Registered number: SC082081

SCOTTISH EXHIBITION CENTRE LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

SCOTTISH EXHIBITION CENTRE LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2015

The directors present their Strategic report for the year ended 31 March 2015. The report is presented as follows:

1. Business Review
2. Financial Review
3. Principal Risks & Uncertainties

Business review and future developments

The past year has been the most successful in the history of the Scottish Exhibition Centre Limited and its subsidiary companies (hereafter SECC, or the group). The success has been measured not only in financial terms, the economic impact generated by the campus has increased, the campus delivered numerous prestigious events during the year and the SSE Hydro has been established as one of the world’s top Live Entertainment venues.

The SSE Hydro has been the catalyst for the business delivering a record profit of £7.7m after tax. The venue hosted over 130 Live Entertainment performances in the year, with over 1 million visitors making it the second busiest live entertainment arena in the world in 2014. The SSE Hydro also hosted the 2014 MTV Europe Music Awards ceremony, the Ryder Cup Opening Ceremony, the 2014 BBC Sports Personality of the Year and was a key venue for the Commonwealth Games hosted in Glasgow in July 2014. Excluding the Commonwealth Games there were 1.9 million visitors to the campus in the year.

The huge success of the Commonwealth Games was one of the main highlights during the year. The venue’s planning for hosting the event took place over 10 years with a team of staff dedicated over the past 2 years to ensure successful delivery. The campus hosted six events and was home to the media centre and international broadcast centre. The exclusive tenancy granted to the Organising Committee on the various parts of the campus ranged from 14 weeks to 36 weeks. During the games opening period over 250,000 spectators, athletes and workforce visited the campus.

The enlarged campus has also seen growth in our Conference and Exhibition sectors due to greater space availability. Increases were also recorded in Commercial income with additional sponsorship agreements signed during the year. The impact of an event of the scale of the Commonwealth Games overlaid on the first full year of operation of the SSE Hydro together with growth in other sectors of the business led to a significant increase in EBITDA and to the record profit figure.

The business over the past few years has invested in the campus facilities, primarily in the construction of the SSE Hydro and the related infrastructure. The profits generated will be reinvested in the campus to ensure the existing facilities continue to meet the needs of our customers in an increasingly competitive market. As part of this programme the Lomond Auditorium and associated meeting rooms were recently refurbished to create a world class facility. Other future developments include the provision of a hotel on the campus and the development of the west end residential site. Notwithstanding the impact of the Commonwealth Games, the board believes that the investment in the SSE hydro and the campus facilities will have significant positive impact on the future EBITDA of the group.

The current 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 SECC is the only venue in Europe to have a purpose built exhibition, conference centre and arena all on one site. The campus will continue to generate economic benefits for Glasgow and Scotland.

In addition to the numerous awards received last year the SSE Hydro was industry recognised with a further three prestigious awards. The venue received the ‘Chairman’s Award for Architecture’ at The Scottish Design Awards. At the same event members of the project team also received awards in the ‘Architecture – Lighting’ and ‘Architecture – Leisure/ Culture Building or Project’ categories.

Our staff also won prestigious awards for the “Best Arena Teamwork” at the Live UK Awards and “Venue Team of the Year 2014” in the exhibition and conference market at the Haymarket Publications, Event Magazine Awards. These awards reflect the talent and extraordinary commitment of the team during the year.

Employees

SECC has continued to receive positive results from its annual survey carried out to gauge the opinion of staff on a number of issues relevant to their employment and engagement. This survey is designed to provide key performance indicators that can be used to monitor and develop the people strategy and to ensure progress is being made to improve the working environment, support systems and personal development of all colleagues. SECC is one of a small number of businesses to be awarded a Gold Accreditation from the Healthy Working Lives scheme.

Environment

SECC has a comprehensive environmental policy with the objective of reducing the impact that the business has on the environment. Among the measures undertaken to achieve this objective are: becoming more energy efficient; using electricity only from renewable sources; reducing the amount of waste sent to landfill; and introducing recycling wherever possible. In addition, all contractors that operate at the SECC are encouraged to adopt more environmentally friendly policies. SECC was recognised for its achievements when it was re-accredited with Gold accreditation from the Green Tourism Business Scheme.

Economic Impact

To monitor economic benefits for the City and beyond, KPMG were commissioned in November 2006 to update the economic impact study they originally carried out in 1993. Using the base multipliers within the KPMG study, in the year 2014/15, as a result of the business conducted by SECC, the net additional expenditure in Glasgow was estimated at £485m, in Scotland £273m and in the UK, £117m. The figures exclude any impact from the 2014 Commonwealth Games.

