SCOTTISH RUGBY

Financial Statements

2021-22

#AsOne

Contents

SCOTTISH RUGBY

BT Murrayfield, Edinburgh EH12 5PJ
0131 346 5000 | scottishrugby.org | @scotlandteam

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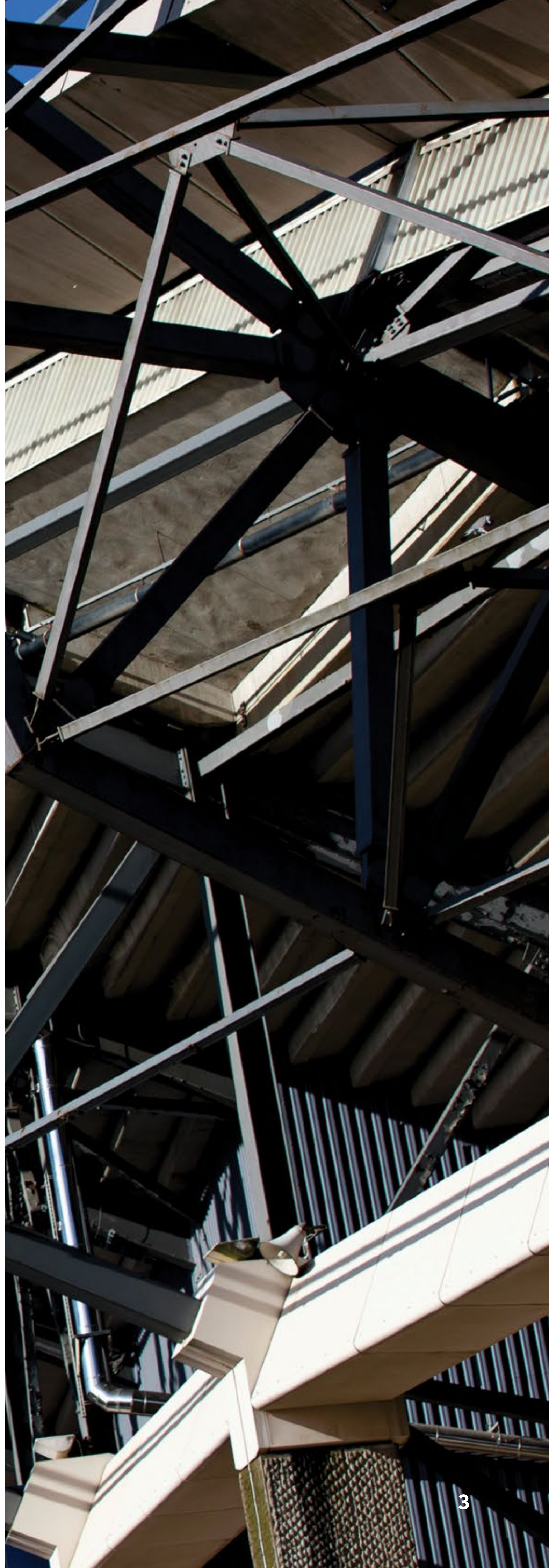


Introduction

Ahead of the second part of Scottish Rugby's 2022 AGM due to be held on 28 September 2022, we are pleased to provide members with the audited full financial statements of Scottish Rugby Union for financial year 2021/22.

There are a number of positive threads on the back of these accounts, namely:

- A recovery post-Covid helped by demand for international tickets which saw six of seven matches at BT Murrayfield sold out in 2021/22, contributing to a ticketing revenue of more than £16.4m (an increase on 2019/20).
- Overall revenue returning to within 5% of pre-pandemic levels at £57.9m – with professional teams' crowd revenues and the return of hospitality aiding our recovery.
- A continuation of our pledge to invest in domestic rugby, with some £8.1m (roughly 14% of total turnover) spent on the grassroots game in Scotland.
- The recognition of the proceeds from recent investment transactions involving the 6 Nations.
- A deficit of £5.3m on the base business driven mainly by increased utilities costs and costs related to health and safety related Covid spend.

This complements the initial Annual Report from the first part of our AGM on Saturday 13 August and with rugby now firmly back at all levels of the game across Scotland, I would like to take this opportunity to thank all those who offer support to our national, professional and domestic teams and clubs as we continue to recover from the challenges presented.

It is also with the deepest sadness that I express my personal condolences and those of all my colleagues at Scottish Rugby to our Patron, The Princess Royal, following the death of Her Majesty Queen Elizabeth II.

John Jeffrey,

Chairman, Scottish Rugby

Strategic Report

Under powers delegated to the Scottish Rugby Board under the Bye-Laws of the Scottish Rugby Union, the Directors present their Strategic Report for the year ended 31 May 2022.

Principal Activities

The principal activity of the Group is to promote the game of Rugby throughout Scotland.

Business Review

Much has happened this last financial year, with the Group focusing on:

- Recovering from Covid
- Performance on the pitch
- Delivering the 2021 – 2024 Strategic Plan; and
- Concluding the financial investment transactions that will fuel the Group's growth for the future.

The financial recovery from Covid and the extraordinary investment transactions and involvement by CVC in investing in rugby mean that the accounts are complex. To simplify matters we have split the business into two parts: –

Core Business

This is the largest part of Scottish Rugby operations and is concentrated on maintaining the sport of rugby in Scotland in perpetuity. It should look to generate a small surplus each year. The key focus areas for the last financial year were the recovery from Covid, performance on the pitch and continued delivery of the strategic plan.

Strategic Investments

Focussed on concluding complex investment transactions and ensuring the resultant funds inflow is sufficient to drive transformational investment in rugby in Scotland for the future.

For simplicity and clarity, reporting on these two parts of the business has been separated in the business commentary below.

Core Business vs Strategic Investments

Overall, the Group has delivered a profit of £29m for the year (2021: £10.5m). For clarity, and in line with our financial strategy, we have separated this into its two component parts. We have also introduced EBITDA (earnings before interest, tax, depreciation and amortisation), a measure commonly used in business as an indicator for profitability. Income from investments, provision for impairments and gain on sale of commercial rights are not considered as part of the EBITDA calculation.

	FY22			FY21		
	Core Business	Strategic Investments	Total	Core Business	Strategic Investments	Total
	£000	£000	£000	£000	£000	£000
EBITDA	**(3,123)**		**(3,123)**	**3,687**	**-**	**3,687**
Interest	(213)		(213)	(184)		(184)
Depreciation and Amortisation	(2,406)		(2,406)	(1,784)		(1,784)
Gain on disposal of investments		34,178	34,178		9,855	9,855
Write down of investment		(881)	(881)			
Tax credit / (charge)	437	1,054	1,491		(1,054)	(1,054)
(Deficit) / Surplus after tax	**(5,305)**	**34,351**	**29,046**	**1,719**	**8,801**	**10,520**

Core Business

RESPOND, RESET, RECOVER, REBUILD

The base business has weathered Covid extremely well:

- Pent-up demand for tickets buoyed revenue back to pre-Covid times, with 3 of the 4 Autumn tests and both of the 6 Nations home games being sold out.
- Scottish Government funding meant that we were able to retain as many of our colleagues as possible, as we committed to do, and mitigate Covid impacts.
- Extremely prudent management of other costs in the year means we managed to invest in our professional teams and produce an overall deficit of £3.1m for the year at EBITDA, £3.9m better than budgeted despite considerable incremental costs related to Covid and a £1.3m increase in utilities bills (which together contributed to most of that deficit).

Financial support through the pandemic from many parties, including our people, partners, supporters, sponsors, suppliers and, significantly, the Scottish Government and World Rugby and post pandemic from our fans and customers, have all contributed to this position. We are extremely grateful for that.

Within the current year financial results £1.35m (2021: £13.5m) of Scottish Government grant funding is included as income. The remaining £0.15m of the Scottish Government grant of £15m will be spent in the 2022/23 financial year on the Return to Rugby Fund.

Revenues (*See Table 1*)

The base business bounced back from Covid with revenues finishing at £57.9m, only 5% shy of the pre-Covid turnover figure achieved in 2019, and ahead of the prior year by £5.4m. Broadly speaking, the return to public events meant that ticketing revenues from the National and Professional team games almost replaced the grant income received from the Scottish Government in the prior year. A comparison with the prior year and the last pre-Covid trading year is helpful in understanding revenues and our recovery journey.

Revenues have been buoyed by a return to ticketed events at BT Murrayfield and also at Scotstoun and the DAM Health Stadium for Glasgow Warriors and Edinburgh Rugby respectively. Ticketing income has increased on 2019 base (which included 3 home 6 Nations games) due to a better pricing profile for the main bowl. Broadcast and commercial income generated through 6 Nations and our sponsorship partners has remained at consistent levels with the pre-Covid base.

The apparent reduction in the revenues from 2019 base in relation to the Professional teams is due to a reduced income stream from the URC competition as a result of the disposal of a share of our investment in that business in the last financial year. In fact our Pro team revenues generated directly by Glasgow Warriors and Edinburgh Rugby have grown on the 2019 base, driven largely by increased capacity and a better customer experience created at the DAM Health Stadium.

Continued Covid disruption meant that we were not quite able to get back to pre-Covid levels of revenue on hospitality and other income but have clearly shown strong growth on the prior year.

Expenditure (*See Table 2*)

On the face of it, the cost base has increased on pre-Covid levels. This is primarily due to additional investment required to a) support Covid costs across the organisation whether it be in terms of PCR tests or additional hotel or travel costs to ensure our players and colleagues were kept safe and b) £1.3m increase in utilities costs reflecting an increase in pricing that has been felt across many businesses and now homes.

To facilitate a better great understanding of the cost base, costs for each of the financial years 2020/21 and 2021/22 have been split down in more detail than in previous years, as below with commentary following.

International and Professional Rugby

Over the 4 years since our last comparable period (2018/19), investment directly into our playing teams has increased in our international and professional teams, which has reflected in the performance of Edinburgh and Glasgow both of whom reached the quarter-finals of the URC, although there is still much of this investment to bear fruit in the coming year. Edinburgh will play in the EPCR Champions Cup and Glasgow in the Challenge Cup in 2022/2023. Further strategic investment will be made into the Pro teams during the 2022/23 financial year.

