



Scottish Event Campus Limited

Corporate Review 2017 – 2018

Contents

Chairman's Welcome	4
Chief Executive's Review	6
Venue Sales	
Conferences	8
Exhibitions	10
Live Entertainment	12
Commercial	14
Financial Review	16



Chairman's Welcome



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

	2018	2017
Turnover	£29.1m	£28.8m
EBITDA ¹	£3.8m	£3.4m
Net cash inflow from operating activities	£7.1m	£7.8m
Capital Expenditure	£1.5m	£1.6m
Economic Impact (estimated)	£400m	£414m
Number of Visitors	1.8m	1.9m
Pollstar Arena Global Ranking	4th	8th
Number of Exhibitions held	42	45
Number of International Conferences held	9	12

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

2017/18 has been a strong year for Scottish Event Campus Limited. Turnover increased by 1% to £29.1m and EBITDA increased by 11% to £3.8m. EBITDA is defined as operating profit from recurring operations before depreciation of assets and release of grants. The increase in EBITDA was driven by efficient cost management in our event delivery and supply chain management whilst investing in additional staff in our event delivery teams.

The success is measured not only in financial terms but also by the economic impact of the campus which generated net additional expenditure of over £1m per day in the Glasgow area, a total of £400m for the year. The net additional expenditure in Scotland was measured at £227m and in the UK at £136m.

There was net cash inflow from operating activities of £7.1m 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. Trading profits continue to be reinvested to ensure the existing facilities meet the needs of our customers in an increasingly competitive market. This included the creation of the recently launched Meeting Academy which caters for smaller conferences and meetings is a significant addition to our offering. The project involved

the conversion of former catering, office and storage space to a modern technology focussed meeting area which has been warmly received by the Conference sector.

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 had previously been prepared to establish viable options for upgrading and expanding the campus, principally to facilitate further growth in the Conference and Exhibition sectors. This year, to further our ambitious plans, a Planning Permission in Principle application has been proposed. The 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, Scottish and UK economies. Engagement has commenced with key stakeholders as to how this might be progressed.

The development of two further hotels on the campus is expected to begin in the summer of 2018 with opening expected in 2019. The new hotels will increase the number of hotel bedrooms in the vicinity of the campus from 950 to almost 1,400. This will be an invaluable addition and will support our growing Conference and Exhibition sectors as well as our Live Entertainment

offering. In the longer term the development of the west end site will add other mixed uses which will complement the existing site activities.

The results include the impact from the disposal of the second of two hotel sites on the campus. A gain on sale of £0.6m is included in the results. The first of the two sites was included last year.

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 the related employment. The campus will continue to generate economic benefits for Glasgow, Scotland and the rest of the UK.

The real and sustained progress which has been evident in the business over the last 12 months is down to individuals across all our organisation and to them I offer my sincere gratitude and praise for the talents, skills, dedication and commitment evident on a daily basis which drives our business forward and acts as a beating heart helping to drive the pulse of the Glasgow economy.

Will Whitehorn
Chairman

Chief Executive's Review

An overall vision for the business – 'To be the best event campus in Europe' – adopted with the mission statement - 'Best Venues, Best People, Best Events' continues to drive strategy for the Group. Our People Strategy, with Culture and Values being a key focus, provides a more strategic but individual approach to learning and development for every employee. The People Strategy is aligned to the vision and mission of the business; in particular, the need to have the "Best People".

Over the year, through the People Strategy, employees across the business have been involved in the development and application of the Company mission and values. The development of the inclusive, supportive and positive culture recognises the crucial role played by the whole team in the success of the business.

We are committed to providing a safe and healthy environment for all staff, customers and clients. Several initiatives are

underway to support continuous improvement, which include the appointment of key health and safety staff and the development of a Health and Safety Charter outlining the SEC Health and Safety vision, guiding principles, commitments, and responsibilities. Key focus areas have included on site security in light of the Manchester terror attack and its integration into the SEC public safety model, and in developing an environment of testing and learning with the emergency services and key partners.

This year, we have retained a Gold Award in line with the Green Tourism Business Scheme (GTBS), which was originally awarded in 2009. In the past 18 months, the SEC team has implemented over 15 initiatives to aid the goal of achieving zero waste to landfill by 2020. These initiatives touch nearly all aspects of the campus from cleaning to wildlife and have led to significant waste and client cost reductions.

The SEC continues to champion the Healthy Venue initiative, having become the first venue in the world to be awarded the World Obesity Federation's Silver Accreditation in 2016. The scheme sees the venue provide visitors and staff with healthier options across catering and exercise. This includes bespoke conference menus, low salt

initiatives, access to NextBikes and provision of pedometers for step challenges.

The Campus has also been recognised with a string of plaudits at major industry award. Recently, it was awarded Best Large Venue at the Annual Exhibition Awards when the judges commented "In an incredibly competitive category with world class competitors, the SEC really demonstrated their desire to work with organisers and visitors to get the best for each individual show". The business also took the silver trophy for the Best Conference Centre at the M&IT Industry Awards and was announced as the winner of ABPCO's Best Industry Partnership Award. The SSE Hydro was recognised by being awarded The Royal Academy of Engineering, Major Project Award. This prestigious accolade recognises the impact that a project has had on society.