Financial Review

Key Performance Indicators have been used below to more accurately explain the financial position of the business, which is already seeing the benefits of the investment in facilities and in particular the SSE Hydro.

Our Key Performance Indicators are measured on the group activities from the key sectors of live entertainment, conferences, exhibitions and box office.

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

	2015	2014	2013
Turnover	£34.9m	£23.3m	£20.0m
EBITDA [1]	£9.1m	£1.8m	£1.2m
Net cash inflow from operating activities	£13.1m	£17.0m	£7.5m
Capital Expenditure excluding projects	£2.1m	£2.4m	£1.0m
Economic Impact (estimated)	£485m	£378m	£357m
Number of Visitors	2.1m	1.4m	1.3m
Pollstar Arena Global Ranking	2nd	4th	13th

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

The increase in turnover of 50% to £34.9m benefits from 12 months of SSE Hydro trading and the impact of hosting the 2014 Commonwealth Games. The Commonwealth Games turnover was £6.3m in the year. Whilst this was a significant figure the exclusive tenancy period ranging from 14 to 36 weeks reduced the ability to host other events and impacted the turnover in the various sectors.

GROUP STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2015

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 98%. Overall operating costs increased by 21% from £23.1m to £28m driven by the enlarged business and hosting the Commonwealth Games.

Conference turnover increased by 12% due to the greater space availability created by moving the majority of Live Entertainment events to the SSE Hydro.

Despite difficult conditions in the sector Exhibitions turnover increased by 8% helped by the return of bi-annual shows and other new show launches. The sector will continue to remain fragile as the economy recovers and discretionary consumer expenditure remains thin. Notwithstanding market conditions, the increased space availability within the exhibition halls provides opportunity for growth. 2015 will see the launch of several new exhibitions in the venue including the All Energy exhibition and conference, a prestigious industry event which represents the calibre of event we are now able to attract.

Live Entertainment turnover increased by 44% with a full year of events hosted in the SSE Hydro. Having a venue on the campus with potentially 365 days a year availability has increased the number of events hosted. The SSE Hydro has placed the campus on the world stage for hosting Live Entertainment with the venue hosting many of the world's top artists and touring productions. Furthermore when touring productions are playing a limited number of venues in the UK, the SSE Hydro is normally included in the tour, subject to the dates being available in the venue. This was seen in the recent tour by Prince, The Eagles and the forthcoming tours by Madonna and U2. The addition of the SSE Hydro also broadened the range of events held in the venue which included Arenacross, Disney Ice Productions, WWE Wrestling and a 21 show run of Still Game. A wide range of events continued to be staged throughout the campus including musical and stage productions, comedy, live music and the fifth successful year of our pantomime offering which was one of the top three UK pantomimes. The SSE Hydro attracted over 1 million visitors during the year and was ranked 2nd in the Pollstar ranking of Global Arenas which measures paid attendees at concerts and events for the year to December 2014.

EBITDA is a key operating measure of the group. The increase during the year was driven by the enlarged campus after the opening of the SSE Hydro and the hosting of the Commonwealth Games.

Box Office turnover was in line with the previous year. Ticketing for events is primarily six to nine months in advance and the prior year seen an increase in the level of business to reflect the increased number of events now staged in the SSE Hydro. Demand for future events continues to be strong with 2015/16 shaping up to be as strong as 2014/15 with a host of international artists including Neil Diamond, Bette Midler, Fleetwood Mac and U2 performing in one of only two UK venues during their world tour.

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 Irn Bru Carnival.

Interest payable during the year was £0.3m. A revolving credit facility with the Clydesdale Bank is used to support cash flows from operations.

Principal risks and uncertainties

The principal risk to the group is competition in the conference and exhibition sectors. Further planned investment will help to ensure the campus provides the facilities expected from our various clients across the business sectors. The opening of the SSE Hydro has placed the SECC in a strong position in the live entertainment and box office sectors. SECC operates a risk register for the key business risks. The risk register is reviewed by the board on a regular basis. Robust Disaster Recovery and Business Continuity plans are in place to ensure operations continue or are recovered as quickly as possible in the event of an incident on the campus.

Financial Risk Management

With the exception of a forward foreign currency facility (see below), the group does not regularly trade in any financial instruments. The SECC's principal financial instrument is cash in hand and on deposit. The group has various other financial assets such as trade debtors and creditors that arise directly from its trading operations. The main risks arising from the SECC's financial operations are liquidity, foreign currency, price and yield, and credit risks. SECC has clear policies for managing each of these risks, as summarised below.