Performance Rugby

These are the costs that we invest in our High-Performance structures including Super 6 to ensure that the National and Pro Teams have the support and investment in coaching, technology, medical and strength and conditioning and other development that they need to support team performance and the continued availability of strong Scottish talent for the future. Additional investment this year vs last represents investment in the Super 6 competition.

Domestic Rugby and Club Support Funds

Support for the grass roots game in Scotland is provided in several ways:

1. Domestic Rugby £4.1m: delivered by the Rugby Development team within Scottish Rugby, led by the Director of Rugby Development. This activity supports the Club game directly.
2. Club Support Funds £3.5m: direct support through funds that are available to clubs in the way of cash to support the individual clubs' specific needs. Funds set up or utilised in 2021/22 include the Club Hardship Fund, the Sustainability Fund, the Return to Rugby Fund and the Growth and Participation Fund.
3. Through other areas within Scottish Rugby which run events such as Silver Saturday, where ticketing income passes to the clubs but costs remain in the centre, or who provide systems development to support Club Rugby specific systems, such as SCRUMS.

While the total spend on grass roots rugby in Scotland across Domestic Rugby and Club Support Funds in 21/22 was £7.6m, a further £1m, as part of the Growth and Participation Fund financed by the Scottish Government Loan, was available to be spent but was not actually spent in the year. This money has been set aside for claim and disbursement in 2022/23, to add to the £1m already allocated for 22/23 from the same source.

The additional support that is provided across the organisation in running events or technological support in SCRUMS and other areas totals approximately £0.5m, bringing the total investment in grass roots rugby in Scotland to around £8.1m or c14% of turnover.

Commercial

Commercial costs are those of running our ticketing operations, supporting our sponsors and in marketing and our sales organisations, and includes the costs of running events. The year saw increased activity with sponsors and ticketing and events costs as we returned to ticketed public sales.

Facilities and Events

These costs are mainly the costs of running BT Murrayfield, including insurance and rates costs, maintenance, utilities and also the costs of running events. The key drivers of the increase in costs are:

1. utilities costs increased to almost £2m from a previous base of £0.7m, and
2. the Autumn Tests and 6 Nations event costs.

External pressures on electricity and gas wholesale prices combined with an ageing infrastructure within BT Murrayfield drove the utilities costs to extremely high levels during the year. Significant actions were put in place to help mitigate these costs but despite these measures these costs are expected to continue at enhanced levels for some time to come.

Administration and Governance

This area includes the cost of the legal structures that the Group operates within, covering finance, IT, legal, regulatory and procurement functions, audit, accounting and tax fees, software and hardware costs across much of the organisation and costs of senior management.

Table 1 (Revenues)

Revenues	FY22	FY21	FY19 (Pre Covid)
	£000	£000	£000
Ticketing Revenue	16,413	Nil	15,776
Broadcast Income	15,265	19,620	15,517
Commercial Income	9,264	8,543	9,704
Professional Teams	10,585	5,400	13,323
Development Income and Grants	3,198	17,864	1,421
Hospitality and Other	3,203	1,071	5,336
	57,928	**52,498**	**61,077**

Table 2 (Expenditure)

Expenditure	2022	2021
Costs	£000	£000
International Rugby	**(11,261)**	(9,991)
Professional Rugby	**(21,129)**	(17,697)
Performance Rugby	**(4,136)**	(3,587)
Domestic Rugby	**(4,151)**	(3,117)
Club Support Funds	**(3,517)**	(1,889)
Commercial	**(4,508)**	(4,025)
Facilities	**(6,601)**	(3,445)
Administration and Governance	**(5,748)**	(5,060)
Total Operating Costs	**(61,051)**	(48,811)

Investments Business

Funds generated from the investment transactions and resultant tax implications merit further explanation.

This is a complex area but in summary, there has been strategic investment in rugby by private equity over the last 3 years in two ways – one into the United Rugby Championship, benefitting our Pro teams and the other into the 6 Nations Championship, benefitting the international game. The latter investment was concluded in 2021/22 and is commented on further below. The investment mechanisms themselves, and the associated accounting are complicated because of the number of parties, legal jurisdictions and tax regimes involved but simply put, URC and 6 Nations have been restructured, with rights to participate in revenue streams sold to private equity in return for cash injections in the short to medium term. That in turn has enabled funds to be made available to the participating Unions, including Scottish Rugby, for longer-term benefit.

The funds generated for Scottish Rugby have been set aside to support capital and operational projects which pay back for the longer-term benefit of the business, including improvements in the infrastructure at BT Murrayfield. These monies are held in a separate account that is subject to strict control.

Investment into 6 Nations *(see Table 3)*

During the year a significant restructuring of the Six Nations organisation was carried out to accommodate investment from a private equity firm, CVC Capital Partners.

In advance of the future investment transaction Scottish Rugby Union Limited was issued with shares in Six Nations Rugby Limited, a company incorporated under the laws of Ireland, resulting in a holding of 1,220 Ordinary shares of €1 each (12.20%) at 31 May 2021.

This shareholding in Six Nations Rugby Limited was then sold, with a non-contingent consideration being payable over 5 years and amounting to £37,205,000 (gross). In line with accounting and tax advice from our professional advisors, we are accounting for the entire non-contingent amount as of the completion of the transaction, even although the consideration is spread over several years.

A further payment may fall due in the future if EBITDA performance of the Six Nations exceeds targets set as part of the transaction. This contingent receipt has not been recognised in the accounts at this time due to its uncertain nature.

The accounting treatment is complex but accounting rules require us to recognise cash already received differently to cash that will be received in the future. That means that the accounting for the transaction is split into two parts:

1. *Accounting for cash received before year end*: in the 2021/22 year, we have recognised income of £7.4m, being the first payment in relation to the sale, less transaction fees incurred in the year of around £2.2m, i.e. net income in the year of around £5.3m. This cash has been received and is included in year-end cash balances. Some smaller transaction fees incurred in the prior year were also met from these proceeds.
2. *Accounting for cash received post year end:* to account for the remaining £29.8m not received at 31 May 2022 and in accordance with accounting standards, the third, fourth and fifth payments due to be made in July 2023, July 2024, and July 2025 respectively have been discounted at a 2% discount rate. The second payment of £7.4m due in July 2022 was received at that time and is therefore not subject to discounting.

The discount rate selected is a matter of judgement for the Directors. The rate we have settled on reflects our estimated cost of capital of CVC as they are effectively "borrowing" this money from us from the date of the transaction until the date of settlement of funds. There is no impact on actual cash received (amounts are shown in the "Cash Consideration" column in the table below) and this is simply an accounting treatment matter.

The amounts recognised, after applying the discount mentioned above, total £34.2m and are included in the financial statements for 2021/22 as Gain on disposal from investments.

Table 3 should help to make this easier to follow.

Write down of investment in Old Glory

Scottish Rugby invested $1m in Old Glory over the course of 2 prior financial years against performance milestones and on the expectation of potentially significant future growth in the US market, particularly if the Rugby World Cup was to be awarded to the USA in 2027 or 2031. 80 units were purchased at a price of $12,500 each, resulting in a 28.4% equity stake at that time. Pre-Covid expectations were that additional investors would be sourced and that, combined with the natural growth of the business, would be sufficient to see the business through to cash flow positive without significant further cash injection by any of the shareholders.

Largely due to Covid, and partially due to the longer trajectory to the Men's Rugby World Cup now announced for 2031, operations were delayed, leading to additional cash requirements as growth plans are now spread over a longer time period. While expectations of future growth potential remain significant, due to the longer trajectory to profitability and cash requirements at this point, the Group has taken a cautious approach and has therefore provided fully for the carrying value of the investment in the financial year to 31 May 2022. This in no way reflects the Group's expectations about the future of Old Glory, which continues to develop but is instead a reflection of prudent financial management, the circumstances prevailing at the moment and rules on accounting treatment.

Table 3 (Investment into 6 Nations)

Year	Cash Consideration	Costs	Net Amount	Discounted Amount	Status
	£000	£000	£000	£000	
2021	7,441	(2,165)	5,276	5,276	Cash in bank at 31 May 2022
2022	7,441	-	7,441	7,441	Cash in bank at 6 July 2022
2023	7,441	-	7,441	7,296	Amount to be received
2024	7,441	-	7,441	7,153	Amount to be received
2025	7,441	-	7,441	7,012	Amount to be received
	37,205	**(2,165)**	**35,040**	**34,178**	

Financial Strategy

The financial strategy of the business is to generate sufficient monies from the core business to sustain the sport of rugby in Scotland for the foreseeable future. The core business needs to make sufficient profit in the medium term to look after itself.

Strategic funds, for longer-term investment, are kept separate, and can only be accessed if there is a) an appropriate financial justification or business case supporting the proposed use; and b) specific approval for release. A cash report is provided to the Board regularly.

The funds received from the Scottish Government Loan that have been set aside for the Growth and Participation Fund are also held separately.

Cash Position

Following the injections of cash through the initiatives pursued the business cash position has improved significantly.

Cash has been buoyed by:

1. the receipt of the Scottish Government Loan of £5m in the prior financial year, which is committed to be but has not yet been spent on the Growth and Participation Fund for Club Rugby;
2. receipt of £5m from World Rugby in advance of Rugby World Cup year;
3. proceeds from the injection of funds from private equity into the United Rugby Championship of £17.9m, of which £4.0m was used to repay the loan for the DAM Health Stadium and £4.2m to invest in the Professional Teams, leaving £9.7m at 31 May 22; and
4. the cash receipt of initial funds from the investment by CVC into 6 Nations of £5.3m.

A table showing the cash position is below:

Account	Amount
Core Business	(£3.5m)
World Rugby Advance	£5.0m
Government Loan	£5.0m
CVC – Pro 14 / URC	£9.7m
CVC – 6 Nations	£5.3m
Total Balance at 31 May 2022	**£21.5m**

The net position on cash balances on 31 May 2022 as a result was £21.5m. The deficit on the core business reflects timing of the sale of tickets for this season's ticketing sales which have gone on sale much later than last financial year.

