
2013 – 2014

Scottish Exhibition
Centre Ltd
Corporate Review



Contents

Chairman’s Welcome	4
Chief Executive’s Review	6
Venue Sales	9
Exhibitions	10
Conferences	12
Live Entertainment	14
Financial Review	16



Chairman's Welcome



September 30th 2013 was an eagerly awaited day for the business when we opened the doors to our 13,000 capacity arena, The SSE Hydro. Already, Scotland's new home of live entertainment has been acknowledged as one of the best purpose-built indoor live entertainment arenas in the world and over the current year has been the engine for a transformation in the company. The completion of The SSE Hydro has also allowed us to increase the number of concerts and events staged and with the transfer of existing business from Hall 4, will provide the opportunity to grow the exhibition and conference sectors further.

In its first six months of operation The SSE Hydro attracted over 600,000 visitors. It was the recipient of several prestigious awards and was ranked 4th in the Pollstar Global Arena results for the quarter to March 2014 which measures paid attendees at live entertainment events across all international venues. This major rise in visitor numbers to our business brings about a significant increase in EBITDA and consequently profitability from our recurring operations in the current year.

"The Board expects the impact of the opening of The SSE Hydro to result in a significantly increased level of profitability and indeed is likely to be the highest recorded in the company's history in the year ahead."

It is important to note that this year's results witness the months running up to and succeeding the opening, when the existing business suffered considerable disruption to its ability to take bookings. However, whilst constructing our new home of live entertainment, contribution from the other areas of the campus and business sectors has been maintained, even

with the significant one off costs associated with the lead up to The SSE Hydro opening. The Board believes that the benefits of the investment in the enlarged campus, greater space availability, commercial contracts and forward business secured leave the group well placed to significantly enhance future years results.

In the current year the campus was a key venue for The Glasgow 2014 Commonwealth Games, bringing to fruition over a decade of planning for the event. As such, the forthcoming year's results will be significantly enhanced due to the contribution from the Games and the success of The SSE Hydro. These profits will be fundamental to the business and will be reinvested in the campus ensuring that the rest of our venues are match fit to meet the future needs of the conference and exhibition markets.

There is also a lot to look forward to. Other prestigious events being held in The SSE Hydro in the forthcoming year include The 2014 MTV Europe Music Awards ceremony, The Ryder Cup Gala Concert and The 2014 BBC Sports Personality of the Year. These

notable dates will be in addition to the many concerts and events which will be staged in the arena.

The SECC's role as an economic driver for Glasgow and Scotland continues to develop. In the year 2013/14, as a result of the business conducted by Scottish Exhibition Centre Limited, the net additional expenditure in Glasgow was estimated at £378m, in Scotland £217m and in the UK, £94m. The full impact of The SSE Hydro will be reflected in the current year.

I offer my thanks and those of the Board to our 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

Through the transformation of the site positive business performance has been maintained. A profit of £157k was achieved for the year despite the one-off costs associated with the opening of The SSE Hydro. Our key financial indicators based on recurring activities show a 16% increase in turnover to £23.3m and EBITDA up 46%.

Conference turnover decreased by 14% due to the cyclical nature of conferences hosted within the venue. However, our corporate meetings doubled with more short term space being available after the successful opening of The SSE Hydro.

The exhibitions market, in line with the rest of the UK, remained difficult during the year. Notwithstanding market conditions, the increased space availability within the exhibition halls provides opportunity for growth. In particular, a strategy is being developed to target the trade exhibition sector and securing the All Energy exhibition and conference, a prestigious industry event, represents the calibre of event we are now able to attract.

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 Inn Bru Carnival. MCT Congress (a trade show) was added to the show portfolio during the year.

Live entertainment turnover increased by 27% predominantly due to the opening of The SSE Hydro. The addition of the Hydro also broadened the range of events held in the venue which included Top Gear Live, Nitro Circus and many leading artists including Beyoncé, Michael Buble, Andrea Bocelli, Calvin Harris and Fleetwood Mac along with the opening performance by Rod Stewart. Our Box Office turnover increased by 82% largely due to the demand for live entertainment hosted in the new venue. Demand for future events continues to be strong with 2014/15 shaping up to be a record year.

Further sponsorship deals were signed in the year in addition to deals concluded in previous years which included the naming rights deal for The SSE Hydro with SSE Energy Supply

As we reflect on the financial year and the challenging timescale to deliver and open The SSE Hydro, we can now be proud to be in the enviable position of having a purpose-built exhibition centre, conference centre and a stunning new arena all on one site.



Limited. These partnerships significantly exceed business plan projections for the project and equally importantly have allowed us to align with some truly iconic brands.