Foreign Currency Risk

SECC operates in the international conference market where clients and potential customers may transact and operate in non-sterling currencies. There may be a gap of several years between contract proposals and conference dates. If requested, SECC will quote in a non-sterling currency supported by sterling certainty on forward contract rates. If the proposal is successful a forward contract would be put in place to ensure sterling certainty for the group and elimination of foreign currency risk for the client.

Liquidity Risk

SECC aims to mitigate liquidity risk by managing cash generation by its operations through strict cash collection targets and advance payment requirements on contracted events. A revolving credit bank facility is in place which is used as required to support cash flows from operations. There are also industry accepted agreements regarding advance ticket sales on box office operations for events which take place at and out with the SECC.

SECC operates a strong approach to treasury management to ensure that there is a balance between interest deposit yield and cash access for operational liquidity. Strong cash flow is employed to ensure that anticipated cash demands, particularly in relation to development and capital programmes, are known and planned, to ensure that outgoings are balanced by strong and anticipated trading receipts.

Price & Yield Risk

The business model for the venue requires a level of critical mass to accommodate the fixed cost bases required to operate a venue of this size. A high proportion of these costs, such as utilities, consistently come under price pressure. The business has determined that price increases to clients are sustainable in the long term based on the value of services being provided and restricted access to the market in Scotland, whilst ensuring that cost increases are absorbed where they cannot be readily recovered through efficiency or alternative venue delivery mechanisms. Yield management means selling space for time at the best possible prices, whilst utilising all the assets in the SECC on an optimum basis.

Credit Risk

Whilst there are a number of regular and repeat clients at the venue, there are also a number of 'one-off' events. The credit risk to the business is reduced by strict contract payment terms ensuring the collectible risk on performance maturity is minimised. Thereafter additional revenues are recovered quickly following event conclusion with targets on event close down and detailed collection targets on cash receipts.

Technology Risk

SECC has established a future technology group to look at future technology requirements and to ensure these are implemented in a controlled manner to meet the business needs on an ongoing basis. The network and WiFi infrastructure were previously upgraded and still meet the business requirements for the foreseeable future. During the year robust testing of security systems took place with no significant improvements required. The delivery of the ticketing needs was moved to a third party provider during the year which has increased security, reduced the capital investment required and minimised the technology risk of implementing a new system.

This report was approved by the board and signed on its behalf.

Peter Duthie
Chief Executive Officer
Date:

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2015

The directors present their report and the financial statements for the year ended 31 March 2015.

Results and dividends

The profit for the year, after taxation, amounted to £7,671,299 *(2014 - £157,103)*.

A review of the business and expected future developments is set out in the Group Strategic Report.
SECC continues to generate positive operating cash flows which are used to support continuing investment in the campus. The directors are unable to recommend the payment of a dividend (2014 - £NIL).

Principal activities

The principal activities are the management and promotion of the Scottish Exhibition and Conference Centre in the national and international market for exhibitions, conferences, corporate, live entertainment and other special and sporting events.

The principal function is renting space at the Scottish Exhibition and Conference Centre to stage exhibitions, conferences, concerts and other events. The venue business is supported by a successful exhibition organising company and a well-developed box office operation which provides a full ticketing service for events staged at and out with the SECC.

Hall rental charges vary by market sector, as is normal across the industry. The objective is to maximise its revenue through an optimising mix of business in the core exhibition halls, the Clyde Auditorium and the recently developed SSE Hydro.

Most exhibition and conference centres throughout Europe are publicly owned. They are built and operated to generate wider economic benefits for the core geographic area of operation. The prime remit of SECC is to operate on an arm’s length commercial basis whilst still generating the wider economic benefits highlighted above. The group has been highly successful in balancing these objectives over many years.

Within this context, the SECC recognises the main aspirations of its principal shareholder, Glasgow City Council, to maximise the economic benefits the business brings to the Greater Glasgow area.

Financial Risk Management

Details of the financial risk management objectives and policies, and exposure to financial risks are disclosed on page 4 of the Group Strategic Report.

Directors

The directors who served during the year were:

William Whitehorn
Peter Duthie (appointed 19 April 2014)
John Sharkey (resigned 17 April 2014)
Gary Hughes
Carole Forrest
William McFadyen
Graeme Hendry
Morag Johnston (appointed 1 April 2014)
Thomas Turley (appointed 1 April 2014)
Pauline Lafferty (appointed 4 April 2014)
Morag McNeill (appointed 1 April 2014)

Following the resignation of John Sharkey as Chief Executive on the 17th April 2014, Peter Duthie, former Commercial Director, was appointed as Chief Executive. The internal appointment ensures a seamless transition in an important time to drive forward the ambitions for the SSE Hydro and wider campus.