The Group completed a refinancing in November 2020, which comprised a working capital facility with gross value of £11.8m and net value of Nil, together with a Revolving Credit Facility of £8.5m. Post the balance sheet date, the Board has decided to retire the Revolving Credit Facility, which has never been drawn, as there is no scenario under which it is anticipated to be required.

Capital Expenditure

Capital Expenditure in the year of £0.5m comprised primarily an initial payment for a new CCTV system at BT Murrayfield, the implementation of a new finance system and various other minor works, including stadium safety enhancements, office plant and infrastructure improvements.

Capital and Reserves

The Capital and Reserves position at the year-end improved to £38.1m compared with the prior year end of £9.3m due primarily to the recognition of proceeds from the injection of private equity capital through 6N into Scottish Rugby.

The Directors do not recommend the payment of a dividend.

Key Financial Indicators

The Directors continue to monitor key financial indicators, including cash, income and expenditure against budget on a monthly basis. They also monitor other key performance indicators across all areas and levels of the game, including: Professional and National Team performance, which are fundamental to the Group's strategy of growing the game within a stable commercial environment; ticketing sales; commercial income and the overall cost base, including investment in the grass roots game.

On pages 24 to 50, the Directors present their Report and audited consolidated financial statements for the year ended 31 May 2022. The financial statements comprise the consolidated financial statements of the Union and its subsidiaries.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group have changed coming out of the Coronavirus pandemic. While the prior (2020/21) financial year was focused primarily on responding and resetting the business, this last financial year has been characterised by recovering from Covid.

The principal risks and uncertainties affecting the business relate primarily to the following:

- the uncertainty of outcomes from sporting events and the sporting performance of the organisation's professional and international teams;
- the financial performance of external bodies running competitions and tournaments from which important revenue streams are derived;
- the risk of continued and extraordinary inflationary risk, in particular as regards utilities costs;
- the continuing risk of Covid-19 or variants of it disrupting the organisation's activities or those of individual teams, or to tournaments and competitions in which those teams play;
- participation levels, and the popularity of the sport at grassroots and community level.

The Group operates a risk management framework which seeks to identify, evaluate and monitor the status of key business risks. As at the balance sheet date, the key risks which were scoring highest in the framework applied were:

- uncertainty over future governance structures, continuity and roles and responsibilities of corporate officers and those having an oversight responsibility, due to prolonged governance review activity;
- under-performance of professional teams relative to targets;
- declining participation numbers in the male community game;
- risk of significant operational disruption due to pandemic;
- the risk of adverse consequences arising from player concussion or claims or involvement in claims arising from historic head injuries;
- risks of changes to and affordability of some forms of insurance cover.

Governance-related risks arise from continuing review over several years of the organisation's governance structures. That review has considered various potential corporate structures and ways of allocating responsibilities within the organisation, as well as addressing the composition of the decision-making bodies involved. This in turn has created some uncertainty over outcomes, the extent of potential change and implications for the Group if a new or materially different structure was proposed. However, following the delivery of the Crerar Report to the Union's members in May 2022, and the members' approval of proposals in principle at a Special General Meeting on 6 June 2022, the identified risk in relation to uncertainties is expected to decrease over the course of 2022/23, after final documentation is approved by the members and appropriate implementation steps are then taken. Some residual risk arising from the implementation process is anticipated to remain during the year, due to the extent and implications of the change involved.

Investment into professional teams and the community game forms part of the organisation's current Strategic Plan with a view to enhancing team performance and assisting clubs with their recovery from Covid-related impacts and expanding participation. Covid-impact mitigation measures have been relaxed, following the extensive vaccination programmes conducted but can be reactivated, with remote working systems having proved to be robust and reliable.

The risk associated with potential claims arising from historic head injuries is new and reflects developments in other jurisdictions as well as in Scotland. These developments are monitored closely and reported on to the Board, with regular contact also maintained with other governing bodies and with the insurance market through external brokers.

Continuing financial risk mitigation involves detailed budgeting, monthly board reports, balance sheet reviews, detailed profit and loss statements and expenditure monitoring, as well as cash flow forecasting, financial modelling and where appropriate hedging to mitigate the impact of fluctuations in currency. Scottish Rugby continue to nominate representatives to participate on international bodies generating significant revenues, and who play an active role in monitoring the performance of those bodies.

The results of the identification, evaluation and status update of business risks are periodically presented to the Audit & Risk Committee and the Scottish Rugby Board.

Financial Instruments

Interest rate swaps were used to reduce exposure to interest rate movements. Details of this are noted in the Accounting Policies and in Note 10 to the financial statements. As a result of its cash position, the Group does not use interest rate swaps at present. The Group has also used forward sale currency contracts to reduce its exposure to exchange rate movements in the past. Details of this are also noted in the Accounting Policies and in Note 10 to the financial statements. Financial instruments are not used for speculative purposes and none are in place at the balance sheet date.

Companies Act 2006 – Section 172

The Companies Act 2006 places certain duties and responsibilities upon the directors of a limited company, including the duty to promote the success of the company and in doing so, having regard to a number of matters set out in s 172 (1)(a)-(f) of the Act. The Act also requires the Directors to provide a report on how the responsibilities listed in s172 are undertaken by the Directors. The report prepared by Scottish Rugby Union Limited , setting out some examples of how those responsibilities have been discharged by that company and within the Group as a whole, is set out below for information.

(a) Consequences of any decision in the long term

Decisions taken by the Directors on key business risks and application of resources are always assessed in terms of the impact they will have in the short, medium and long-term. The Directors recognise that their most important objectives, such as developing the game of rugby in Scotland at both professional and amateur level and finding new revenue streams in order to do so, can only be implemented successfully over time.

The business emerged from the Covid-19 pandemic in a strong position, due to tight cost controls and the receipt of a significant funding package secured from the Scottish Government. As a result of those measures, no employees were made redundant during the pandemic period, which meant that the business retained expertise and manpower to hit the ground running at the point that rugby returned, and spectators were allowed back to live events.

A private equity transaction was completed in November 2021, which saw CVC Capital Partners invest into the Six Nations competition, providing Scottish Rugby with further funding and a new partner who will work with existing Six Nations shareholders to boost the overall value of the tournament in the longer term. This transaction was reviewed in detail by the Board's Investment Committee, taking account of the longer-term impacts, with final terms being approved by the Board and delegated authority given to the Investment Committee to oversee and authorise the completion of the transaction. This new funding will unlock significant opportunities for long-term, strategic projects.

Scottish Rugby continues to implement the Board's strategy for 2021 – 2024 setting out key strategic priorities, with Women, Wellbeing and Winning being the main areas of focus. These strategic priorities will be reviewed by the Board every year and during the year if required. Significant time is being invested in building an IT and digital strategy to ensure that Scottish Rugby's digital infrastructure is sufficient to support the organisation's key goals.

The Board was consulted, with Board members providing extensive feedback, on proposals from the Scottish Rugby Union Council's Standing Committee on Governance for governance changes. The Standing Committee is led by an independent, legally qualified Chair, and includes a number of members of the Scottish Rugby Union Council and reported at the end of the 2021/22 financial year. The Directors recognise the importance of collaboration between all stakeholders as something which will impact the game in Scotland for years to come and continue to consider the outcomes from the review and their implications for the Group as part of the approval and implementation process now being followed.

Player development through academies and professional pathways has already been structured over a number of years, with investment programmes in place to support improvements in facilities and support clubs' longer-term aspirations. Scottish Government loan funding secured in the previous financial year is being deployed to assist clubs in recovering from the effects of the pandemic and will continue to be deployed in the same way for the next four years.

(b) The interests of employees

Scottish Rugby acknowledges the crucial role its people play in the organisation's success. Employee matters continue to be considered as a separate standing item at all scheduled Board meetings, with a written report provided by the Chief People and Engagement Officer and verbal reports provided by the Chair of the Safeguarding, Wellbeing, Inclusion and Diversity (now renamed ESG) Committee.

The health and wellbeing of Scottish Rugby's people is noted in the Board's strategy as being a key priority. As employees returned to the business after having been placed on furlough under the UK Government's Coronavirus Job Support Scheme, support was offered to integrate individuals back into their roles. Hybrid working is offered to allow employees the opportunity to split their time between their homes and the workplace, which allows flexibility and opportunities for regular interaction between colleagues.

Scottish Rugby introduced the 'Unmind' app for all its people. Unmind is a platform which provides a toolkit to assist with general wellbeing. Positive feedback has been received on the platform. A Company-wide, employee assistance programme continues to offer significant support resources for both mental and physical health. The Rugby for Life programme continues to provide support for professional players, with significant time and medical resource continuing to be deployed to assist and support players, recognising that rugby is a contact sport which is accompanied by a risk of injury. A particular focus for the organisation, as with other rugby governing bodies, continues to be the implications of head injuries and concussion for physical and mental health, and how these might be mitigated.

The Chief People and Engagement Officer is a Board member and attends meetings of the Remuneration, Nominations and ESG Committees. Aspects of the remit of the ESG Committee are specific to employee wellbeing, including regular consideration of the assistance programmes that have been created for employees, including professional players.

Acknowledging the steeply rising rate of inflation and impact on the cost of living, the Directors approved a salary increase of 3.5% for most colleagues across the business for 2022/23. In addition, a one-off "cost of living award" of 3.5% of salary was also made, to ease the pressures of increased prices during difficult times.

(c) Fostering business relationships with suppliers, customers and others

Suppliers – Scottish Rugby works with a range of suppliers and contractors, having long-established relationships with many of them, providing continuity and reliable service and quality standards. Sponsors and suppliers were extremely supportive during the pandemic period; and a number of renewals and new partnerships were entered into during 2021/22.

Regular meetings are held with contractor, supplier and sponsor representatives at operational level but also with senior representatives and decision-makers at other times, including at matches. Scottish Rugby has sought to develop new and innovative ways to deliver value to sponsors, including in the digital space and broadly throughout the women's game. Tenders are conducted on larger scale projects as appropriate. Specific Board approvals are required above certain thresholds, ensuring enhanced visibility and scrutiny over more valuable or complex contracts.

Customers – Scottish Rugby's supporters make a vital contribution to the organisation and to the sport as a whole, not only through revenue but also in the atmosphere and encouragement they provide to teams. Supporters were welcomed back to stadia after Covid-19 regulations were relaxed, with extensive work undertaken to ensure that this was done safely and in line with then-current regulations.