Our sponsorship deals together with premium seating offers have also introduced new revenue streams previously unavailable. The SSE Hydro has greatly enhanced our hospitality offerings and the

take up of our executive suites and premium seating are above expectations.

In support of our business partners and as part of our major focus on customer experience we have invested in digital technology. Digital signage, high density Wi Fi, arenamation, arena external lighting and projection all add to the unique SSE Hydro experience.

Peter Duthie
Chief Executive

Chief Executive's Review, cont...



We are also delighted that The SSE Hydro has received numerous awards in its first six months of operation. These include The Scottish Property Award for Architectural Excellence, The 2014 RICS Scotland Award for Best Project - Tourism and Leisure, Scottish Style Most Stylish Venue

Award and Glasgow Institute of Architects Supreme Award.

Over the past few years the business has invested in the campus facilities and infrastructure under the QD2 project. In total, the QD2 project comprises the construction of a 13,000

capacity entertainment arena (The SSE Hydro), the relocation of a heliport, roads and infrastructure development, hotel, multi storey car park construction and residential development located on the west end of the campus. Along with the completion of The SSE Hydro, this year

saw the relocation of the heliport and the opening of a new multi storey car park on site. "Clydebuilt" - a new bar and restaurant opened in the SECC Concourse at the same time as The SSE Hydro. This new addition has been very successful in its own right servicing visitors to all events across the campus. A coffee kiosk, the Deli and Bakery was also created together with a new back-of-house production kitchen. All of these new facilities were built in conjunction with our catering partner, Levy Restaurants.

Future developments under consideration will be the provision of a hotel on the campus and the development of the west end residential site.

"Further investment in our venues is planned to ensure that we are well placed to meet the needs of the conference and exhibition markets through coming years in the face of increasing UK and international competition."

Our ticketing business is being reshaped following a wider review of ticketing technology, systems and procedures focused on the long term viability and profitability of the business. Ticketmaster is our new official ticketing provider. We will continue to own and operate a venue box office and contact centre but this exciting new partnership will see an improved service for all customers including the provision of an official resale solution which ensures that fans are able to buy and sell unwanted tickets safely and securely.

In the current year, The SSE Hydro and SECC venues were proud to be a fundamental component of and centrepiece to The Glasgow 2014 Commonwealth Games.

Our 4th place in the Pollstar Global Arenas rankings during the quarter to March 2014, rising to 3rd for the six months to June 2014, has seen one of the key targets for The SSE Hydro being achieved. We

expect over 1 million attendees per annum at SSE Hydro live events and the forward business for the next financial year will see this target being significantly exceeded.

The success during the year was based on an extraordinary level of commitment from our staff. The period leading up to and through the opening of The SSE Hydro, placed huge demands on our team and it is to their great credit that the venue opened on time and operates so effectively.

The challenge ahead is to grow our business, to grow our people and to play our part in Glasgow's developing international reputation as an 'event' city.

Exhibitions

EXHIBITIONS AT A GLANCE

- Total Revenue £2.59m, (down from £2.71m)
- Total GP £2.04m (down from £2.3m)
- 33 total shows (36)
- 11 trade (12)
- 22 consumer (24)
- 5 new launches
- Total attendance 275,649 (296,645)

In 2013/14 exhibitions delivered a solid performance when confidence in the market is still fragile. We saw a 4% drop in revenue although this is a year in which two of our biggest biennial shows (Scotchot and The Scottish Golf Show) do not occur.

We retained 86% of our tenancy revenue and continued with another strong year for new business attracting five new shows that generated £227k. All are set to repeat with us and in particular Comic Con will almost double its size year on year.

The objective for 2014/15 will be to maintain strong retention business and increase show numbers with a focus on new business and specifically trade events. We are proud to include some of the UK's largest show organisers as clients but equally pleased to be working with smaller, niche organisers especially around new events. Customer service and client experience are among the SECC's strengths and will continue to be a fundamental part of our proposition.



Conferences

CONFERENCES AT A GLANCE

- 59 conferences (16% increase)
- 65,925 delegates (53% increase)
- 176,163 delegate days (7% increase)
- Turnover down 14%
- GP down 14%
- 24% of venue turnover
- 28% of venue GP

The performance from the conference sector remained solid for 2013/14 delivering 24% of overall venue turnover and 28% of GP. Whilst the turnover and GP were both down by 14% on the previous year, which was a particularly strong year, the sector delivered 59 meetings in total, which saw a 16% increase on the number of events that were held in 2012/13.

An increase in tenancy availability with the opening of The SSE Hydro created greater opportunities for short lead corporate meetings which generated a record return for the company and accounted for 29 events.