Glasgow City Council, the main shareholder, appoints four directors to the board with the appointments made to ensure the skills represented on the board match the strategy and future requirements of the business

Qualifying third party indemnity provisions

SECC has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 in the Companies Act 2006. Such qualifying third party indemnity provision remains in force at the date of approving the Directors' Report.

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the SECC and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the SECC and the group's auditors are aware of that information.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on and signed on its behalf.

Peter Duthie
Chief Executive Officer

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

The directors are responsible for preparing the Group strategic report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the group and the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SCOTTISH EXHIBITION CENTRE LIMITED

We have audited the financial statements of Scottish Exhibition Centre Limited for the year ended 31 March 2015, which comprise the Group Profit & Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Balance Sheet, the Company Balance Sheet, the Group Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 Auditors' 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 auditors

As explained more fully in the Directors' responsibilities statement, set out on page 8, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 Group Strategic report and 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 by the parent company, 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.

Stephen Reid (Statutory Auditor)
for and on behalf of
Ernst & Young LLP
Glasgow

Date:

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 £	*2014* *£*
TURNOVER	2	**34,898,192**	*23,321,828*
OPERATING COSTS		**(28,025,116)**	*(23,121,843)*
OPERATING PROFIT	3	**6,873,076**	*199,985*
Gain on sale of assets		**33,544**	*-*
Interest receivable	6	**48,060**	*110,034*
Interest payable	7	**(303,891)**	*(248,610)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**6,650,789**	*61,409*
Tax on profit on ordinary activities	8	**1,020,510**	*95,694*
PROFIT FOR THE FINANCIAL YEAR	17	**7,671,299**	*157,103*

All amounts relate to continuing operations.

The notes on pages 15 to 28 form part of these financial statements.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2015

	2015 **£**	*2014* *£*
PROFIT FOR THE FINANCIAL YEAR	**7,671,299**	*157,103*
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	**7,671,299**	*157,103*

The notes on pages 16 to 29 form part of these financial statements.

GROUP BALANCE SHEET
AS AT 31 MARCH 2015

	Note	£	2015 £	£	*2014 £*
FIXED ASSETS					
Tangible assets	9		**103,798,611**		*104,861,795*
CURRENT ASSETS					
Debtors	11	**8,090,079**		*7,950,178*	
Cash at bank		**14,562,392**		*8,690,265*	
		22,652,471		*16,640,443*	
CREDITORS: amounts falling due within one year	12	**(33,460,064)**		*(31,940,592)*	
NET CURRENT LIABILITIES			**(10,807,593)**		*(15,300,149)*
TOTAL ASSETS LESS CURRENT LIABILITIES			**92,991,018**		*89,561,646*
CREDITORS: amounts falling due after more than one year	13		**(43,465,269)**		*(45,818,325)*
PROVISIONS FOR LIABILITIES					
Deferred tax	14	**(672,169)**		*(1,692,679)*	
Deferred grants	15	**(39,155,332)**		*(40,023,693)*	
			(39,827,501)		*(41,716,372)*
NET ASSETS			**9,698,248**		*2,026,949*
CAPITAL AND RESERVES					
Called up share capital	16		**21,900,000**		*21,900,000*
Capital redemption reserve	17		**2,750,000**		*2,750,000*
Profit and loss account	17		**(14,951,752)**		*(22,623,051)*
SHAREHOLDERS' FUNDS	18		**9,698,248**		*2,026,949*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 June 2015.

William Whitehorn
Chairman

SCOTTISH EXHIBITION CENTRE LIMITED

COMPANY BALANCE SHEET
AS AT 31 MARCH 2015

	Note	2015 £	2015 £	*2014* *£*	*2014* *£*
FIXED ASSETS					
Tangible assets	9		**103,652,833**		*104,737,179*
Investments	10		**800,101**		*800,101*
			104,452,934		*105,537,280*
CURRENT ASSETS					
Debtors	11	**14,487,392**		*10,786,477*	
Cash at bank		**4,261,305**		*2,402,505*	
		18,748,697		*13,188,982*	
CREDITORS: amounts falling due within one year	12	**(30,277,343)**		*(29,423,106)*	
NET CURRENT LIABILITIES			**(11,528,646)**		*(16,234,124)*
TOTAL ASSETS LESS CURRENT LIABILITIES			**92,924,288**		*89,303,156*
CREDITORS: amounts falling due after more than one year	13		**(43,353,209)**		*(45,634,328)*
PROVISIONS FOR LIABILITIES					
Deferred tax	14	**(689,953)**		*(1,701,239)*	
Deferred Grants	15	**(39,155,332)**		*(40,023,693)*	
			(39,845,285)		*(41,724,932)*
NET ASSETS			**9,725,794**		*1,943,896*
CAPITAL AND RESERVES					
Called up share capital	16		**21,900,000**		*21,900,000*
Capital redemption reserve	17		**2,750,000**		*2,750,000*
Profit and loss account	17		**(14,924,206)**		*(22,706,104)*
SHAREHOLDERS' FUNDS	18		**9,725,794**		*1,943,896*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 June 2015.