Regular reports are provided to Directors at Board meetings. An online customer feedback facility is operated.

Others – Scottish Rugby works with many organisations within Scotland, the United Kingdom and internationally to assist in furthering its objectives, in addition to the interests of the organisation's member clubs and associated and affiliated bodies. Relationships have continued to strengthen with the Scottish Government, Sportscotland and the respective local authorities in Edinburgh, Glasgow, North Lanarkshire, the Borders and Aberdeen, where stadium and academy facilities operate. There are regular forums with representatives of these organisations on operational matters as well as opportunities provided to meet with senior representatives.

The Board and Council of Scottish Rugby have nominated representatives to participate in a range of external rugby organisations including tournament organisers and governing bodies in which Scottish Rugby has an interest. These include World Rugby, 6 Nations, URC, Rugby Europe and British & Irish Lions. Those relationships are recognised by the Directors as being of significant importance to the organisation. Those representatives include Directors and Scottish Rugby Council members who play an active role in those organisations on Scottish Rugby's behalf. Regular reports on activity within those organisations are provided to the Board and the Scottish Rugby Council. Representation is reviewed regularly by the Board's Nominations Committee.

The interests of member clubs and associated bodies are commented upon further in paragraph (f) but through the structures of the organisation these stakeholders elect representatives to the Scottish Rugby Council, with a further presence on the Board of Directors through four Council members (including the elected President) serving as non-executive directors. Those individuals play an active part on the Board and on Board Sub-Committees and in contributing to decisions made.

Scottish Rugby is aware of its role in growing the game of rugby union not just in Scotland but globally. To that end, a contract was signed with Rugby Chile for the staging of a summer tour warm-up game between Scotland A and the Chilean national team in summer 2022, thus bringing the sport to a relatively new but growing audience.

(d) Impact of operations on the community and the environment

The Directors continue to encourage community engagement programmes, particularly through the Professional teams (Glasgow Warriors and Edinburgh Rugby) and international teams and their respective players and coaches. International team tours and training camps include elements of community engagement and both Professional teams regularly engage in local activities with schools, hospitals and local clubs, amongst others.

Local authorities and community forums are consulted regarding proposed developments or significant changes to operating procedures at BT Murrayfield. The Board is kept up to date with operational changes and concerns through verbal and written reporting. A return to hosting full crowds of spectators at events, before and after the relaxation of Covid-19 regulations, provided a welcome and valuable boost both to the local economy and to the local community as a whole.

Scottish Rugby supports several charitable organisations including the Murrayfield Injured Players Foundation, Hearts and Balls and the Doddie Weir Foundation which themselves provide support to the wider rugby and other communities.

Scottish Rugby launched a Brain Health Clinic to monitor and assess the brain health of former professional rugby players. The first of its kind globally, it is hoped that the clinic will form a blueprint for other clinics across both rugby and the wider general public.

In its role as the governing body for rugby in Scotland, Scottish Rugby provides policies, guidance, support and training in a number of important areas for the wider benefit of the rugby community including on safeguarding of children and young people, wellbeing and more recently in connection with Covid-19 public safety messaging and protocols, including detailed guidance about a return to rugby. Various key policies are reviewed regularly by the Board or a designated Board Committee.

Sustainability and Scottish Rugby's impact on the environment is recognised as being an area of critical importance and a factor in capital investment and other spending and activity. A group of senior employees from across the organisation met to discuss Scottish Rugby's approach to ESG (Environment, Social and Governance). It has been agreed that the remit of the Safeguarding, Wellbeing, Inclusion and Diversity Committee will be widened to incorporate ESG, and a full strategy will be created in the coming months.

(e) Maintaining a reputation for high standards of business conduct

The integrity of the organisation, its officials, directors, employees, and members is crucial to the organisation's standing and reputation. The Code of Conduct which binds all directors and members of Scottish Rugby's Council and sets out procedures for declaring and dealing with any potential conflicts of interest or misconduct was reviewed and updated by the Scottish Rugby Council's Standing Committee on Governance.

That Standing Committee has also conducted a detailed governance review with the objective of producing a set of proposals and recommendations on the ways in which governance and operational structures of Scottish Rugby Union and the Company might be revised and improved in the interests of Scottish Rugby as a whole.

Directors receive regular reports in connection with disciplinary cases and misconduct involving clubs, and in relation to any employee discipline or performance improvement matters. Internal policies on probity and whistleblowing are part of the remit of the ESG Committee, headed by the Senior Independent Director. These policies are reviewed regularly.

Approval of contracts where there may be an ethical question in the context of the sporting environment – for example, a potential sponsor being involved in the gaming or gambling sectors – is exclusively reserved to the Board, irrespective of quantum.

(f) Acting fairly between members

In the context of Scottish Rugby's current group structure of an unincorporated members' association and a limited company as the main operating vehicle, members are taken to be the members of Scottish Rugby Union. That membership is diverse in scale of club, level of activity and geographical location and includes associated bodies representing the interests of match officials and the women's game. The Board seeks at all times to act fairly, equitably and in a reasonable and proportionate way, recognising that no two members are the same, the Directors' responsibilities to act in the interests of the game as a whole and to promote the success of the Company.

The Rugby Development Department includes Regional Managers and Regional Directors with designated geographic areas to ensure that services and support, and a designated point of contact, is available for all member clubs in their area, irrespective of size or the level of the game at which they play. Various funding initiatives are available and structured so as to be accessible to all clubs at some level, with access to training and development opportunities and materials also available to all members.

The Scottish Rugby Union Council provides a forum for representation from across the game as a whole, and contribution to Board decisions through its nominated non-executive Directors. Council matters are a standing agenda item at Board meetings, as are community rugby issues and, in the past year, updates on behalf of the Standing Committee on Governance.

The Council, either itself or through designated working parties, regularly provides guidance and advice to the Directors on matters of importance to members and the game as a whole, as part of Board decision-making procedures. It has done so most recently in relation to the intended structure of the 2022/23 and 2023/24 domestic seasons, the ongoing governance review, monitoring reporting on the use of Scottish Government funding and engaging with the creation of the Women and Girl's Strategy.

By order of the Board

Robert M Howat
Secretary
Edinburgh
15 September 2022

Governance

Patron	
Her Royal Highness, The Princess Royal	

President	
Ian Barr	

Vice-President	
Colin Rigby	

Scottish Rugby Council	
Ian Barr	President & Board Member
Colin Rigby	Vice-President & Board Member
Gordon Thomson	Premier Division Representative
Gerry Tosh	National Division 1 Representative
Eric Hugh	National Division 2 Representative
Bobby Frazer	National Division 3 Representative
Murdo Gillanders	Edinburgh Regional Representative
William Gardner	Glasgow North Regional Representative
Jim O'Neill	Glasgow South Regional Representative
Alistair Forsyth	Scottish Borders Regional Representative
Hazel Swankie	Midlands Regional Representative & Board Member
Bob Richmond	North Regional Representative & Board Member
Kenneth Knott	Referees' Representative
Jonathan Anderson*	Schools' Representative
Gib McMillan*	Schools' Representative
Rosy Hume*	Scottish Women's Forum Representative
Heather Lockhart*	Scottish Women's Forum Representative
Malcolm Offord*	Scottish Exiles Representative & Board Member
Ian Rankin	Co-opted member (PRO14 Representative)
Gavin Hastings	Co-opted member (British & Irish Lions)
Dr John Halliday	Co-opted member (Rugby Europe)

Scottish Rugby Board	
John Jeffrey	Independent Non-Executive Chairman
Julia Bracewell	Independent Non-Executive Director
David McMillan	Independent Non-Executive Director
Lesley Thomson KC	Independent Non-Executive Director and Senior Independent Director
Ian Barr	Council Non-Executive Director (President)
Colin Rigby*	Council-nominated Non-Executive Director (Vice-President)
Malcolm Offord*	Council-nominated Non-Executive Director
Bob Richmond	Council-nominated Non-Executive Director
Hazel Swankie	Council-nominated Non-Executive Director
Shona Bell	Chief People & Engagement Officer
Mark Dodson	Chief Executive
Andrew Healy*	Finance Director
Hilary Spence*	Chief Financial Officer

(* Part year)

Scottish Rugby Council 2021/22

Membership

The members of Council serving in the period between the 2021 AGM and the 2022 AGM (Part 1) are set out above.

Ian Barr chaired the Council during the year, with the Vice-President, Colin Rigby, acting as the Vice-Chair. The Council's "year" runs from one AGM to the following AGM.

Gib McMillan joined the Council as Schools' Representative on 1 May 2022 filling a vacancy created by the early retirement of Jonathan Anderson from that role. Heather Lockhart also joined Council as a result of the early retirement of Rosy Hume but has since withdrawn for personal reasons.

Role and Activity

The Council is responsible, among other things, for reviewing the operational activity delegated to the Scottish Rugby Board, developing and fostering the game of rugby in Scotland, reviewing and advising on matters of policy and strategy and developing relationships within the game at both domestic and international levels and various aspects of decision-making.

Council meeting minutes from 26 November 2020 onwards are published on the Scottish Rugby website. Further details of the Council's work can be obtained there.

Attendance

The Council meets regularly throughout the year, with quarterly and additional briefing meetings. Attendance at the Council meeting immediately following the AGM and at quarterly meetings is compulsory. Attendance at briefing meetings is voluntary but Council members are actively encouraged to attend if possible.

Attendance of Council members at the compulsory Council meetings in the period from and including 14 August 2021 (AGM 2021) to 13 August 2022 (AGM 2022, Part 1) is summarised in the table below.

It is recognised that Council members have other responsibilities and commitments and that attendance at briefing sessions, particularly if arranged at short notice, may not always be possible. The President, as Chair of Council has been satisfied that where a Council member has not been able to attend a compulsory meeting there has been a good and substantial reason for non-attendance.

The Council met 12 times during this period.

