest district heating schemes at Wyndford, Glasgow. The company’s total heat customers now stands at almost 4,700 with a further 6,000 contracted but not yet completed.

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.

Control is maintained through an organisation structure with clearly defined responsibilities, authority levels and lines of reporting; the appointment of suitably qualified staff in specialised business areas; and continuing investment in quality information systems. These methods of control are subject to periodic review as to their implementation and continued suitability.

Exacting standards of performance are set to ensure the quality of connections work and service to customers are maintained. The principal risks and uncertainties concern uncertainty in the property development sector, the reliance on new technology, major service failure due to fire/damage to energy centre or damage to upstream gas connection, and significant policy change which disproportionately favours alternative energy provisions (such as micro generation).

The Board reviews and agrees policies for addressing each of these risks.

### **3. Results and dividends**

The loss after tax for the year to 31 March 2015 amounted to £1,359,000 (2014 - loss of £1,215,000). The Directors do not recommend the payment of a dividend (2014 – £nil).

### **4. Directors**

The Directors who served during the period were as follows:

Nathan Sanders	
Jim McPhillimy	(appointed 3 June 2014)
Jody Pittaway	(appointed 3 June 2014)
Mark Mathieson	(resigned 3 June 2014)

**Report of the Directors (continued)**

**5. Auditor**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and they have taken all the steps that ought to have been taken as Directors to be aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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



Nathan Sanders  
Director

22 December 2015

**Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements**

The Directors are responsible for preparing 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).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable 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.

**Independent Auditor's Report to the Members of SSE Heat Networks Limited**

We have audited the financial statements of SSE Heat Networks Limited for the year ended 31 March 2015 as set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 3, 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](http://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 2015 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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; or
- the directors' were not entitled to take advantage of the small companies exemption from the requirements to prepare a strategic report.



**William Meredith (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
191 West George Street  
Glasgow  
G2 2LJ

21/12/15

**Profit and Loss Account  
for the year ended 31 March 2015**

	<b>Note</b>	<b>2015 £000</b>	<b>2014 £000</b>
Turnover		<b>2,779</b>	2,887
Cost of sales		<b>(1,533)</b>	(1,358)
Gross profit		<b>1,246</b>	1,529
Administrative expenses		<b>(1,900)</b>	(1,890)
<b>Operating loss</b>	<b>2</b>	<b>(654)</b>	(361)
Net interest payable	<b>5</b>	<b>(860)</b>	(711)
<b>Loss on ordinary activities before taxation</b>		<b>(1,514)</b>	(1,072)
Tax credit/(charge) on loss on ordinary activities	<b>6</b>	<b>155</b>	(143)
<b>Loss for the year</b>	<b>13</b>	<b>(1,359)</b>	(1,215)

There were no other recognised gains and losses for the financial year, other than the loss for the year.

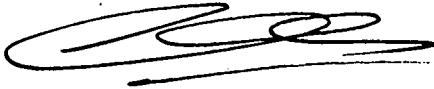
The results for the year are derived from continuing activities.

The accompanying notes form part of these Financial Statements.

**Balance Sheet as at 31 March 2015**

	Note	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible fixed assets	7	<u>18,854</u>	<u>17,998</u>
		<b>18,854</b>	<b>17,998</b>
<b>Current assets</b>			
Debtors	8	5,311	9,796
<b>Creditors: amounts falling due within one year</b>	9	<u>(2,819)</u>	<u>(2,504)</u>
<b>Net current assets</b>		<b>2,492</b>	<b>7,292</b>
<b>Total assets less current liabilities</b>		<b>21,346</b>	<b>25,290</b>
<b>Creditors: amounts falling due after one year</b>	10	<b>(30,345)</b>	<b>(32,974)</b>
<b>Deferred tax</b>	11	<b>(47)</b>	<b>(3)</b>
<b>Net liabilities</b>		<b>(9,046)</b>	<b>(7,687)</b>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	<b>(9,046)</b>	<b>(7,687)</b>
<b>Shareholders' deficit</b>		<b>(9,046)</b>	<b>(7,687)</b>

These Financial Statements were approved by the Director on 22 December 2015 and signed on their behalf by



Nathan Sanders, Director

Company Registered No. SC303682

**Reconciliation of Movements in Shareholders' Deficit**  
**For the year ended 31 March 2015**

	2015 £000	2014 £000
Loss for the year	(1,359)	(1,215)
Net increase in shareholders' deficit	(1,359)	(1,215)
Opening shareholders' deficit	(7,687)	(6,472)
Closing shareholders' deficit	(9,046)	(7,687)

**Notes on the Financial Statements  
for the year ended 31 March 2015**

**1. Principal accounting policies**

**Basis of accounting**

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies are summarised below and have been applied consistently.

The Financial Statements have been prepared on the going concern basis, notwithstanding the loss for the year of £1,359,000 (2014: £1,215,000) and net liabilities of £9,046,000 (2014: £7,687,000), which the Directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by SSE plc, the Company's ultimate parent Company. SSE plc has indicated that for at least 12 months, and for the foreseeable future, from the date of approval of these Financial Statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. The Directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated Financial Statements.

As the Company is a wholly owned subsidiary of SSE plc, it has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the SSE Group.

**Turnover**

Turnover, stated exclusive of Value Added Tax, relates to income associated with operating and maintaining district heating schemes, delivering electricity, heat and cooling.