William Whitehorn
Chairman

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 £	*2014* *£*
Net cash flow from operating activities	19	**13,087,529**	*16,974,756*
Returns on investments and servicing of finance	20	**(255,831)**	*(138,576)*
Taxation		**558**	*133,500*
Capital expenditure and financial investment	20	**(1,960,129)**	*(42,554,135)*
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**10,872,127**	*(25,584,455)*
Bank Loan	20	**(5,000,000)**	*5,000,000*
INCREASE/(DECREASE) IN CASH IN THE YEAR		**5,872,127**	*(20,584,455)*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT

	2015 £	*2014* *£*
Increase/(Decrease) in cash in the year	**5,872,127**	*(20,584,455)*
CHANGE IN NET DEBT RESULTING FROM CASHFLOWS	**5,872,127**	*(20,584,455)*
MOVEMENT IN NET DEBT IN THE YEAR:		
Net funds at 1 April 2014	**8,690,265**	*29,274,720*
Movement in net debt resulting from cashflows	**5,872,127**	(20,584,455)
NET FUNDS AT 31 MARCH 2015	**14,562,392**	*8,690,265*

The notes on pages 16 to 29 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Going concern

The company's business activities, a review of the business and a description of the principal risks and uncertainties, together with the company's financial risk management processes and narrative regarding its exposure to key financial risks are outlined in the Strategic Report.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.3 Basis of consolidation

The financial statements consolidate the Scottish Exhibition Centre Limited and all of its subsidiary undertakings ('subsidiaries').

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Land, Buildings and Fixed Plant	-	primarily over 50 years
Plant and equipment	-	over 3 to 50 years
Motor vehicles	-	over 4 years

1.5 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

Listed investments are recognised at market value. Revaluation gains and temporary diminutions in value are recognised as a transfer to the revaluation reserve in line with the long term nature under which the investments are held. Where a diminution in value below historical cost is deemed permanent, these losses and any subsequent reversal are recognised in the profit and loss account.

Unlisted investments are held at historical cost subject to any impairment of their likely realisable value.

1.6 Long Term Contracts

Profit on long term contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contract in the year in which they are first foreseen.

1. ACCOUNTING POLICIES (continued)

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.8 Pensions

The group operates a Group stakeholder pension scheme based on individual employee contracts. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets are held in the names of individual employees.

1.9 Sale and Leaseback

Assets sold under a sale and finance leaseback transaction are retained on the company’s books since the risks and rewards of the assets are still considered to reside with the company. No change to the carrying value of the asset is made and the assets continue to be depreciated over their useful lives. Proceeds from the sale and leaseback transactions are held as a long term creditor (reflecting the substance of the arrangement as secured borrowing) and will be reduced by any repayments made.

1.10 Impairment

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicated the carrying value may not be recoverable.

1.11 Leasing and Hire Purchase Commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the year of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

1. ACCOUNTING POLICIES (continued)

1.12 Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the group's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent years. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.13 Grants

Grants in respect of capital expenditure are credited to a deferral account and are released to revenue over the expected useful lives of the relevant assets by equal annual instalments. Where an asset disposal takes place a corresponding element of the grants held will be released to the profit and loss account.

2. TURNOVER

Turnover represents the invoiced amount of services provided, space letting, event organising, stated net of value added tax. All turnover is derived from activities within the United Kingdom and from continuing operations.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates and VAT.

	2015	*2014*
	£	*£*
Space letting, services and exhibition organising	**34,898,192**	*23,321,828*

All turnover arose within the United Kingdom.

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2015 £	*2014 £*
Depreciation of tangible fixed assets:		
- owned by the group	**3,056,857**	*2,107,594*
Deferred grant release	**(868,361)**	*(523,802)*
Auditors Remuneration Audit Services	**39,090**	*41,070*
Auditors Remuneration Non Audit Services	**19,000**	*25,000*

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2015 £	*2014 £*
Wages and salaries	**6,822,480**	*6,363,954*
Social security costs	**659,454**	*706,184*
Other pension costs	**561,075**	*551,563*
	8,043,009	*7,621,701*

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	*2014 No.*
	227	*217*

5. DIRECTORS' REMUNERATION

	2015 £	*2014 £*
Remuneration	**487,628**	*901,127*
Amounts receivable under long-term incentive schemes	**-**	*31,146*
Company pension contributions to defined contribution pension schemes	**41,186**	*81,778*
Compensation for loss of office	**178,316**	*-*

During the year retirement benefits were accruing to 2 directors *(2014 - 5)* in respect of defined contribution pension schemes.

