

# Scottish Event Campus Limited

## Corporate Review 2016 – 2017

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# Chairman's Welcome

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

	2017	2016
Turnover	£28.8m	£29.4m
EBITDA <sup>1</sup>	£3.4m	£4.3m
Net cash inflow from operating activities	£7.8m	(£5.5m)
Capital Expenditure excluding projects	£1.6m	1.8m
Economic Impact (estimated)	£414m	£411m
Number of Visitors	1.9m	1.8m
Pollstar Arena Global Ranking	8th	3rd
Number of Exhibitions held	45	42
Number of International Conferences held	12	16

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



2016/17 has been another very successful year for the Scottish Event Campus Limited (hereafter SEC, or the Group).

Of course, our success is measured not only in financial terms but also by the economic impact of the campus. In the year 2016/17, as a result of the business conducted by SEC, the net additional expenditure in Glasgow was estimated at £414m, in Scotland £272m and in the UK, £166m which amounts to expenditure of over £1m per day in the Glasgow area.

During the year, the business changed its name to Scottish Event Campus Limited from Scottish Exhibition Centre Limited. The new name acknowledges that the venue has developed over a period of more than 30 years – with The Armadillo and The SSE Hydro being added to the site over time. In addition, the company recognises that over this period, Live Entertainment has grown to be a significant part of the business which is not represented by its former name.

As a brand, The Scottish Event Campus better describes the site, is more representative of what we do and reflects a vision for the future. It is important to add that the new name still retains a clear reference

to its origins, maintaining a connection to the excellent reputation the venue has built up in each of the market sectors in which we operate – Conferences, Exhibitions and Live Entertainment.

Over the period, trading profits continued to be reinvested to ensure the existing facilities meet the needs of our customers in an increasingly competitive market. During the year investment in the backstage artist and promoter areas took place along with the enhancement of hospitality areas and handrails added in The SSE Hydro. Upgraded digital signage was installed in the SEC Centre and The SEC Armadillo and new websites for SEC and The SSE Hydro were launched.

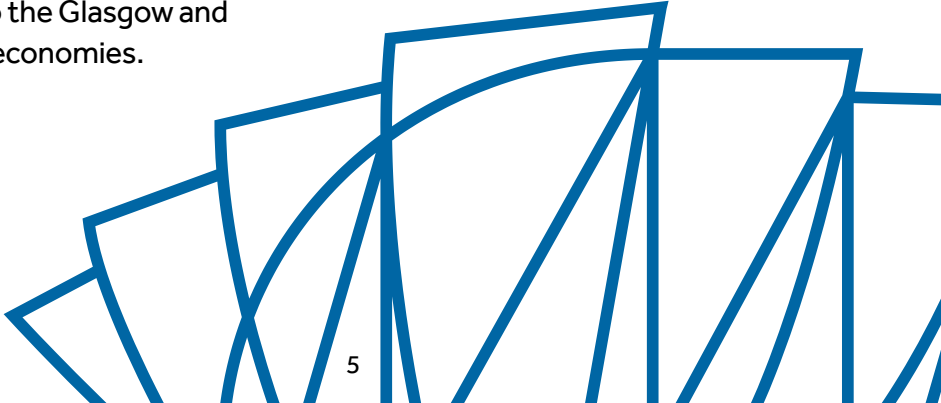
In line with this, and to capitalise on the success that Glasgow and Scotland have had in the events industry over recent years, a feasibility study was prepared to establish viable options for upgrading and expanding the campus, principally to facilitate further growth in the Conference and Exhibition sectors. The ambitious plans are supported by a robust business plan and an economic impact study. The focus now will be to secure funding support for a project which would be of significant benefit to the Glasgow and Scottish economies.

The development of two hotels on the campus is likely to begin in the final quarter of 2017. The hotels will add approximately 400 bedrooms to the campus when complete. The hotels will be an invaluable addition and will support our growing Conference and Exhibition sectors as well as our Live Entertainment offering and will help us to continue to generate economic benefits for Glasgow, Scotland and the rest of the UK.

The success during the year was down to the efforts of the SEC team which has made us such a popular destination for event organisers, with a reputation for providing a professional friendly service with a 'can do' attitude.