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



Peter Duthie
Chief Executive

Conferences

CONFERENCES AT A GLANCE

- £500,000 SEC Meeting Academy launched
- Significant economic benefit for Glasgow, Scotland and UK
- Corporate market increased by 62%
- Total events increased by 36%
- Turnover and Gross Profit (GP) 16% and 14% ahead of budget respectively

Conference turnover and GP surpassed budget by 16% and 14% respectively as a result of a strong performance in the corporate market which grew by 49% in GP. Due to the recognised cyclical nature of the international conference market, the overall performance for the year resulted in a small decrease in GP of 2%. The total number of events held increased by 36%, with 42 corporate events, 17 national association and 9 international association conferences.

£132m of economic benefit was generated for Glasgow, £90m for Scotland, and £78m for the UK. The plans for an expanded campus will support economic

growth from conferences, and the SEC and Glasgow's on-going success.

In this hyper-competitive market the team secured events against major UK and international venues in cities including Dublin, London, Budapest, Berlin, Brussels, Madrid, Paris, Rome, Philadelphia and Boston. As a result, strong conference years are forecast for 2018/19 and 2019/20. Collaboration is key to this success, and the SEC continues to work with city and national stakeholders. Alliances with strategic partners including the Leading Centres of Europe, and Association of British Professional Conference Organisers, have and continue

to play an important role in the positioning of the city and venue in the global conference market.

During the year, we officially launched the latest addition to our award-winning conference offering; the SEC Meeting Academy. This £500,000 investment in the newly created space acts as both a stand-alone conference venue for smaller meetings, and as an additional provision for larger congresses. The SEC Meeting Academy features a central 300-400 theatre-style capacity room and links with breakout rooms and networking spaces and has been warmly received by our clients.



Exhibitions

EXHIBITIONS AT A GLANCE

- 94% retention of turnover
- 4 new shows generating over £200k of revenue
- 4th consecutive year of growth
- 2% increase in GP from less events
- 2nd year of record turnover
- 91% of visitors rated their experience as either good or excellent

2017/18 continued to deliver growth for exhibitions and a strong performance despite an "interrupted" end to the year. The snowfall in March led to the cancellation of 2 events and whilst challenging for those involved, we are delighted that both shows will run with us again in 2019.

Despite this resulting in the sector hosting less events in the year, turnover continued to grow and posted a second record year of profit through an increase in revenue, efficient operations and cost management. We welcomed half a million visitors to a range of events that

included five new shows such as Brick Show, UCAS and Can You Dance Live.

To raise awareness of the SEC, we are now focussing our efforts on content marketing using LinkedIn to target new business prospects. A combination of customer testimonial videos and newly created blog content featuring client interviews and informal chats, now generates over 20% of exhibition traffic to the website.

The launch of our affiliates network offers consumer show organisers a new and free route to market. To date this

has delivered over 3,500 ticket sales in line with our strategy to help organisers increase show audiences.

Our growth has been mainly through the addition of new consumer exhibitions which look set to continue into 2018/19 with 5 new events confirmed and the return of our largest and most well-known shows.



Live Entertainment

LIVE ENTERTAINMENT AT A GLANCE

- Number 1 ranking in Billboard
- Number 4 ranking in Pollstar
- Increase in theatre portfolio
- Metallica beats all previous attendance records
- Celine Dion becomes the highest ever grossing artist at The SSE Hydro

Live Entertainment turnover was in line with the previous year and the number of performances in line with UK trends. Visitor numbers to the Campus exceeded 1 million which saw The SSE Hydro listed at number 4 in the Pollstar ranking of Global Arenas for the year to December 2017, an improvement of four places compared to the previous year. The venue retained the number 1 position in the Billboard ranking list 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 has placed the campus on the world stage for live entertainment with

the venue hosting many of the world's top artists such as Celine Dion who became the highest ever grossing artist to play The SSE Hydro whilst Metallica beat all previous attendance records with an audience of 12,935. The demand for tickets associated with major international artists drove a 3% increase in box office revenue. Other event highlights included Andy Murray Live, an exhibition match which raised over £700,000 for his nominated charities.

A wide range of events continued to be staged throughout the campus - musical and stage productions, comedy, world class live music

and the eighth successful year of our pantomime offering produced by Olivier Award winning QDOS Entertainment. We were delighted that this year we attained the Gold Award in line with the Green Business Tourism Scheme. With our continued commitment to improve our sustainability practices The SSE Hydro held its first fully compostable event, with no waste to landfill from a sold-out Mogwai concert by providing compostable straws at the event. This move resulted in the campus removing all plastic straws on site from February this year.



Commercial

COMMERCIAL AT A GLANCE

- Commercial income increased by 6% YoY
- Extension of multiple existing partnership agreements
- Executive Suites fully occupied
- The Hydro Club membership sells out

2017/18 was another year of growth for the Commercial sector, with highlights including the extension of key partner agreements and all hospitality products being sold out.