5. DIRECTORS' REMUNERATION (continued)

The highest paid director received remuneration of £209,589 *(2014 - £240,390)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £24,750 *(2014 - £25,194)*.

6. INTEREST RECEIVABLE

	2015 **£**	*2014* *£*
Bank deposit and current accounts	**48,060**	*110,034*

7. INTEREST PAYABLE

	2015 **£**	*2014* *£*
On bank loans and overdrafts	**303,891**	*248,610*

8. TAXATION

	2015 **£**	*2014* *£*
Analysis of tax charge in the year		
Deferred tax (see note 14)		
Deferred	**(1,020,510)**	*(95,694)*
Tax on profit on ordinary activities	**(1,020,510)**	*(95,694)*

8. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2014 - lower than)* the standard rate of corporation tax in the UK of 21% *(2014 - 23%)*. The differences are explained below:

	2015 £	*2014 £*
Profit on ordinary activities before tax	**6,650,789**	*61,409*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% *(2014 - 23%)*	**1,396,666**	*14,124*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**385,396**	*113,730*
Capital allowances for year in excess of depreciation	**(851,011)**	*(940,143)*
Utilisation of tax losses	**(674,473)**	-
Other timing differences leading to an increase (decrease) in taxation	**(74,222)**	*47,139*
Non-taxable income	**(182,356)**	-
Unrelieved tax losses carried forward	**-**	*765,150*
Current tax charge for the year (see note above)	**-**	-

9. TANGIBLE FIXED ASSETS

Group	Land, Buildings & Fixed Plant £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 April 2014	148,355,484	15,807,938	446,452	164,609,874
Additions	759,226	1,151,552	140,714	2,051,492
Disposals	-	(1,549,321)	(200,190)	(1,749,511)
At 31 March 2015	149,114,710	15,410,169	386,976	164,911,855
Depreciation				
At 1 April 2014	47,830,430	11,598,958	318,691	59,748,079
Charge for the year	2,280,521	714,635	61,701	3,056,857
On disposals	-	(1,549,321)	(142,371)	(1,691,692)
At 31 March 2015	50,110,951	10,764,272	238,021	61,113,244
Net book value				
At 31 March 2015	99,003,759	4,645,897	148,955	103,798,611
At 31 March 2014	*100,525,054*	*4,208,980*	*127,761*	*104,861,795*

Company	Land, Buildings & Fixed Plant £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 April 2014	148,341,731	15,070,779	426,087	163,838,597
Additions	756,023	1,100,201	121,506	1,977,730
Disposals	-	(1,523,772)	(179,825)	(1,703,597)
At 31 March 2015	149,097,754	14,647,208	367,768	164,112,730
Depreciation				
At 1 April 2014	47,827,106	10,968,349	305,963	59,101,418
Charge for the year	2,276,048	676,011	57,289	3,009,348
On disposals	-	(1,523,772)	(127,097)	(1,650,869)
At 31 March 2015	50,103,154	10,120,588	236,155	60,459,897
Net book value				
At 31 March 2015	98,994,600	4,526,620	131,613	103,652,833
At 31 March 2014	*100,514,625*	*4,102,430*	*120,124*	*104,737,179*

10. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies
Company	**£**
Cost or valuation	
At 1 April 2014 and 31 March 2015	**800,101**

Details of the principal subsidiaries can be found under note number 26.

11. DEBTORS

	Group		Company	
	2015	*2014*	**2015**	*2014*
	£	*£*	**£**	*£*
Trade debtors	**3,297,882**	*2,925,609*	**2,387,367**	*2,238,067*
Amounts owed by group undertakings	**-**	*-*	**7,321,366**	*3,394,863*
Social security and other taxes	**-**	*-*	**40,572**	*149,621*
Corporation Tax	**2,016**	*2,574*	**2,016**	*2,574*
Other debtors	**25,770**	*111,753*	**8,811**	*106,894*
Prepayments and accrued income	**4,764,411**	*4,910,242*	**4,727,260**	*4,894,458*
	8,090,079	*7,950,178*	**14,487,392**	*10,786,477*