Name	Compulsory Meetings		Briefing Meetings	
	Eligible	Attended	Eligible	Attended
Ian Barr	4	3	8	7
Colin Rigby	4	4	8	8
Jonathan Anderson**	3	3	4	4
Alistair Forsyth	4	4	8	8
Bobby Frazer	4	4	8	8
William Gardner	4	4	8	5
Murdo Gillanders	4	4	8	8
John Halliday*	4	4	8	7
Gavin Hastings*	4	0	8	0
Eric Hugh	4	4	8	7
Rosy Hume**	3	3	7	5
Kenneth Knott	4	4	8	7
Heather Lockhart**	1	0	0	0
Gib McMillan**	1	0	0	0
Malcolm Offord **	1	1	2	1
Jim O'Neill	4	4	8	8
Ian Rankin*	4	4	8	8
Bob Richmond	4	4	8	8
Hazel Swankie	4	4	8	8
Gordon Thomson	4	4	8	6
Gerry Tosh	4	4	8	8

(* Co-Opted/Ex officio)

(** Part year)

Council decisions are taken at Council meetings and also by electronic resolution when required.

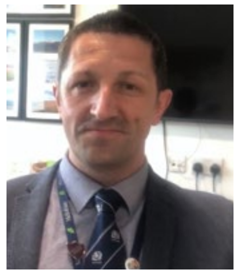
Colin Rigby
President
& Board Member

Murdo Gillanders
Edinburgh Regional Representative & Board Member

Mhairi Hay
Referees' Representative

Keith Wallace
Vice President

David Jamieson
Glasgow North Regional Representative



Gib McMillan*
Schools' Representative

Kevin Quinn
Premier Division Representative

Jim O'Neill
Glasgow South Regional Representative

Gavin Hastings
Co-opted member British & Irish Lions

Gerry Tosh
National Division 1 Representative

Alistair Forsyth
Scottish Borders Regional Representative

Dr John Halliday
Co-opted member Rugby Europe

Neil Sutherland
National Division 2 Representative

Hazel Swankie
Midlands Regional Representative & Board Member

Ian Rankin
Co-opted member URC

Ian Carse
National Division 3 Representative

Bob Richmond
North Regional Representative & Board Member

Scottish Rugby Board 2021/22

Membership and Terms of Office

The Board comprises: four independent non-executive Directors; four non-executive Directors from the Scottish Rugby Council (one of the four being the President in their capacity as Chair of the Council); and up to four executive Directors.

The Board is chaired by John Jeffrey, with Lesley Thomson KC serving as the Senior Independent Director.

Executive Directors serve under the terms of their employment or service contracts. There are currently 3 executive Directors. Hilary Spence joined the Board as Chief Financial Officer on 2 August 2021. Andrew Healy resigned from the Board on 30 September 2021.

The independent non-executive Directors are appointed for terms of up to 3 years at a time and are normally expected to serve for a minimum of two terms. Appointment of the independent non-executive Directors is by the Board, on the recommendation of the Nomination Committee.

Julia Bracewell's first term of office ended at the beginning of April 2022 and has been extended for a further 3 years. Lesley Thomson will have served three terms, totalling 9 years, by the end of September 2022. For the purposes of preserving continuity and assisting with a transition period that will be needed if the governance proposals approved by members of the Union at the Special General Meeting held on 6 June 2022 are implemented later in the year, Ms Thomson's term of office has, by exception, been extended for a period of 1 year.

Council-nominated non-executive Directors other than the President may serve on the Board for up to 3 years at a time, subject to remaining a member of Council. Their terms in office as Directors can therefore vary depending on the length of their underlying Council term. On ceasing to be a member of Council, a Council-nominated non-executive Director is also required to step down from the Board.

Hazel Swankie was appointed to the Board on 15 August 2021,succeeding William Gardner. Colin Rigby joined the Board on 22 November 2021 in succession to Malcolm Offord, who resigned from the Board with effect on 29 October 2021.

As at the date of signing the financial statements the Directors serving and their remaining terms of office are:

John Jeffrey
Chairman

Appointed as Independent Non-Executive and Chairman on 26 May 2020 for 12 months. Extended to 3 years ending 26 May 2023.

Mark Dodson
Chief Executive

Appointed on 19 September 2011.

Julia Bracewell
Independent Non-Executive Director

Appointed on 2 April 2019 for 3 years. Re-appointed for a further 3 years expiring 1 April 2025.

David McMillan
Independent Non-Executive Director

Appointed on 1 March 2017 for 3 years. Re-appointed for a further 3 years from 1 March 2020.

Lesley Thomson KC
Independent Non-Executive Director

Appointed on 1 October 2013 for 3 years. Re-appointed for 3 years from 1 October 2016, re-appointed for a further 3 years, effective from 1 October 2019 and re-appointed for a further year effective from 1 October 2022.

Colin Rigby
Council Nominated Non-Executive Director & President

Elected to the Scottish Rugby Board on 22 November 2021 and elected as President at the 2022 AGM.

Bob Richmond

Council Nominated
Non-Executive Director

Elected by Council on 15 August 2020. Term expires 14 August 2023.

Shona Bell

Chief People & Engagement Officer

Appointed on 1 January 2021.

Hilary Spence

Chief Financial Officer

Appointed on 2 August 2021.

Hazel Swankie

Council Nominated
Non-Executive Director

Elected by Council on 14 August 2021. Term expires 13 August 2024.

Murdo Gillanders

Council Nominated
Non-Executive Director

Elected by Council on 23 August 2022. Term expires on Effective Date of governance proposals.

Role and Activity

The Scottish Rugby Board is responsible for the ongoing management and operations of Scottish Rugby Union under powers delegated under the Scottish Rugby Union Bye-Laws and, for Scottish Rugby Union Limited, arising as a matter of company law and under that company's Articles of Association.

The Board oversees the work of executive management, led by the Chief Executive, and includes review and approval of a number of key matters including strategic planning, budgets and major projects. International, professional and domestic rugby are all topics which fall under the Board's remit and are considered throughout the year.

The organisation's financial performance is also monitored by the Board and reported on at each Board meeting, together with reports covering people and employment, commercial matters, safeguarding, health and safety, risk, succession planning, various policy and regulatory matters. Board members are also involved in various international bodies of which Scottish Rugby Union is a member or in which Scottish Rugby Union Limited holds an interest. Elements of the Board's responsibilities are delegated to Board Committees. Further information on the work of those Committees is provided below. The Annual Report, the financial statements and the Scottish Rugby website all contain more details on the organisation's activities.

Board meeting minutes from 26 November 2020 onwards are published on the Scottish Rugby website and provide detailed information on the Board's activities during the year.

Attendance

The Board met 8 times during the 2021/22 financial year.

Attendance at Board, and as appropriate, Board Committee meetings is compulsory unless there is good and substantial reason for a Director not attending. In each case of non-attendance, the Chair has been satisfied that such reasons existed, particularly when additional meetings have been called, at short notice, outside of the previously scheduled dates. Almost all Board and Committee meetings during the year have been held by video conference or on a hybrid basis, with decisions made at meetings and by electronic written resolution when required.

Attendance at the Board meetings is summarised below and also includes attendance of those serving for part of the financial year.

Name	Number of Meetings	Eligible	Attended
John Jeffrey	8	8	8
Ian Barr	8	8	8
Shona Bell	8	8	8
Julia Bracewell	8	8	7
Mark Dodson	8	8	7
William Gardner *	8	1	1
Andrew Healy*	8	3	3
David McMillan	8	8	7
Malcolm Offord*	8	4	3
Bob Richmond	8	8	8
Colin Rigby*	8	4	4
Hilary Spence*	8	6	6
Hazel Swankie*	8	6	6
Lesley Thomson	8	8	8

(*Part year)

Board Committees

During the period, the Board operated five regular sub-committees.

Membership of Board committees, other than the Investment Committee is restricted to non-executive Directors. At least one Council-nominated non-executive Director and at least one independent non-executive Director serves on each committee and are necessary to form a quorum. Executive Directors, other members of staff and external advisers attend Committee meetings as required. Each Committee has detailed terms of reference approved by the Board and communicated to Council.

All Committee Terms of Reference are published on the Scottish Rugby website.

The Chair of each Committee presents a report to the Board on that Committee's work at the following Board meeting. Committee minutes are either circulated to or are otherwise available to other Board Members on request.

Audit & Risk Committee (Chair: Lesley Thomson KC)

William Gardner (to 15 August 2021), Julia Bracewell, Bob Richmond, Hazel Swankie (from 9 September 2021) and Lesley Thomson all served on this Committee during the financial year.

The Committee met 7 times during the 21/22 financial year. These included additional meetings for the purposes of conducting a detailed audit and tax services tender exercise and considering presentations from the firms tendering, before making recommendations to the Board. That exercise was completed in January 2021 with the new auditors then appointed by the Board, in advance of the financial year end.

As part of its regular remit the Committee has also considered detailed financial reports and accounting policies, the accounting treatment to be applied to investment projects and risk management reports throughout the year. The appointment of the new auditors, review and approval of the audit plan and auditors' reports, and review and recommendation of summary and detailed financial statements all form part of the Committee's work.

In particular, the effect of the Coronavirus pandemic on the organisation continued to be a significant issue which the Committee considered in detail during the year as part of its approach to risk management. An important focus for the Committee has also continued to be the objective of improving the quality and transparency of the Company's financial reporting to members.

Meetings are also routinely attended by the Chief Financial Officer, Financial Controller and Company Secretary, with the auditors invited to participate in all meetings. Part of the meeting to discuss the year-end financial statements and audit report is held without the finance team members present.

Attendance at the Committee's meetings is summarised below.

Name	Number of Meetings	Eligible	Attended
Lesley Thomson	7	7	6
Julia Bracewell	7	7	7
William Gardner*	7	1	1
Bob Richmond	7	7	7
Hazel Swankie*	7	5	4

(*Part year)

Investment Committee (Chair: David McMillan)

Julia Bracewell, William Gardner (to 15 August 2021), Malcolm Offord (to 29 October 2021), Bob Richmond (from 9 September 2021) , Colin Rigby (from 2 December 2021), David McMillan and Mark Dodson served on this Committee during the financial year.

