



Scottish Exhibition
Centre Ltd
Corporate Review

2015 – 2016

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Chairman's Welcome

Key financial and other performance indicators during the year were as follows:

	2016	2015	2014
Turnover (excluding Commonwealth Games)	£29.4m	£28.6m	£23.3m
EBITDA ¹	£3.8m	£9.1m	£1.8m
Net cash inflow/(outflow) from operating activities	(£5.5m)	£13.1m	£17.0m
Capital Expenditure excluding projects	£1.8m	£2.1m	£2.4m
Economic Impact (estimated)	£411m	£369m	£337m
Number of Visitors	1.8m	2.1m	1.4m
Pollstar Arena Global Ranking	3rd	2nd	4th
Number of Exhibitions held	42	36	34
Number of International Conferences held	16	7	6

¹ EBITDA is defined as operating profit from recurring operations before depreciation of assets and release of grants.



2015/16 has been another very successful year for SECC. Whilst not reaching the record levels of the previous year (which were driven by the impact of the Commonwealth Games) the underlying turnover and EBITDA both increased to £29.4m and £3.8m respectively.

It was an unsurpassed year for Conferences with 16 international events and 18% revenue growth. In the Exhibition sector, 17% revenue growth was the result of 6 new shows and high retention levels for established events. The SSE Hydro continues to be one of the world's top venues, again achieving a top 3 position in the Pollstar rankings for the busiest live entertainment arenas worldwide. There was a strong performance from our events subsidiary, QD Events, which added to its show portfolio during the year. Increases were also recorded in Commercial income with additional sponsorship agreements signed during the year.

The success is measured not only in financial terms but the economic impact generated by the campus which increased in Glasgow by over 7%, in Scotland by over 23% and the UK by 46% from the previous year (excluding the Commonwealth Games). In the year 2015/16, as a result of the business conducted by SECC, the net additional expenditure in Glasgow was estimated at £411m, in Scotland £308m and in the UK, £240m.

The growth in our Conference and Exhibition sectors is in part

facilitated by greater space availability created by the majority of live entertainment activity moving into The SSE Hydro. The business over the past few years has invested in the campus facilities, primarily in the construction of The SSE Hydro and related infrastructure. Trading profits continue to be reinvested to ensure the existing facilities meet the needs of our customers in an increasingly competitive market.

In line with this, and to capitalise on the success that Glasgow and Scotland has had in the events industry over recent years, a feasibility study has been commissioned to establish viable options for upgrading and enhancing the campus, principally to facilitate further growth in the Conference and Exhibition sectors.

Planning permission has now been granted for 2 hotels on the campus which will add 400 bedrooms with construction expected to commence in the second half of 2016. The additional bedrooms will be a valuable addition and will support our growing Conference and Exhibition sectors as well as our Live Entertainment offering.

The development plans fit with the objectives of Glasgow City Council, as major shareholder, to ensure additional economic benefit across the city in terms of spend on hotels, restaurants, retail and related employment. The campus will continue to generate economic benefits for Glasgow, Scotland and the rest of the UK.

Numerous awards were received in the year. The SECC was awarded the Large Venue of the Year award at The Drum UK Event Awards and the Best Event Space at the Event Magazine Awards and, most recently, at the Exhibition News Awards the SECC beat competition from all the major UK exhibition venues to win Venue of the Year. The SSE Hydro was also awarded the InstructE regional award for demonstrable benefit to the community.

Our staff won Venue Team of the Year 2015 in the exhibition and conference market at the UK Event Magazine Awards. The award reflects the talent, commitment and friendly professional approach of the team during the year.

These awards demonstrate the increasing standing which SECC, including The SSE Hydro, now has in the various sectors in which we operate.

I extend my thanks and those of the Board to all staff and partners across the business and to our principal shareholder, Glasgow City Council, for their support throughout the year.

Will Whitehorn
Chairman

Chief Executive's Review

During the year, growth was achieved across the business. Excluding the impact from the Commonwealth Games held in 2014, which contributed £6.3m to turnover, overall turnover increased by 3%. Operating costs were in line with the previous year. A reduction in cash held on behalf of promoters resulted in a cash outflow during the year. Timing between the date of ticket sales and the performance date can cause significant fluctuations from year to year.