12. CREDITORS:
Amounts falling due within one year

	Group		Company	
	2015	*2014*	**2015**	*2014*
	£	*£*	**£**	*£*
Trade creditors	**2,029,935**	*2,367,994*	**1,726,671**	*2,055,967*
Other taxation and social security	**411,012**	*20,173*	**161,030**	*-*
Other creditors	**24,504,297**	*17,026,066*	**22,264,291**	*15,259,367*
Accruals and deferred income	**6,514,820**	*12,526,359*	**6,125,351**	*12,107,772*
	33,460,064	*31,940,592*	**30,277,343**	*29,423,106*

13. CREDITORS:
Amounts falling due after more than one year

	Group		Company	
	2015	*2014*	**2015**	*2014*
	£	*£*	**£**	*£*
Bank loans	**-**	*5,000,000*	**-**	*5,000,000*
Sale and Leaseback	**40,000,000**	*40,000,000*	**40,000,000**	*40,000,000*
Accruals and deferred income	**3,465,269**	*818,325*	**3,353,209**	*634,328*
	43,465,269	*45,818,325*	**43,353,209**	*45,634,328*

During 2014 a revolving credit bank facility was drawn down to reduce any cash flow risks. This was in the form of a bank loan of £5.0m which is shown above. This was repaid in the year to 31 March 2015. The facility was undrawn at 31 March 2015.

In 2013 a sale and leaseback arrangement was entered into with the major shareholder, Glasgow City Council. The annual rental payable is calculated based on the financial performance of the business and will continue until the repayment of the sum advanced. The sale and leaseback liability is secured against certain fixed assets.

14. DEFERRED TAXATION

	Group		Company	
	2015	*2014*	**2015**	*2014*
	£	*£*	**£**	*£*
At beginning of year	**1,692,679**	*1,788,373*	**1,701,239**	*1,798,793*
Charge for/(released during) the year (P&L)	**1,526,972**	*(90,681)*	**1,529,059**	*(94,835)*
Adjustment in respect of prior periods	**(2,547,482)**	*(5,013)*	**(2,540,345)**	*(2,719)*
At end of year	**672,169**	*1,692,679*	**689,953**	*1,701,239*

The provision for deferred taxation is made up as follows:

	Group		Company	
	2015	*2014*	**2015**	*2014*
	£	*£*	**£**	*£*
Accelerated capital allowances	**1,153,593**	*2,513,816*	**1,170,060**	*2,526,584*
Other timing differences	**(12,873)**	*(105,078)*	**(11,556)**	*(109,286)*
Others	**(468,551)**	*(716,059)*	**(468,551)**	*(716,059)*
	672,169	*1,692,679*	**689,953**	*1,701,239*

15. DEFERRED GRANTS

Group and Company	Deferred Grants £
At 1 April 2014	40,023,693
Grant release	(868,361)
At 31 March 2015	39,155,332

16. SHARE CAPITAL

	2015 £	*2014 £*
Allotted, called up and fully paid		
21,900,000- Ordinary shares of £1 each	21,900,000	*21,900,000*

17. RESERVES

Group	Capital redempt'n reserve £	Profit and loss account £
At 1 April 2014	2,750,000	(22,623,051)
Profit for the financial year	-	7,671,299
At 31 March 2015	2,750,000	(14,951,752)

Company	Capital redempt’n reserve £	Profit and loss account £
At 1 April 2014	2,750,000	(22,706,104)
Profit for the financial year	-	7,781,898
At 31 March 2015	2,750,000	(14,924,206)

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2015 £	*2014 £*
Opening shareholders' funds	**2,026,949**	*1,869,846*
Profit for the financial year	**7,671,299**	*157,103*
Closing shareholders' funds	**9,698,248**	*2,026,949*

Company	2015 £	*2014 £*
Opening shareholders' funds	**1,943,896**	*1,945,881*
Profit/(loss) for the financial year	**7,781,898**	*(1,985)*
Closing shareholders' funds	**9,725,794**	*1,943,896*

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account.

The profit/(loss) for the year dealt with in the financial statements of the company was £7,781,898 *(2014 - (£1,985))*.