The Committee is responsible, amongst other things, for considering the potential for external investment into Scottish Rugby, investment opportunities, and reviewing proposals and accompanying terms relating to third party investment transactions affecting Scottish Rugby's interests. It meets as required for those purposes. Committee meetings are also attended by the Company Secretary and external professional advisers if needed.

The Committee met twice during the 21/22 financial year, with the main business being the continued review and consideration of the detailed terms and conditions and work needed to progress, finalise and approve the significant investment transaction involving CVC Capital Partners and the 6 Nations from a Scottish Rugby perspective, under powers delegated by the Board.

Attendance at the Committee's meetings is summarised below.

Name	Number of Meetings	Eligible	Attended
David McMillan	2	2	2
Julia Bracewell	2	2	2
Mark Dodson	2	2	2
William Gardner*	2	0	0
Malcolm Offord*	2	1	1
Bob Richmond*	2	2	2
Colin Rigby*	2	1	0

(*Part year)

Nomination Committee (Chair: John Jeffrey)

Lesley Thomson, Ian Barr, Bob Richmond and John Jeffrey all served on this Committee during the financial year.

The Chief Executive, Company Secretary and Chief People & Engagement Officer also attend the Committee's meetings as required. This Committee is responsible, among other things for making recommendations to the Board on membership of the Board and its Sub-Committees, the identification and recruitment of new executive Directors and independent non-executive Directors when required, the identification and appraisal of international body representatives, and various aspects of succession planning.

The Committee met 3 times during the 21/22 financial year.

Attendance at the Committee's meetings held in the financial year is summarised below.

Name	Number of Meetings	Eligible	Attended
John Jeffrey	3	3	3
Lesley Thomson	3	3	3
Ian Barr	3	3	3
Bob Richmond	3	3	3

Remuneration Committee (Chair: David McMillan)

David McMillan, Malcolm Offord (to 29 October 2021), Bob Richmond, Lesley Thomson and Colin Rigby (from 2 December 2021) all served on this Committee during the 21/22 financial year.

The Committee is responsible for making recommendations within agreed terms of reference, on remuneration policies, monitoring and approving executive Directors' and certain senior executive remuneration packages and changes to those, and the setting and monitoring of key performance targets and application of any incentive schemes in place. Approval of the remuneration of senior coaches and higher-earning players and any employee severance terms also fall within the Committee's remit. External advice is obtained when needed.

The Committee's work during financial year 2021/22 also included oversight of the implementation of various aspects of the benchmarking exercise undertaken in 2020/21, together with the identification of key performance indicators and a new reward framework for employees. This resulted in the introduction of a series of structured pay grades and enhancement of the earnings of employees in the lower percentile bands identified in the benchmarking exercise.

Further information on the work of the Committee and various aspects of remuneration during the 21/22 financial year is contained within the Remuneration Report below.

The Committee met 6 times during the 21/22 financial year.

Attendance at the Committee's meetings is summarised below.

Name	Number of Meetings	Eligible	Attended
David McMillan	6	6	6
Malcolm Offord*	6	4	4
Bob Richmond	6	6	6
Lesley Thomson	6	6	5
Colin Rigby*	6	2	2

(*Part year)

Safeguarding, Wellbeing, Diversity & Inclusion Committee (Chair: Lesley Thomson KC) (renamed the Environmental, Social and Governance Committee)

Lesley Thomson, Julia Bracewell, Malcolm Offord (to 29 October 2021), Hazel Swankie (from 9 September 2021) and Colin Rigby (from 2 December 2021) all served on this Committee during the 21/22 financial year.

The Chief People & Engagement Officer and Head of People & Engagement also attend the Committee's meetings with other colleagues attending as required.

The Committee is responsible for overseeing Scottish Rugby's activity and policies on Safeguarding, wellbeing programmes and Equality, Inclusion and Diversity matters.

At the Board Meeting on 26 May 2022 it was agreed that the Committee would be renamed the Environmental, Social and Governance (ESG) Committee to reflect a wider remit and keep the work of the Committee aligned with the ESG initiatives throughout the organisation.

Throughout the 2021/22 financial year the Committee received a number of presentations, and ongoing updates, on the following topics:

- **Female Teenage Engagement in Sport** – Members of Scottish Rugby's Rugby Development Department provided the Committee with an overview on engagement levels of teenage females in sport and outlined the number of measures and initiatives that were being implemented to encourage teenage females to participate, and remain engaged, with rugby in Scotland. The Committee were encouraged by the work undertaken to date and were kept abreast of the ongoing initiatives going forward.

  The importance of encouraging and supporting inclusion and diversity in Scottish Rugby's Clubs was highlighted by the Committee and has been reflected in strategy plans and responses to the recent governance review consultation.

- **The Well-being of Scottish Rugby's People** – As a central component of Scottish Rugby's Strategy, the Committee received regular updates from the People Department on the well-being initiatives and measures put in place for Scottish Rugby's employees, clubs and other relevant stakeholders.

- **Diversity and Inclusion** – Throughout 2021/22 the work on an overarching inclusion and diversity approach was concluded. The Committee considered, discussed, and fed into this process at all stages.

  The Committee were kept up to date on the Inclusion and Diversity Training which was provided to the Board, Executive team, the Strategic Leadership Group and Council colleagues.

  As part of the inclusion and diversity approach, an updated Inclusion and Diversity Policy was reviewed, considered and ultimately approved by the Committee.

- **Social Media Abuse in Sport** – the Committee received an update from Scottish Rugby's media department on the work they had undertaken into reviewing the rise in abuse professional athletes are receiving online. The need for a zero-tolerance approach to abusive messaging was highlighted by the Committee.

  The Committee fed into the suite of initiatives that were implemented by Scottish Rugby's media department ahead of the 2022 6 Nations.

- **Scottish Rugby Safeguarding** – Scottish Rugby's Safeguarding team updated the Committee on its work and any matters arising at each Committee Meeting. The Committee also received feedback on the Safeguarding Team's 'tabletop' training exercise which was developed with the input of the Committee.

- **Gender Pay Gap** – The Committee considered the findings of Scottish Rugby's Gender Pay Gap Reporting. It was noted that the reporting covered the Covid period which had had an impact on the results. Gender Pay Gap reports are published on the Scottish Rugby website.

- **"Don't be that Guy" Campaign** – Throughout the year, the Committee were kept up to date on the roll-out of the 'Don't be that Guy' campaign that Scottish Rugby worked on in conjunction with Police Scotland.

  The campaign encourages men to take responsibility for ending sexual violence by changing their attitudes and behaviours towards women, as well as challenging those of their peers. Its aim is to help effect a culture change to tackle sexual crimes against women.

  The Committee were strongly supportive of Scottish Rugby assisting Police Scotland in their campaign to end sexual violence, change attitudes and tackle culture change. Training sessions were carried out with Edinburgh Rugby, Glasgow Warriors, Scotland 7's squad, age grade squads, the women's team and match officials with more training planned for the coming months.

- **Policy Review** – Throughout year 2021/21, the Committee considered, and ultimately approved, the following policies: Illicit Drugs Policy, Equality and Inclusion Policy, Pregnancy in Rugby Policy, Modern Slavery Act, and the Concussion Policy.

The Committee met 3 times during the 21/22 financial year.

Attendance at the Committee's meetings is summarised below.

Name	Number of Meetings	Eligible	Attended
Lesley Thomson	3	3	3
Julia Bracewell	3	3	3
Malcolm Offord*	3	1	1
Hazel Swankie*	3	2	2
Colin Rigby*	3	2	2

(*Part year)

Governance Standards

All members of the Board and Council are required to comply with Scottish Rugby's Code of Conduct. Any alleged breach of the Code is subject to consideration by an independent panel.

No breaches or alleged breaches were reported in the year.

Corporate Governance Review

During the financial year the Council's Standing Committee on Governance progressed with work on a detailed review of governance within Scottish Rugby, initially under the independent chairmanship of Gavin MacColl KC and from January 2022, with Professor Lorne Crerar as independent chair. The Standing Committee made significant progress reviewing the overall governance of Scottish Rugby and making recommendations to the membership.

The Committee's overarching recommendations, based on the Committee's Report (available on the Scottish Rugby website) were approved by the membership at a Special General Meeting held in June 2022. The Committee is now working on the detailed documentation to implement those recommendations which is being placed before the members at a further SGM in September 2022.

Remuneration Report

Aggregate Emoluments to the Directors

The aggregate emoluments to the Directors (executive and Non-Executive) during the financial year comprised:

	2022	2021
	£000	£000
Fees and salaries	**1,191**	988
Contributions to pension schemes	**27**	36
	1,218	1,024

In the financial year the highest paid Director received aggregate emoluments of £570k (2021: £403k), comprising salary and benefits of £570k (2021: £403k) and pension contributions of £nil (2021: £ nil).

Under agreements entered into with executive Directors, senior employees and players during the Coronavirus pandemic voluntary salary reductions agreed during that period ended and salaries were restored on 1 June 2021 to the contracted pre-Covid levels, unless otherwise agreed. Non-executive Director fee rates were also restored to pre-Covid levels, with effect from 1 June 2021.

As part of a cost of living package approved by the Board in May 2022, a one-off lump sum payment equivalent to 3.5% of salary was applied across the Company for non-playing/ coaching colleagues, including the executive Directors, and is reflected in the aggregate emoluments figures for 2022 mentioned above. This was not applied to non-executive Directors.

The figures in the table above for 2022 reflect these cost of living payments, the restoration of salary and fee rates to pre-Covid levels and differences in remuneration arising from the changes to Directors serving during the year.

In July 2021 a small portion of the salary reductions agreed during the Covid period (2.5% of salary for the period between 1 September 2020 and 31 May 2021) was reimbursed. As a result of the Company's financial performance and surplus generated in financial year 2020/21, a further contractual reimbursement covering the period from 1 January 2021 to 31 May 2021 was also triggered for affected employees and was included in the prior year (2020/21) figures.

The aggregate emoluments of the Directors set out in the table above for the prior year include any reimbursements applied.

No further reimbursements were made in financial year 2021/ 22.

From 1 June 2022, also as part of the general cost-of-living package, base salary rates for FY22/23 were increased by 3.5% for the non-playing /coaching employees of the Company, including most but not all, of the executive Directors. As a result of the Company's standing policy, the fee rates of the non-executive Directors were increased by an equivalent percentage.