Our partnership with Heineken has been extended for five years and will see new products introduced across the SEC campus to improve customer choice. Extensions have also been agreed with Clydesdale Bank and Parks Motor Group demonstrating our commitment to long term relationships with venue partners and the value that association with the ongoing success of The SSE Hydro can provide to major brands.

The Executive Suites in The SSE Hydro continue to be fully occupied, with several of the current tenants extending their agreements during the past year. In 2017/18 our Hydro Club membership scheme reached capacity resulting in our hospitality team having a waiting list of businesses and individuals who wish to join. Membership of The Hydro Club operated at 87% retention rate, with customer feedback praising the concierge ticketing service and quality of facilities at the arena. A strong calendar of events in the year, including performances from global acts such as Bruno Mars, Ed Sheeran, Celine Dion and Sam Smith assisted in

attracting significant levels of new membership, leading to a cap being applied. Associated food and beverage revenues from hospitality areas continue to perform well resulting in the team investing into an increase in the seated capacity of The Hydro Club Restaurant.



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

	Restated	
	2018	2017
Turnover	£29.1m	£28.8m
EBITDA ¹	£3.8m	£3.4m
Net cash inflow from operating activities	£7.1m	£7.8m
Capital Expenditure excluding projects	£1.5m	£1.6m
Economic Impact (estimated)	£400m	£414m
Number of Visitors	1.8m	1.9m
Pollstar Arena Global Ranking	4th	8 th
Number of Exhibitions held	42	45
Number of International Conferences Held	9	12

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

Year end
31 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year end
31 March 2018

	Note	2018 £	2017 £
TURNOVER		29,024,314	28,810,542
OPERATING COSTS		(27,694,43)	(27,696,963)
OPERATING PROFIT	4	1,329,882	1,113,579
Gain on sale of asset		564,269	1,989,049
Interest receivable and similar income	7	57,046	30,503
Interest payable	8	(372,864)	(406,160)
Gain on financial liability at fair value	9	109,014	11,237
PROFIT BEFORE TAXATION		1,687,347	2,738,208
Tax on profit on ordinary activities	10	(247,191)	(194,842)
PROFIT FOR THE FINANCIAL YEAR		1,440,156	2,543,366
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		1,440,156	2,543,366
PROFIT ATTRIBUTABLE TO			
Owners of the parent Company		1,440,156	2,543,366
		1,440,156	2,543,366
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent Company		1,440,156	2,543,366
		1,440,156	2,543,366

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

 As at
31 March 2018

		2018	2017
	Note	£	Restated £
Fixed Assets			
Tangible Assets	12	98,918,874	100,761,506
Investments		60,300	60,300
		98,979,174	100,821,806
Current Assets			
Debtors: amounts falling due within one year	13	9,574,676	8,671,546
Bank current accounts		19,540,575	13,707,309
		29,115,251	22,378,855
Creditors: amounts falling due within one year	14	(38,386,321)	(31,442,357)
Net current liabilities		(9,271,070)	(9,063,502)
Total assets less current liabilities		89,708,104	91,758,304
Creditors: amounts falling due after more than one year	15	(39,967,131)	(42,023,935)
Provisions for liabilities			
Deferred taxation	18	(1,093,399)	(848,221)
Accruals and deferred grants	19	(34,966,727)	(36,645,457)
Deferred government grants		(36,060,126)	(37,493,678)
Net Assets		13,680,847	12,240,691
Capital and reserves			
Called up share capital	20	21,900,000	21,900,000
Capital redemption reserve	21	2,750,000	2,750,000
Profit and loss account	21	(10,969,153)	(12,409,309)
Equity attributable to owners of the parent Company		13,680,847	12,240,691
		13,680,847	12,240,691

**CONSOLIDATED STATEMENT
OF CASH FLOWS**

 Year end
31 March 2018

		2018	2017
	Note	£	£
Net cash flow from operating activities	22	7,097,467	7,765,633
Returns on investments and servicing of finance	23	(315,818)	(375,657)
Capital expenditure and financial investment	23	(948,383)	(613,611)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		5,833,266	6,776,365
INCREASE IN CASH IN THE YEAR		5,833,266	6,776,365
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT			
		2018	2017
		£	£
Increase/(Decrease) in cash in the year		5,833,266	6,776,365
CHANGE IN NET DEBT RESULTING FROM CASHFLOWS		5,833,266	6,776,365
MOVEMENT IN NET DEBT IN THE YEAR:			
Net funds at 1 April 2017		13,707,309	6,930,944
Movement in net debt resulting from cash flows		5,833,266	6,776,365
NET FUNDS AT 31 MARCH 2018		19,540,575	13,707,309

Scottish Event Campus

Glasgow G3 8YW

T: +44(0)141 248 3000

F: +44(0)141 226 3423

www.sec.co.uk

www.thessehydro.com



 Scottish
Event
Campus