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 £	*2014 £*
Operating profit	**6,873,076**	*199,985*
Depreciation of tangible fixed assets	**3,056,857**	*2,107,594*
(Increase)/decrease in debtors	**(140,459)**	*3,494,451*
Increase in creditors	**4,166,416**	*11,696,528*
Decrease in provisions	**(868,361)**	*(523,802)*
Net cash inflow from operating activities	**13,087,529**	*16,974,756*

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2015 £	*2014 £*
Returns on investments and servicing of finance		
Interest received	**48,060**	*110,034*
Interest paid	**(303,891)**	*(248,610)*
Net cash outflow from returns on investments and servicing of finance	**(255,831)**	*(138,576)*

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2015 £	*2014* *£*
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(2,051,492)**	*(42,554,135)*
Sale of tangible fixed assets	**91,363**	*-*
Net cash outflow from capital expenditure	**(1,960,129)**	*(42,554,135)*

	2015 £	*2014* *£*
Financing		
New secured loans	**-**	*5,000,000*
Repayment of loans	**(5,000,000)**	*-*
Net cash (outflow)/inflow from financing	**(5,000,000)**	*5,000,000*

21. ANALYSIS OF CHANGES IN NET FUNDS

	1 April 2014 £	Cash flow £	Other non-cash changes £	31 March 2015 £
Cash at bank and in hand	**8,690,265**	**5,872,127**	**-**	**14,562,392**
Debt:				
Debts due within one year	**-**	**5,000,000**	**(5,000,000)**	**-**
Debts falling due after more than one year	**(5,000,000)**	**-**	**5,000,000**	**-**
Net funds	**3,690,265**	**10,872,127**	**-**	**14,562,392**

Included within cash at 31 March 2015 is an amount of £894,466 deposited into an escrow account to cover the potential maximum liability to City Parking (Glasgow) LLP for the loss of earnings from the expiry of the car park rent free period until the opening date of the hotel on the campus. Please refer to note 24 for further information.

22. CAPITAL COMMITMENTS

At 31 March 2015 the group and company had capital commitments as follows:

	Group		Company	
	2015	*2014*	**2015**	*2014*
	£	*£*	**£**	*£*
Contracted for but not provided in these financial statements	-	*223,000*	-	*223,000*

23. PENSION COMMITMENTS

On 1 April 2006 a new Group Stakeholder scheme based on individual contracts was put in place. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme and the cost for the year is shown in note 4 Staff Costs. The assets are held in the names of individual employees. At 31 March 2015 there was £ 65,632 of outstanding pension contributions in respect of this scheme.

24. RELATED PARTY TRANSACTIONS

Glasgow City Council (GCC) holds 90.87% of the ordinary share capital of the company and is therefore the ultimate controlling party of the company as detailed in note 25. In terms of the company's Articles of Association, whilst GCC remains as a principal shareholder, four of the directors of the company shall be persons selected and appointed by the board as representatives of the principal shareholder.

The company had taken up these appointments, and Carole Forrest, Morag Johnston, Thomas Turley, and Graeme Hendry who were board members appointed by GCC, served as non executive directors of Scottish Exhibition Centre Limited during the year to March 2015. Morag Johnston and Thomas Turley were appointed on the 1st April 2014.

Scottish Exhibition Centre Limited through Scottish Conference Centre Limited has entered into a contract with GCC for the operation and management of the Conference Centre. The agreement runs until 19th April 2047.

Scottish Exhibition Centre Limited entered an agreement with City Parking (Glasgow) LLP, a wholly-owned subsidiary of GCC, in respect of the multi storey car park. As noted in the Strategic Report the QD2 project will provide a hotel on site. Until the hotel is opened the company will for a period of up to 10 years pay an annual contribution to City Parking (Glasgow) LLP in respect of a contribution towards their rental payable on the car park lease. As a consequence, £240,000 has been provided in these accounts, reflecting the estimated outflow to City Parking (Glasgow) LLP.

The company entered into a Sale and Leaseback arrangement with Glasgow City Council during 2013 with a transaction value of £40m. Whilst the Sale and Leaseback arrangement has been implemented it is considered that the risks and rewards of the land and buildings still sit with the company in the longer term and so the arrangement is classified as a sale and finance leaseback and the receipt will be shown as a long term creditor which will ultimately be repaid through the disposal of the west development site, at which time the occupational lease will convert to a long ground lease. The assets that form part of the Sale and Leaseback transaction remain on SEC Limited's books with no change to their carrying value.

25. CONTROLLING PARTY

The ultimate controlling party of Scottish Exhibition Centre Limited is Glasgow City Council, whose principal offices are at The City Chambers, George Square, Glasgow, G2 1DU.

26. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
QD Events Limited	Scotland	100	Event Organiser
Scottish Conference Centre Limited	Scotland	100	Venue Management
Scottish Exhibition Centre Project Management Limited	Scotland	100	Management of Large Capital Projects
Scottish Exhibition and Conference Centre Limited	Scotland	100	Dormant
Associated Events and Exhibitions Limited	Scotland	100	Dormant
Scottish Arena Limited	Scotland	100	Dormant
Glasgow Box Office Limited	Scotland	100	Dormant
SEC Exhibitions Limited	Scotland	100	Dormant