Executive Director Pay Policy

Remuneration of executive Directors is decided by the Remuneration Committee, with core remuneration packages consisting of base salary, allowances and any pension entitlements.

Packages are designed to be competitive in the marketplace, taking account of the skills and experience of the individuals but without paying more than is considered by the Committee to be necessary or appropriate to attract and retain the individuals.

The Chief Executive's service contract is for a fixed term, with the remaining executive Directors employed on regular employment contracts. Notice periods are reciprocal and vary between 9 months and 12 months depending on the individual.

Further information on salary rates and employment costs within Scottish Rugby Union Limited as a whole is set out below and in the Notes to the Financial Statements.

The information provided below (Table 4) refers to actual employee headcount numbers and restored base salary rates only, as at 31 May 2022 without allowing for reimbursements made during the financial year or the one-off lump sum cost of living awards.

Incentive Schemes and Reward

The Company did not operate a discretionary bonus scheme in FY2020/21. That approach continued in FY2021/22. Accordingly, no discretionary bonus awards were made to any regular (non-playing/ coaching) employee or Director in the financial year.

Players and coaches have separate schemes within their contracts which relate to on-field success.

The Remuneration Committee are considering the reintroduction of a discretionary bonus scheme for financial year 2022/23 and how such a scheme might be structured.

The Company does not operate a Long Term Incentive Plan, with the last year of a previous scheme being for FY2018/19.

Remuneration and Benefits of Council Members, and Non-Executive Directors (see Table 5)

Council member are volunteers and are not paid for their services on Council.

The fees to which non-executive Directors were entitled during the 2021/22 financial year were restored to pre-pandemic levels, with effect from 1 June 2021. The actual fees paid to individuals during the financial year also reflect part-year service in some cases, as well as waivers given by some non-executive Directors.

The Representative Body Fees quoted are the amounts payable to the individuals concerned for the financial year but actual payment to the individuals may not have occurred within the financial year.

Table 5 (NED and International Representative Fees)

Board Member	Annual Fee Rate	Representative Body Fee(s) Due	Total
	£	£	£
John Jeffrey	36,235	22,500 (WR) 15,466 (6Ns)	74,201
Ian Barr	15,529	-	15,529
Lesley Thomson	15,529	7,000 (WR)	22,529
Julia Bracewell	15,529	-	15,529
David McMillan	15,529	-	0
William Gardner*	15,529	-	5,176*
Malcolm Offord*	15,529	-	0
Bob Richmond	15,529	-	15,529
Colin Rigby*	15,529	-	8,176*
Hazel Swankie*	15,529	-	12,352*

Council Members (Ex Officio)	Position Held	Paid / Payable by	Value
			£
Ian Rankin	URC/CRDAC	SRUL	7,000
Dr John Halliday	Rugby Europe	SRUL	7,000
Gavin Hastings	British & Irish Lions	B&IL	5,000

(*Part year)

Table 4 (Headcount and Salary Banding)

Employee category	Under £50k		£50k - £75k		£75k - £100k		£100k - £200k		£200k +		Total employees	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Coaches and Players	84	79	14	19	12	16	36	36	15	5	161	155
Core Employees	237	240	28	28	12	9	8	5	4	1	289	283
Board Directors included within Core Employees							1	2	2	1		

Notes:

1. World Rugby, British & Irish Lions (BIL) and Six Nations (6N) compensate the representatives/directors serving on those bodies for their services and the service fees paid or payable to the Scottish Rugby representatives involved were as noted above. Any fees payable by those bodies during the financial year to Mark Dodson (WR, BIL and 6N)) were disclaimed and are retained by Scottish Rugby.
2. John Jeffrey is a Scottish Rugby representative at 6Ns Council (Chair) and at World Rugby, both of which involve substantial time commitments. Fees payable to him by those bodies are set out in the table above. From November 2021, no further fees were due directly by 6Ns to John Jeffrey, following the reorganisation of the 6Ns structures and investment by CVC Capital Partners.
3. Mark Dodson and Robert Howat were Scottish Rugby's nominated Board Members at Pro Rugby Championship DAC (the operating Board of the United Rugby Championship) during the financial year. No fees were payable by that organisation or Scottish Rugby for their services.

Expenses of Council Members, and Non-Executive Directors

Council members, including the President and Vice-President are volunteers and were not paid for their involvement, other than the reimbursement of expenses wholly, properly and legitimately incurred on Scottish Rugby business.

As part of their duties, Council and Board members are expected to attend various international and domestic rugby matches and functions in an official capacity and on those occasions Scottish Rugby meets the reasonable costs of travel, subsistence and accommodation for attending, in accordance with the Company's expenses policy.

Total expenses claimed by Council members and non-executive Directors in the 21/22 financial year such as for travel, mileage and subsistence were £6,854.

Expenses (if any) incurred by representatives/ Directors serving on international bodies are normally reclaimed directly from that body in accordance with the relevant body's own expenses policy.

Registered Office and Advisers

Registered Office

BT Murrayfield Stadium
Edinburgh, EH12 5PJ

Bankers

Bank of Scotland
Head Office
The Mound
Edinburgh, EH1 1YZ

Auditors

Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

Solicitors

Pinsent Masons
Princes Exchange
1 Earl Grey Street
Edinburgh, EH3 9AQ

Board Report

Under the powers delegated by the Bye-Laws of Scottish Rugby Union, the Directors of Scottish Rugby Union Limited in their capacity as the Scottish Rugby Board present their report and the audited consolidated financial statements for the year ended 31 May 2022. Scottish Rugby Union is an unincorporated association of its members. Scottish Rugby Union Limited is a private company limited by shares and is incorporated in Scotland.

An overview and review of the Group can be found in the Business Review, within the Strategic Report, on pages 5 to 13.

Going Concern

In determining whether the going concern basis of preparation for the financial statements is appropriate, the Directors have considered the sources of revenue, the ongoing running costs of all aspects of the Group's operations and the availability of funding, in particular the recent investments into 6N and into the professional rugby game from private equity sources. A base case cash flow forecast has been prepared covering the next 5 years.

Because of the income generated through proceeds from investments into 6 Nations and URC by private equity, the financial cash flow outlook is robust.

Revenues generated from broadcast, sponsorship, ticket sales and other match day income are also anticipated to remain strong, with crowds at record levels both for the National and Professional teams during the last financial year as we exited the pandemic. While the cost base is largely fixed, (excluding current inflationary pressures) opportunities exist for optimisation of existing cost structures as well as consolidation.

In the course of the year, funds were received from the CVC investment into 6 Nations, through Project Light as explained on page 43. These receipts, together with funds received in the prior year from the earlier URC transaction have contributed to a further strengthening of the Balance Sheet position at 31 May 2022. A working capital facility and a revolving credit facility of £8.5m are in place and due to retire in November 2023 but post balance sheet due to the robustness of the financial position the Board have retired the revolving credit facility as it is not required.

The Directors' base case cash flow forecast, which shows clear liquidity headroom through the going concern period, is based on the following key assumptions:

- the contractual obligations related to the sale of investments and resultant cash inflows from private equity investment are met; and
- a return to the pandemic situation does not recur.

Based on this assessment of the Group's financial position, forward cash flow projections, as well as a number of assumptions, mitigating measures already taken and further measures which could be taken including cost reductions, the Directors have a clear and reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and they do not foresee a scenario where additional funds will be required. The Directors are therefore satisfied to adopt the going concern basis in preparing the financial statements.

Employees

Inclusion and diversity

As an employer and a National Governing Body, we want to ensure all barriers to participation in rugby - real or perceived - are removed. This is particularly the case for groups currently under-represented in our game and also for those who traditionally may not have seen rugby as their sport of choice, or considered Scottish Rugby as a potential employer.

We want inclusion and diversity to be at the heart of everything we do. Whether you are an employee, player, a member club or a sponsor/partner, we want to ensure everyone is treated with dignity, respect, and an inclusive mindset.

We believe everyone should be given equal opportunity irrespective of age, ethnicity, disability, sex, gender reassignment, religion or belief, sexual orientation, marriage & civil partnership or pregnancy & maternity.

This year we launched our inclusion and diversity commitments to help us achieve this.

I&D is everyone's responsibility: Everyone has responsibility to help grow an inclusive culture; culture is made up by what each of us say and do every day.

We promise to keep getting better: We will continually look at examples of best practice and evaluate our processes – both internally and externally. Every one of our people will understand their responsibility to work inclusively and keep learning.

Scottish Rugby is a great place to be: We will make our environment one where excellent people belong, thrive and progress.

We will take a stand: We will use our reputation and influence to lead and advocate diversity, equity, and inclusion in our sporting sector, in the environment and in the wider communities within which we operate.

Full details can be found on our Inclusion, Diversity & Wellbeing below.

Attracting a diverse pool of talent

When we are advertising for candidates for job vacancies at Scottish Rugby, we continually try to widen our reach, on occasion specifically targeting under-represented groups. This year we have been working with CEMVO (Council of Ethnic Minority Voluntary Sector Organisations) to help us reach out to wider pools of potential candidates. We have backed this as a focus on building our employer brand. We recognise our need to articulate our story as an employer and the benefits of working for us more clearly in order to attract a diverse pool of candidates in the highly competitive employment market we are operating in.

Scottish Rugby remains a Disability Confident Employer and has Silver status on the Armed Forces Covenant.

In addition to our employment practices, we have achieved the Intermediate Level of the Equality Standard and are now working towards the Advanced level: A Framework for Sport which is a collaborative effort between the four national Sports Councils, UK Sport and equality organisations to achieve measurable stands of equality.

Our Safeguarding, Wellbeing, Inclusion and Diversity Committee (now ESG Committee) is well established, chaired by our Senior Independent Non-Executive Director and Equality and Diversity Champion ensuring inclusion and diversity remains a focus for our Board. Scottish Rugby has also signed the Equality Network Scottish LGBTI Sports Charter.

Having purpose, Feeling valued & Being connected

Having purpose, feeling valued and connected is a key thread that runs through our People, Culture and Engagement business strategy and is a fundamental theme in Scottish Rugby's 2021-24 Strategy. We believe creating an inclusive and supportive culture will encourage a sense of belonging. This is generated by each person knowing their purpose in the organisation, feeling valued and being connected to both colleagues and our organisational values.