In November 2016 Rough Guides declared Glasgow to be the world's friendliest city – this is epitomised by the SEC. My thanks go to the Board, our staff and the key partners forming the wider team for their energy and commitment during the year.

Will Whitehorn  
Chairman



# Chief Executive's Review

Our underlying business trends continue to be very positive. Turnover for the year (£28.8m) was in line with last year despite the expected reduction in conference business from the record levels of the previous year.

A change to the timing of recognition of ticketing income has had a transitional impact in this year only, leading to a reduced operating profit for the year of £1.1m. Underlying business profitability is, however, also in line with the previous year.

The EBITDA of £3.4m was driven by the strong sector performances. This is a key measure for the business and cash generated has been reinvested in the campus.

There was a net cash inflow from operating activities of £7.8m for the year. Whilst the business is inherently cash generative, there can be variations from year to year as a result of cash held on behalf of concert promoters. Significant cash fluctuations can arise from inflow at the time of the ticket sales and outflow at the performance date.

The results include the impact from the disposal of one of the hotel sites on the campus. A gain on sale of £2m is included in the results. The second site was disposed of post year end with proceeds of £0.6m and will be included in the following financial year's results.

A record year for exhibitions evidences the growth in this sector and future conference business is strong.

The SSE Hydro continues to be one of the world's top venues with over 1 million visitors during the year, returning to number 2 on the list of the busiest live entertainment arenas in the world in the first quarter of 2017.

The SSE Hydro not only provides a purpose built venue to host our Live Entertainment events, but also provides an income stream from commercial

activities including sponsorship and hospitality. Commercial turnover for the year increased by 6%. We continued to add to our sponsorships during the year and renewed some agreements on longer term deals. Our Hydro Club hospitality offering is nearing capacity and our Executive Suites are currently all under contract.

QD Events, our event management subsidiary, has continued to provide a solid contribution to Group results with a robust performance delivered by the existing portfolio of shows including The Scottish Caravan Show, The Wedding Show and The Irn Bru Carnival. During the year QD Events added Insomnia x Resonate – The Festival of eSports and Gaming to their portfolio with a successful launch.

An overall vision for the business – 'To be the best event campus in Europe' – has been adopted with the mission statement – 'Best Venues, Best People, Best Events'. The vision and mission drive the strategy for the Group. The implementation of the People Strategy began this year, with our Culture and Values being a key focus. This provides a more strategic



but individual approach to learning and development of every employee. The People Strategy is aligned to the vision and mission of the business, in particular the need to have the "Best People".

SEC continues to be the recipient of major industry awards having previously been named Large Venue of the Year at The Drum UK Event Awards, the Best Event Space at the Event Magazine Awards, and Venue of the Year at the Exhibition News awards. Most

recently, SEC was announced as the winner of ABPCO's Best Industry Partnership Award. The SSE Hydro was awarded The Royal Academy of Engineering, Major Project Award, a prestigious award which recognises the impact that a project has had on society.

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

Peter Duthie  
Chief Executive



## Exhibitions

### EXHIBITIONS AT A GLANCE

- 15% growth in revenue
- 45 events including 5 new shows
- Over £460k in new business accounting for 11% of turnover
- 97% retention of year on year revenue
- 9% increase in visitor footfall

2016/17 delivered record turnover for exhibitions and a third consecutive year of growth. This continues to be through a combination of high retention levels and strong new business wins.

This year saw the launch of the Ignition Festival of Motoring, a spectacular event celebrating all elements from the world of motor sport, interactive experiences and a live street circuit on the streets of Glasgow. Not only was Ignition a great partnership between Brand Events, Visit Scotland and Glasgow Life, it also utilised all areas of the SEC (indoor

and outdoor) beautifully demonstrating our flexibility and operational capabilities as a broader event campus.

We created a marketing role dedicated to exhibitions with the dual purpose of raising awareness of the campus and supporting organisers to drive visitor attendance. Through initiatives such as the affiliate marketing scheme, this is already paying dividends and has been very well received by both new and existing customers.

We agreed a year long strategic partnership with the Association of Event Organisers to support

the SEC rebrand and continue the awareness building activity through content marketing and PR.

Moving forwards, we are focussing on our catering proposition, customer insight and strategic marketing support. All of which should help drive footfall and associated commercial opportunities whilst delivering the best possible customer experience.