The SECC once again demonstrated its position as a major UK and international conference venue for association meetings, hosting numerous prestigious events which included the Association of Surgeons of Great Britain and Ireland, the British Society of Gastroenterology, the Liberal Democrats Annual Party Conference, and the European Society of Environmental Toxicology and Chemistry. The sector's business for the year closed with the European Breast Cancer Conference which attracted over 3500 delegates.

Looking forward, conference sales are on target to provide an increased return for the company in 2014/15, with a further increase forecast for 2015/16. Recently secured business as far ahead as 2022 suggests that the SECC and Glasgow remain an attractive venue and location for conferences and corporate events.



Live Entertainment

CONCERTS AND EVENTS AT A GLANCE

- 270 performances over 118 unique events
- 1,297,963 Live Entertainment visitors across the campus (an annual increase of 33%)
- 61% of venue turnover
- 54% of venue gross profit

Undoubtedly the highlight of this year was the completion and opening of The SSE Hydro. Opened by Rod Stewart on 30th September 2013, this state-of-the-art arena significantly changed the Glasgow skyline and the Live Entertainment landscape. Since opening, The SSE Hydro delivered 622,456 visitors this year - and consequently the arena was placed fourth in the Pollstar listing of top global arenas (based on attendee numbers).

Across the whole SECC campus, the Live Entertainment sector enjoyed a healthy year, with an increase in turnover of 27% on the previous year. A wide range of events contributed to the numbers including Cirque Du Soleil, Disney on Ice and many of the world's top touring artists including Prince, Justin Timberlake, Arctic Monkeys, Queens of the Stone Age and Dolly Parton. Once again our pantomime offering (one of the top three in the UK) delivered strong returns.

The mix of quality content and an increased number of performances resulted in significantly stronger revenues from ticketing operations. Box office revenue was further supported by solid demand for events already on sale, but scheduled for the next fiscal year (such as the impressive twenty one performances of Still Game, scheduled for the end of 2014).

The Live Entertainment outlook for next year remains positive, with a healthy flow of events in the pipeline.



Scottish Exhibition Centre Ltd
Key performance indicators

Turnover – recurring	
EBITDA ¹	
Net cash inflow from operating activities	
Capital Expenditure	
Economic Impact (estimated)	
Number of Visitors	
Pollstar Arena Global Ranking	

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

Scottish Exhibition Centre Ltd
Group Profit and Loss Account

Turnover	
Operating Turnover	
Car Park Construction	
Group Turnover	
Group Operating costs	
Group Operating Profit	
Investment Income	
Gain on sale of investments	
Interest receivable	
Interest payable	
Profit On Ordinary Activities Before Taxation	
Tax on profit on ordinary activities	
Profit for the Financial Year	

Year end
31 March 2014

2014	2013	Change
£23.3m	£20.0m	16%
£1.8m	£1.2m	46%
£17.0m	£7.5m	125%
£42.6m	£32.3m	32%
£378m	£357m	6%
1.4m	1.3m	7%
4th	13th	9 places

Year end
31 March 2014

2014	2013
£	£
23,321,828	20,049,905
	9,458,244
23,321,828	29,508,149
(23,121,843)	(28,379,322)
199,985	1,128,827
-	75,609
-	42,093
110,034	185,764
(248,610)	-
61,409	1,432,293
95,694	(346,288)
157,103	1,086,005

Scottish Exhibition Centre Ltd
Group Balance Sheet

Fixed Assets

Tangible fixed assets

Current Assets

Debtors

Cash at bank

Creditors

Amounts falling due within one year

Net Current Assets

Total Assets Less Current Liabilities

Creditors

Amounts falling due after more than one year

Provision For Liabilities And Charges

Accruals And Deferred Income

Deferred grants

Net Assets

Capital And Reserves

Equity share capital

Capital Redemption Reserve

Revaluation reserve

Profit and loss account

Total Shareholders' Funds

Group Cash Flow Statement

Net cash inflow from operating activities	
Returns on investment and servicing of finance	
Taxation	
Capital expenditure net of grant receipts	
Sale and Leaseback	
Receipt from sale of tangible fixed assets and investments	