EBITDA (operating profit from recurring operations before depreciation of assets and release of grants) is a key operating measure of the Group. The EBITDA of £3.8m achieved in 2016 was driven by strong sector performances.

Conference turnover increased by 18% with an unsurpassed year being recorded with 16 international conferences held during the year.

Exhibition turnover increased by 17% during the year with 6 new exhibitions added. In 2015 the

venue was host to the All Energy exhibition and conference, the largest sustainable energy show in the UK. We look forward to adding further new shows in 2016. In August 2016 the venue will host Ignition, a site wide festival of motoring, which will utilise internal and external space on the campus.

QD Events, our events management subsidiary, has continued to provide a solid contribution to Group results with a strong performance delivered by the existing portfolio of shows including the Scottish Caravan Show, The Wedding Show and The Iln Bru Carnival. During the year QD Events added the Independent Living Show to their portfolio with a successful launch and 2016 sees the introduction of a new gaming show, Resonate.

Live Entertainment turnover was in line with the previous year despite a slight drop in the number of events hosted. Visitor numbers to The SSE Hydro again exceeded 1 million which ranked the venue at number 3 in the Pollstar ranking of Global Arenas for the year to December 2015. The venue achieved a number 1 ranking in the Billboard ranking of Global Arenas which measures venues with a capacity between 10,000 and 15,000. Both organisations measure paid attendees at concerts and events.

Box Office turnover decreased by 21% during the year. Shorter lead

times were experienced during the year for events which will be held in the venue in 2016/17. However, demand for future events continues to be strong with 2016/17 shaping up well with a host of international artists including Justin Bieber, Neil Young, Rod Stewart and 8 performances of Marvel Universe Live! fuelling ticket sales.

The SSE Hydro has placed the campus on the world stage for Live Entertainment with the venue hosting many of the world's top artists and touring productions. A programme is currently underway to upgrade and enhance our back of house areas. Sizeable investment has been assigned to this project which will see improvements to the production spaces, artist spaces and the welcome message to back stage entrance areas. In addition, comfort handrails are being installed in the upper seating areas in response to customer feedback.

There was further investment in 2015 with an upgrade of our Hydro Club hospitality spaces. This included increasing the size of the windows that overlook the arena from each lounge in order to provide panoramic views across the bowl. Our Hydro Club hospitality offering is nearing capacity and our Executive boxes are currently all under contract. The company continues to be one of a small number of businesses to be awarded a Gold Accreditation



from the Healthy Working Lives scheme and during 2015, we were delighted to become the first venue in the world to be awarded the World Obesity Federation Silver Accreditation for its healthy employee and conference delegate initiatives.

SECC also has a comprehensive environmental policy with the objective of reducing the impact that the business has on the environment and this was recognised by Gold re-accreditation from the Green Tourism Business Scheme.

SECC has carried out various staff engagement exercises throughout the year. The results

have been taken into account when developing the People Strategy, which is aligned to the mission and vision of the business, in particular the need to have the "Best People". The People Strategy will be rolled out during 2016 with Culture and Values being a key focus alongside a more strategic but individual approach to the learning and development of every employee.

I believe that our mission statement of 'Best Venues, Best People, Best Events' will drive the strategy for the company in the years to come and will be a major contributor to an enthusiastic, happy workplace and successful company.

Peter Duthie
Chief Executive

Live Entertainment

CONCERTS AND EVENTS AT A GLANCE

- 235 events across the campus
- The SSE Hydro delivered 1,054,745 visitors across 133 events, and was officially recognised as the third busiest live entertainment arena in the world for the year to 31st December 2015
- The SSE Hydro achieved a number 1 ranking in the Billboard ranking of Global Arenas for venues with a capacity between 10,000 and 15,000
- 59% of Total campus Gross Profit

The SSE Hydro has placed the campus firmly on the Live Entertainment world stage, with the arena once again welcoming many of the world's top artists and touring productions. The SSE Hydro's success is clearly evident in the number of international touring productions that will choose the arena as one of only a limited number of stops in the UK. Recent high profile examples during the year included U2 (who only played London, Glasgow and Belfast) and Muse (who played London, Manchester and Glasgow).