## Conferences

### CONFERENCES AT A GLANCE

- 50 association conferences and corporate events (10% reduction on 2015/16)
- 44% of events were medical or scientific reflecting Glasgow's key strengths
- SEC welcomed 60,226 conference participants
- 182,587 participant days
- Secured a strong pipeline of future business as far as 2022/23

Whilst the conference turnover decreased by 21% in the year, the previous financial year was a record year for the sector. The lower level of turnover was not unexpected and was in line with a typical annual performance from the sector. Given the cyclical nature of some national and international conferences, a similar pattern will be seen through 2017/18 followed by stronger years in 2018/19 and 2019/20. The number of corporate meetings rose from 25 to 27, and 12 international conferences were held during the year reflecting our solid reputation as a leading international conference venue.

This has been reinforced with the volume and value of business secured in the reporting period. During 2017, based on current turnover levels, the equivalent of 18 months' worth of future business was secured.

The conference sector remains highly competitive and new entrants into the market will continue to drive up the quality of facilities both in the UK and overseas. The AIPC Annual Member Survey published in July 2017 indicates that 72% of participating venues are currently engaged in new build, expansion or major renovation. Our plans for an expanded

Scottish Event Campus will support further growth in this important sector which delivers significant economic benefit to Glasgow, Scotland and the UK.





## Live Entertainment

### LIVE ENTERTAINMENT AT A GLANCE

- Number 1 ranking in Billboard
- Current number 2 position in the Pollstar Rankings
- Major sporting televised events
- 15 performances of Still Game

Visitor numbers to The SSE Hydro again exceeded 1 million and a strong first quarter returned the venue to number 2 in the Pollstar rankings of Global Arenas in 2017.

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.

During the year The SSE Hydro staged televised broadcasts of Andy Murray Live, our first tennis event, WWE Raw and Smackdown Wrestling.

A wide range of events continued to be staged throughout the campus - musical and stage productions, comedy, including the return of the highly anticipated Still Game for a 15 performance run, world class live music and the seventh successful year of our pantomime offering which was one of the top three pantomimes in the UK.

Live Entertainment turnover reduced by 3% during the year in line with the UK trend. The slight decrease was driven by the mix of touring productions. Box Office turnover reduced by 3% in line with the Live Entertainment turnover reduction. However,

demand for future events remains buoyant with 2017/18 shaping up well with a host of international artists including Ed Sheeran, Bruno Mars, Celine Dion and Metallica fuelling forward ticket sales. We were also delighted to have secured the acclaimed national theatre production of "War Horse" in the Armadillo for 2019.





## Commercial

### COMMERCIAL AT A GLANCE

- Commercial turnover increased by 6% YOY
- Significant new Partnerships, in addition to the extension of existing agreements
- Executive Suites fully occupied
- Continued growth in the Hydro Club membership scheme, approaching capacity

The Commercial Department enjoyed a successful year driven by strong visitor numbers to The SSE Hydro and a strong calendar of events including major acts such as Justin Beiber, Andy Murray Live! and Rod Stewart.

Our Partnership programme continues to grow, with new partnerships with Bacardi and Exsel Group enhancing our existing portfolio headed by our successful naming rights agreement with SSE. We have also been pleased to extend our agreements with a number of existing partners, demonstrating the strength of our partner relationships and the opportunities associated with The SSE Hydro.

The eleven Executive Suites at the venue are fully occupied, providing our clients with an excellent platform to engage in entertaining clients and staff at a diverse range of world class events. The Hydro Club membership scheme which offers a range of ticketing and hospitality benefits to corporate clients and private individuals continues to grow. The membership will shortly be capped, which is a testament to the value that clients receive through the quality of events that The SSE Hydro continues to deliver, as well as the quality of hospitality facilities within the arena and service levels provided by the full Hospitality team.

With our principal hospitality offerings approaching capacity, the team are presently investigating opportunities to develop new products and facilities within The SSE Hydro.