Increase/(decrease) in cash before Financing

Bank Loan

Increase/(decrease) in cash in the Year

Net funds at 1 April

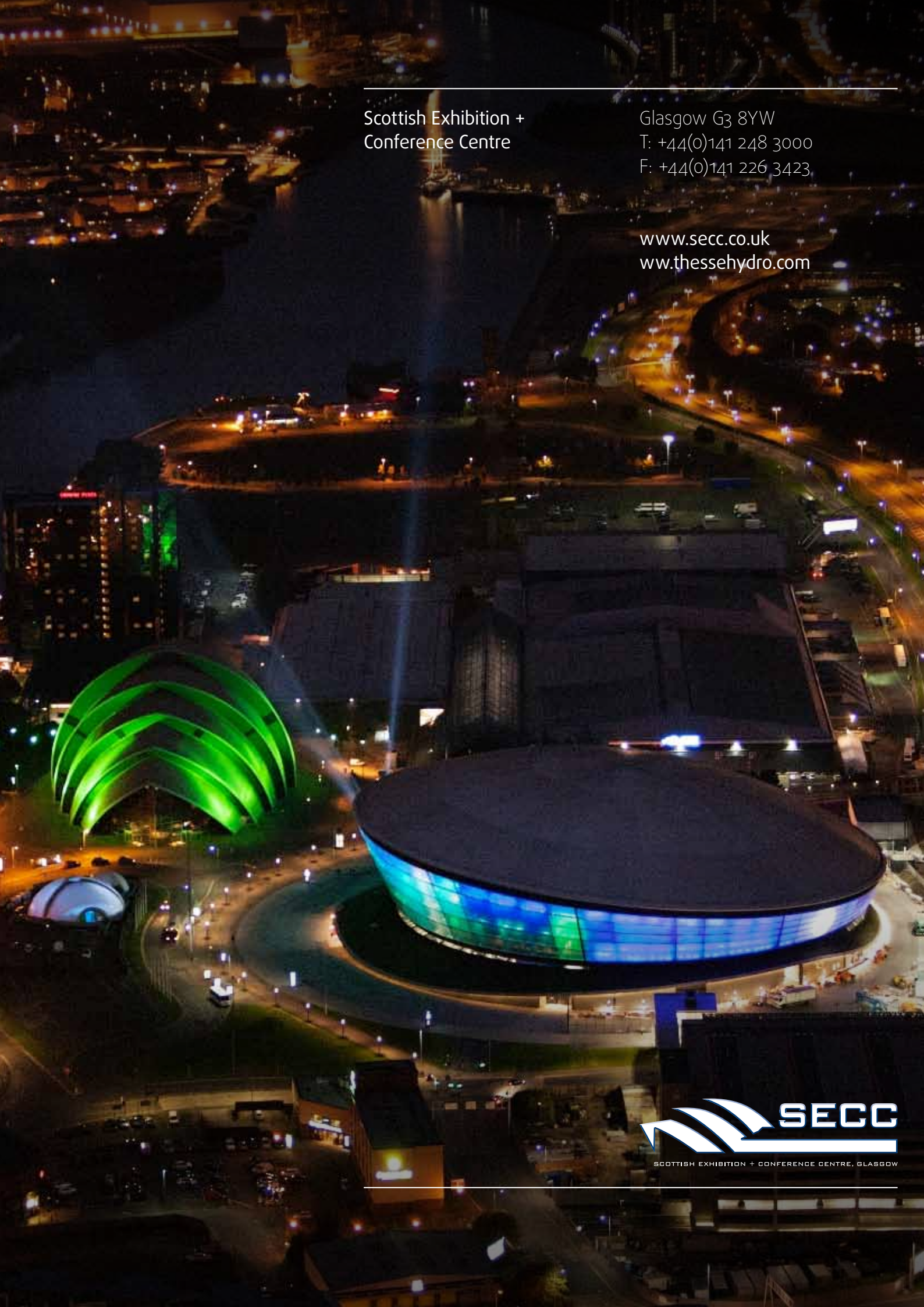
Net funds at 31 March

Year end
31 March 2014

2014	2013
£	£
104,861,795	64,415,254
104,861,795	64,415,254
7,950,178	11,578,129
8,690,265	29,274,720
16,640,443	40,852,849
(31,940,592)	(21,062,389)
(15,300,149)	19,790,460
89,561,646	84,205,714
(45,818,325)	(40,000,000)
(1,692,679)	(1,788,373)
(40,023,693)	(40,547,495)
2,026,949	1,869,846
21,900,000	21,900,000
2,750,000	2,750,000
-	-
(22,623,051)	(22,780,154)
2,026,949	1,869,846

Year end
31 March 2014

2013	2012
£	£
16,974,756	7,541,211
(138,576)	261,373
133,500	(220,023)
(42,554,135)	(31,291,435)
-	40,000,000
-	4,665,212
(25,584,455)	20,956,338
5,000,000	-
(20,584,455)	20,956,338
29,274,720	8,318,382
8,690,265	29,274,720



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