A wide range of events continue to be staged throughout the campus with musical and stage productions, comedy, live music

and another successful 6th year of our pantomime (one of the top three pantomimes in the UK). The addition of The SSE Hydro has also broadened the range of events held in the venue which included Arenacross, Disney on Ice Productions, WWE Wrestling and the spectacular World Gymnastics Championships with over 60,000 attendees at this globally televised event.

2016 will see our first tennis and boxing presentations with an Andy Murray invitational tennis event and a World Championship boxing event respectively. Both of these events will be televised. The worldwide live broadcast of WWE Wrestling, a first for Scotland, will take place in November.

The SSE Hydro not only provides a purpose built venue to host our Live Entertainment events, but also a solid income stream from ancillary commercial activities including sponsorship and hospitality. Commercial turnover for the year increased by 3%. We continued to add to our sponsorships during the year and renewed agreements on longer term deals. All of these partnerships are underpinned by a clear shared vision and long term commitment to continued growth.



Conferences

CONFERENCES AT A GLANCE

- Strongest year to date, recording an 18% increase in turnover on 2014/15
- 55 conferences and corporate events during 2015/16
- An increase of 20% in Gross Profit
- Glasgow's status confirmed as one of the world's leading business tourism destinations
- Total Number of Delegates: 62,942

This year, Conferences reported its strongest year to date, with an 18 percent increase in turnover on 2014/15 (already previously noted as one of the venue's strongest years to date) and an increase of 20 percent in gross profit.

The campus hosted a total of 55 conferences and corporate events during 2015/16 - comprising 30 national, European and international association conferences and 25 corporate meetings and events.

Major conventions held during the year included the European Association of International Education Congress; the Congress of the International Society of Biomechanics, and the European Human Genetics Conference. The venue also played host to

the inaugural European Stroke Organisation Conference which exceeded delegate numbers by more than 200%, and welcomed back Diabetes UK, SCVO The Gathering, and NHS Scotland.

During the year, the SECC took on the challenge of becoming the first conference venue in the world to be accredited under the World Obesity Federation's (WOF) Healthy Venue Awards programme - an initiative that sets out to promote healthy choices and experiences for delegates attending a conference, and in December the venue received the ABPCO Special Chairman's Excellence Award for its work with WOF.

Official figures released in May this year have reaffirmed Glasgow's status as one of the

world's leading business tourism destinations. The report issued by meetings industry body, the International Congress and Convention Association (ICCA), showed that Glasgow attracted more international delegates in 2015 than major competitors including New York, Munich, Washington, Dublin and Beijing and held more international conferences than Melbourne, Geneva, Chicago, Florence, Cape Town and Los Angeles. Nearly 37,000 overseas delegates visited Glasgow last year, placing the city 28th in the ICCA rankings.

Looking forward, 2016/17 is on track to be a solid year for conference sales.



Exhibitions

EXHIBITIONS AT A GLANCE

- 17% growth in revenue, 17% growth in GP
- 17% increase in show numbers, 8 new events taking the total to 42
- Over £0.5m in new business which accounts for 18% of turnover
- 97% retention of year on year revenue
- Exhibitions welcome over ½ million visitors to the campus

In 2015/16 the exhibitions sector delivered a second year of growth with an increase in all key metrics. In line with our stated ambition, this has been achieved through a combination of strong business retention and an increase in new business.

During this period, the venue attracted 8 new events, 1 relocate, 4 brand expansions and 3 launches. The most significant of which was the hosting of All Energy, the UK's largest renewable energy and sustainable technology show. A hugely successful relocate from Aberdeen that saw a 20% increase in visitor numbers and

a fantastic example of how the venue and the city work in partnership to win and support great events.