OUR KEY FINANCIAL AND OTHER  
PERFORMANCE INDICATORS DURING THE  
YEAR WERE AS FOLLOWS:

Year end  
31 March 2017

	2017	Restated 2016
Turnover	£28.8m	£29.4m
EBITDA <sup>1</sup>	£3.4m	£4.3m
Net cash inflow from operating activities	£7.8m	(£5.5m)
Capital Expenditure excluding projects	£1.6m	£1.8m
Economic Impact (estimated)	£414m	£411m
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Pollstar Arena Global Ranking	8 <sup>th</sup>	3 <sup>rd</sup>
Number of Exhibitions held	45	42
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CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME

Year end  
31 March 2017

	Note	2017 £	2016 £
<b>TURNOVER</b>		<b>28,810,542</b>	29,386,018
<b>OPERATING COSTS</b>		<b>(27,696,963)</b>	(27,364,893)
<b>OPERATING PROFIT</b>	4	<b>1,113,579</b>	2,021,125
Gain on sale of asset		1,989,049	10,800
Interest receivable and similar income	7	30,503	35,033
Interest payable	8	(406,160)	(355,721)
Gain/(Loss) on financial liability at fair value		11,237	(190,347)
<b>PROFIT BEFORE TAXATION</b>		<b>2,738,208</b>	1,520,890
Tax on profit on ordinary activities	9	(194,842)	(289,410)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>2,543,366</b>	1,231,480
<b>OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>2,543,366</b>	1,231,480
<b>PROFIT ATTRIBUTABLE TO</b>			
Owners of the parent Company		2,543,366	1,231,480
		<b>2,543,366</b>	1,231,480
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>			
Owners of the parent Company		2,543,366	1,231,480
		<b>2,543,366</b>	1,231,480



CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION

As at  
31 March 2017

		2017	2016
	Note	£	Restated £
<b>Fixed Assets</b>			
Tangible Assets	11	100,761,506	102,412,809
Investments		60,300	-
		<u>100,821,806</u>	<u>102,412,809</u>
<b>Current Assets</b>			
Debtors: amounts falling due within one year	12	8,671,546	9,238,626
Bank current accounts		13,707,309	6,930,944
		<u>22,378,855</u>	<u>16,169,570</u>
Creditors: amounts falling due within one year	13	(31,442,357)	(26,722,001)
<b>Net current liabilities</b>		<u>(9,063,502)</u>	<u>(10,552,431)</u>
<b>Total assets less current liabilities</b>		<u>91,758,304</u>	<u>91,860,378</u>
Creditors: amounts falling due after more than one year	14	(42,023,935)	(43,221,199)
<b>Provisions for liabilities</b>			
Deferred taxation	17	(848,221)	(653,379)
Other provisions	18	(36,645,457)	(38,288,475)
		<u>(37,493,678)</u>	<u>(38,941,854)</u>
<b>Net Assets</b>		<u>12,240,691</u>	<u>9,697,325</u>
<b>Capital and reserves</b>			
Called up share capital	19	21,900,000	21,900,000
Capital redemption reserve	20	2,750,000	2,750,000
Profit and loss account	20	(12,409,309)	(14,952,675)
Equity attributable to owners of the parent Company		<u>12,240,691</u>	<u>9,697,325</u>
		<u>12,240,691</u>	<u>9,697,325</u>

CONSOLIDATED STATEMENT  
OF CASH FLOWS

Year end  
31 March 2017

		2017	2016
	Note	£	£
<b>Net cash flow from operating activities</b>	21	7,765,633	(5,508,799)
Returns on investments and servicing of finance	22	(375,657)	(320,688)
Capital expenditure and financial investment	22	(613,611)	(1,801,961)
<b>CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>		<u>6,776,365</u>	<u>(7,631,448)</u>
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<u>6,776,365</u>	<u>(7,631,448)</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT</b>			
		2017	2016
		£	£
Increase/(Decrease) in cash in the year		6,776,365	(7,631,448)
<b>CHANGE IN NET DEBT RESULTING FROM CASHFLOWS</b>		<u>6,776,365</u>	<u>(7,631,448)</u>
<b>MOVEMENT IN NET DEBT IN THE YEAR:</b>			
Net funds at 1 April 2016		6,930,944	14,562,392
Movement in net debt resulting from cash flows		6,776,365	(7,631,448)
<b>NET FUNDS AT 31 MARCH 2017</b>		<u>13,707,309</u>	<u>6,930,944</u>



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