**Taxation**

The charge for taxation is based on the profit for the period 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 taxation arises in respect of items where there are timing differences between their treatment for accounting and taxation purposes. This is recognised where an obligation to pay more tax in the future has originated but not reversed at the balance sheet date. A deferred tax asset is recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

**Notes on the Financial Statements  
for the year ended 31 March 2015**

**1. Principal accounting policies (continued)**

**Property, plant and equipment**

The presentation of property, plant and equipment at Note 7 includes the net book value of assets under construction as a separate column in the main tabular disclosure. Assets under construction that are commissioned and enter operation in the financial year are transferred from the relevant column to the appropriate category of assets in the table. Capital additions in the year comprise additions to assets still in construction, additions to commissioned operational assets and other directly incurred capital costs.

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairments. The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of other directly attributable costs.

Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment and depreciated accordingly.

**Depreciation**

Depreciation is charged to the income statement to write off cost, less residual values, on a straight line basis over their estimated useful lives. Depreciation policy, useful lives and residual values are reviewed at least annually, for all asset classes to ensure that the current method is the most appropriate. The estimated useful lives are as follows:

Network Assets	20 - 25 years
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**Customer contributions**

Customer contributions and capital grants are recorded as deferred income and released to the profit and loss account over the estimated useful life of the related fixed asset.

**2. Operating loss**

	<b>2015</b>	2014
	<b>£000</b>	£000
Operating loss is arrived at after charging / (crediting):		
Depreciation on tangible fixed assets	<b>802</b>	780
Release of deferred income in relation to capital grants	<b>(752)</b>	(634)

The Company incurred an audit fee of £949 (2014 - £949) in the year. The audit fee for these Financial Statements was borne by the ultimate parent in both the current and previous years.

**3. Staff costs and numbers**

In the current year there are no employees directly employed by the Company (2014 - nil).

**4. Directors' remuneration**

No Director received remuneration in respect of their service to the Company (2014 - £nil).

**Notes on the Financial Statements  
for the year ended 31 March 2015**

**5. Net interest payable**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Interest payable to group undertakings	860	711
Net interest payable	<u>860</u>	<u>711</u>

**6. Taxation**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Current tax:		
Current year credit	(179)	(67)
Prior year adjustment	(20)	787
	<u>(199)</u>	<u>720</u>
Deferred tax:		
Origination and reversal of timing differences	42	(1)
Adjustment in respect of prior years	2	(576)
Total deferred tax	<u>44</u>	<u>(577)</u>
Total tax (credit)/charge on loss on ordinary activities	<u>(155)</u>	<u>143</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:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Loss on ordinary activities before taxation	<u>(1,514)</u>	<u>(1,072)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 21% (2014 – 23%)	(318)	(247)
Effects of:		
Expenses not deductible for tax purposes	181	179
Capital allowances in excess of depreciation	(36)	6
Other timing differences	(6)	(5)
Adjustments in respect of prior periods	(20)	787
<b>Current tax (credit)/charge for the year</b>	<u>(199)</u>	<u>720</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. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly.

The deferred tax asset/liability at 31 March 2015 has therefore been calculated having regard to the rate of 20% substantively enacted at the balance sheet date.

**Notes on the Financial Statements  
for the year ended 31 March 2015**

**7. Tangible fixed assets**

	<b>Network assets £000</b>	<b>Assets under construction £000</b>	<b>Total £000</b>
<b>Cost:</b>			
At 1 April 2014	19,421	398	19,819
Additions	-	1,658	1,658
Transfer from assets under construction	1,166	(1,166)	-
<b>At 31 March 2015</b>	<b>20,587</b>	<b>890</b>	<b>21,477</b>
<b>Depreciation:</b>			
At 1 April 2014	1,821	-	1,821
Charge for the year	802	-	802
<b>At 31 March 2015</b>	<b>2,623</b>	<b>-</b>	<b>2,623</b>
<b>Net book value</b>			
<b>At 31 March 2015</b>	<b>17,964</b>	<b>890</b>	<b>18,854</b>
At 31 March 2014	17,600	398	17,998

**8. Debtors**

	<b>2015 £000</b>	<b>2014 £000</b>
Trade debtors	2,691	2,425
Amounts owed by group undertakings	2,309	1,612
Group relief recoverable	-	-
Other debtors	311	5,759
	<b>5,311</b>	<b>9,796</b>

**9. Creditors: amounts falling due within one year**

	<b>2015 £000</b>	<b>2014 £000</b>
Trade creditors	1	4
Amounts owed to group undertakings	304	-
Accruals and deferred income	2,260	2,228
Other creditors	93	-
Corporation tax	161	272
	<b>2,819</b>	<b>2,504</b>

**10. Creditors: amounts falling due after more than one year**

	<b>2015 £000</b>	<b>2014 £000</b>
Accruals and deferred income	15,349	17,466
Amounts owed to group undertakings	14,996	15,508
	<b>30,345</b>	<b>32,974</b>

**Notes on the Financial Statements  
for the year ended 31 March 2015**

**11. Deferred tax**

	<b>2015 £000</b>	<b>2014 £000</b>
Accelerated capital allowances	49	13
Other timing differences	(2)	(10)
<b>Deferred tax liability</b>	<b>47</b>	<b>3</b>

£000

Liability at 1 April 2014	3
Charged to the profit and loss account	44
<b>Liability at 31 March 2015</b>	<b>47</b>

**12. Share capital**

	<b>Number</b>	<b>£</b>
Allotted and called up: At 1 April 2014 and 31 March 2015	1	1

**13. Profit and loss account**

	<b>£000</b>
Balance at start of the year	(7,687)
Loss for the year	(1,359)
<b>Balance at end of the year</b>	<b>(9,046)</b>

**14. Ultimate holding 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, Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ or by accessing the Group's website at [www.sse.com](http://www.sse.com).