Growth has been equally split between welcoming 4 new organisers and working with existing clients to expand the range of events they now run at the SECC. We are proud to have a client roster that includes local organisers, small companies, some of the UK's leading exhibition companies and one of the world's largest, Reed Exhibitions.

Investment has been made in both sales and marketing resource that

will allow us to better support our clients and continue to raise the profile of a very healthy events opportunity that Scotland offers.

A fantastic year from all involved in exhibitions was recognised when the SECC picked up the Exhibition News Award for "best venue". A huge achievement and one that we are very proud of.

Next year looks set to be a third year of growth with virtually all of 2015/16 revenues retained into 2016/17 and 6 new events confirmed.



Scottish Exhibition Centre Ltd
Key performance indicators

Turnover (excluding Commonwealth Games)	
EBITDA ¹	
Net cash inflow/(outflow) from operating activities	
Capital Expenditure excluding projects	
Economic Impact (estimated)	
Number of Visitors	
Pollstar Arena Global Ranking	
Number of Exhibitions held	
Number of International Conferences held	

¹ EBITDA is defined as operating profit from recurring operations before depreciation of assets and release of grants.

Scottish Exhibition Centre Ltd
Statement of Comprehensive Income

Turnover	
Operating costs	
Operating Profit	
Gain on sale of assets	
Interest receivable and similar income	
Interest payable	
Loss on financial liability at fair value	
Profit Before Taxation	
Tax on profit on ordinary activities	
Profit for the Financial Year	
Other Comprehensive Income for the Financial Year	
Total Comprehensive Income for the Financial Year	

Year end
31 March 2016

2016 £	2015 £	2014 £
£29.4m	£28.6m	£23.3m
£3.8m	£9.1m	£1.8m
(£5.5m)	£13.1m	£17.0m
£1.8m	£2.1m	£2.4m
£411m	£369m	£337m
1.8m	2.1m	1.4m
3rd	2nd	4th
42	36	34
16	7	6

Year end
31 March 2016

2016 £	2015 £
29,431,331	34,898,192
(27,933,075)	(28,025,116)
1,498,256	6,873,076
10,800	33,544
35,033	48,060
(355,721)	(303,891)
(190,347)	-
998,021	6,650,789
(184,810)	1,020,510
813,211	7,671,299
-	-
813,211	7,671,299

Scottish Exhibition Centre Ltd
Statement of Financial Position

Fixed Assets

Tangible assets

Current Assets

Debtors: amounts falling due within one year

Bank and cash balances

Creditors

Amounts falling due within one year

Net Current Liabilities

Total Assets Less Current Liabilities

Creditors

Amounts falling due after more than one year

Provision for Liabilities

Deferred taxation

Deferred grants

Net Assets

Capital And Reserves

Called up share capital

Capital Redemption Reserve

Profit and loss account

Equity Attributable to Owners of the Parent

Scottish Exhibition Centre Ltd
Statement of Cash Flows

Net cash flow from operating activities	
Returns on investments and servicing of finance	
Taxation	
Capital expenditure and financial investment	
Cash (Outflow)/Inflow Before Financing	
Bank Loan	
(Decrease)/Increase in cash in the year	
2015 after 1 April	
2016 after 31 March	

Year end
31 March 2016

2016 £	2015 £
102,412,809	103,798,611
102,412,809	103,798,611
8,610,948	8,090,079
6,930,944	14,562,392
15,541,892	22,652,471
(25,076,587)	(33,460,064)
(9,534,695)	(10,807,593)
92,878,114	92,991,018
(43,221,199)	(43,465,269)
(856,979)	(672,169)
(38,288,476)	(39,155,332)
(39,145,455)	(39,827,501)
10,511,460	9,698,248
21,900,000	21,900,000
2,750,000	2,750,000
(14,138,540)	(14,951,752)
10,511,460	9,698,248

Year end
31 March 2016

2016 £	2015 £
(5,508,799)	13,087,529
(320,688)	(255,831)
-	558
(1,801,961)	(1,960,129)
(7,631,448)	10,872,127
-	(5,000,000)
(7,631,448)	5,872,127
14,562,392	8,690,265
6,930,944	14,562,392

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Conference Centre

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