This year we ran an all employee opinion survey with questions designed to provide feedback on questions in these three areas. We also asked for specific views on communication to inform a refreshed employee communications strategy. A regular rhythm of face-to-face and digital content has focused on building knowledge of our strategy and decisions and introducing more content from employees at all levels, supporting greater connection throughout the organisation.

The Senior Leadership Group (SLG) set up last year to act as a conduit between our executive team and our people is now firmly established and supports the cascade of business information and provides an additional channel for the employee voice to be heard.

Streamlined Energy and Carbon Report *(See Table 6)*

The following data meets the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations.

Emission factors are sourced from the Department for Business, Energy & Industrial Strategy (UK Government GHG Conversion Factors for Company Reporting). These are updated annually and the corresponding emission factor applicable to the reporting year is used i.e. 2021 for financial year 2021/22. Emissions are reported in Tonnes of Carbon Dioxide Equivalent (T CO2e).

In calculating the data for this year some items are of note:

- Gas Oil/Petrol and LPG: records were not fully available and some estimates were made based on historic consumption levels.
- Grey Fleet: for a number of employee-owned vehicles for which business mileage expenses are claimed back from the Company mileage estimates were used for 2021-22 to be the average of 2019-20 and 2020-21. As the type of cars and fuel is unknown, factors for 'average' car type and 'unknown' fuel type were used.
- Fleet Vehicles: From November 2021, the fleet vehicles include Plug in Hybrid Electric Vehicles (PHEV). Data includes Scope 1 and Scope 2 emissions and energy consumption for these vehicles.

In the financial year ended 31st May 2022, the Company used 11,077,894kWh of energy, resulting in carbon emissions of 2,196 T CO2e (using location-based emission factors). There was an increase of 0.017T CO2e/FTE (1.7%) when compared to last financial year 2020-21, and also an increase of 0.082 T CO2e/FTE (1.1%) when compared to baseline year 2019-20.

Scope 1 emissions decreased by 9.9% this financial year when compared to 2020-21, driven by a 12.6% reduction in natural gas. Business travel emissions increased by 22 T CO2e, with reduced restrictions due to COVID-19 but remained lower than the baseline year. From November 2021, the business fleet was upgraded to more energy efficient vehicles with hybrid vehicles accounting for almost 90% of the fleet.

Scope 2 emissions increased by 11.9% when compared to the previous financial year with an increase in grid electricity due to increase of office attendance with reduced COVID-19 restrictions. This year Scope 2 emissions also includes emissions relating to charging of PHEV assuming that the charging is not included with the grid electricity emissions.

Scope 3 emissions are estimated and increased by 108.8%.

The data has been prepared using the GHG Reporting Protocol – Corporate Standard methodology, taking best available data and estimates where required. The reporting meets the minimum requirements for SECR. This report is based on location-based emission factors which use country-specific average factors for each utility.

Energy Efficiency Actions During the Year

We are committed to continued improvements to reduce our energy utilisation, and have during the year completed the following changes to our infrastructure to reduce energy utilisation across BT Murrayfield:

- Changed our Building Management system operating hours to reduce the need for electricity and gas utilisation in non-core working hours
- Upgraded our internal structures to ensure gas utilisation involved in circulating air around the building is minimised
- Upgraded a significant part of our overall building management system structure to ensure that our chillers and heaters are working at their optimal rate
- Ensured where appropriate our partners working with us at BT Murrayfield have clear understanding of their utilities usage so they can action as appropriate.

This will continue to be an area of significant focus for us into 22/23.

Table 6 (Annual emissions using location-based emission factors)

Emissions Scope	Source	2019/20		2020/21		2021/22	
		kWh	T CO2e	kWh	T CO2e	kWh	T CO2e
Scope 1	Natural gas	4,697,808	864	6,759,791	1,238	5,908,692	1,082
	Gas oil/Petrol	120,754	31	31,154	8	71,134	17
	LPG	2,201	0	2,187	0	2,121	0
	Business travel (company vehicles)	511,286	123	43,413	11	133,832	33
	F Gas Refrigerant			0	0	0	0
	Scope 1 total	**5,332,049**	**1,018**	**6,836,545**	**1,257**	**6,115,779**	**1,132**
Scope 2	Electricity (Grid)	4,284,377	990	4,178,997	887	4,648,221	987
	Electricity Fleet PHEV	n/a	n/a	n/a	n/a	26,885	6
	Scope 2 total	**4,284,377**	**990**	**4,178,997**	**887**	**4,675,106**	**993**
Scope 3	Business travel (hired or employee vehicles)	458,115	105	140,740	34	287,009	71
	Scope 3 Total	**458,115**	**105**	**140,740**	**34**	**287,009**	**71**
Scopes 1 and 2 total		9,616,426	2,008	11,015,542	2,144	10,790,885	2,125
Scopes 1,2 and 3 total		10,074,541	2,113	11,156,282	2,178	11,077,894	2,196

FTE number of employees*	422	432	443
Intensity Ratio	**5.01**	**5.04**	**4.95**

*Based on average monthly number of employees in the year with Full Time Equivalent status.

Intensity Ratio

To convert absolute emissions to an emissions intensity metric, the Company has calculated emissions per a relevant unit of measure.

An intensity ratio is a way of defining the Company's emissions data in relation to an appropriate business metric, such as tonnes of CO2e per £ of revenue, or tonnes of CO2e per total square metres of floor space, or per full time employee. This allows comparison of energy efficiency performance over time and with other similar types of organisations.

SECR intensity ratios are calculated by dividing the Company's emissions by its organisation-specific metric.

In the case of the Company, the most appropriate metric to normalise the emissions continues to be the number of FTE employees. Its intensity ratio is shown above. FTE, as a divisible unit of measurement, is deemed most appropriate due its relative stability from year to year and the fact that the nature of the Company's operations across Scotland, with a number of employees utilising fleet vehicles and reimbursement of fuel costs, contributes to the total energy usage figures.

Statement of Directors' responsibilities in respect of the financial statements

Preparation of Financial Statements

It is the Directors' responsibility under Company law to prepare financial statements for each financial year in a manner which allows them to be audited. The Directors have therefore prepared the Group financial statements in accordance with the appropriate accounting policies and standards. These standards are the Generally Accepted Accounting Practice which in the United Kingdom is set out in FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Compliance with Accounting Standards

Under company law the Directors must only approve the financial statements when they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

Other Responsibilities

The Directors are also responsible for:

- safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- keeping adequate accounting records that:
  - are sufficient to show and explain the Group's and Company's transactions; and
  - disclose with reasonable accuracy at any time the financial positions of the Group and Company; and
  - enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Independent Auditor

During the year audit services were put out for tender. Following completion of that exercise, on 20 January 2022 the Directors approved the appointment of Johnston Carmichael LLP as independent auditor, succeeding the previous auditor, PwC.

A resolution proposing that Johnston Carmichael LLP be reappointed as auditor of the company will be put at a General Meeting.

Directors

The Directors of the Group who were in office during the year and up to the date of signing the financial statements are listed below.

John Jeffrey, Chairman

Ian Barr (retired 14 August 2022)

Shona Bell

Julia Bracewell

Mark Dodson, Chief Executive

Colin Rigby (appointed 22 November 2021)

David McMillan

Bob Richmond

Lesley Thomson KC

Hilary Spence (appointed 2 August 2021)

Hazel Swankie (appointed 15 August 2021)

Daniel Gillanders (appointed 23 August 2022)

During the year, William Gardner retired from the Board on 14 August 2021, and Andrew Healy and Malcolm Offord resigned from the Board with effect on 30 September 2021 and 29 October 2021, respectively.

By order of the Board

Robert M Howat
Secretary
Edinburgh
15 September 2022

Independent Auditor's Report

to the Directors of Scottish Rugby Union

Report on the Audit of the Financial Statements

Opinion

We have audited the non-statutory financial statements of Scottish Rugby Union (the 'Group') for the year ended 31 May 2022 which comprise of the Consolidated Income and Expenditure Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes In Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

- give a true and fair view of the state of the group's affairs as at 31 May 2022 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Matter

We draw attention to the fact that these financial statements have not been prepared under section 394 of the Companies Act 2006 and are not the Union's statutory financial statements.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities for the Financial Statements and the audit

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102;
- UK Corporation taxes legislation; and
- VAT legislation.

We gained an understanding of how the group are complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- reviewing the level of and reasoning behind the group's procurement of legal and professional services;
- performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias; and
- agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. This description forms part of our auditor's report.

Use of our Report

This report is made solely to the Union's directors, as a body, in accordance with the Union's Bye-Laws and in accordance with our engagement letter issued 4 April 2022 and signed 11 May 2022. Our audit work has been undertaken so that we might state to the Union's directors those matters we are required to state to them in an auditor's 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 Union and the Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Roger (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP
15 September 2022

Chartered Accountants
Statutory Auditor
7-11 Melville Street
Edinburgh
EH3 7PE

Financial Statements

Principal Accounting Policies

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

Going Concern

In determining whether the going concern basis of preparation for the financial statements is appropriate, the Directors have considered the sources of revenue, the ongoing running costs of all aspects of the Group's operations and the availability of funding, in particular the recent investments into 6N and into the professional rugby game by CVC Capital Partners. A base case cash flow forecast has been prepared covering the next 5 years.

Because of the level of investment secured through the disposal of investments in 6 Nations and URC the financial cash flow outlook is robust.

Revenues generated from broadcast, sponsorship, ticket sales and other match day income are anticipated to remain robust, with crowds at record levels both for the National and Professional teams during the last financial year as we exited the pandemic. While the cost base is largely fixed, (excluding current inflationary pressures) opportunities exist for optimisation of existing cost structures as well as consolidation.

In the course of the year, funds were received from CVC Capital Partners' investment into 6 Nations through Project Light. These receipts have contributed to a further strengthening of the Balance Sheet position at 31 May 2022. A working capital facility and a revolving credit facility of £8.5m are in place and due to retire in November 23 but post balance sheet due to the robustness of the financial position the Board have agreed to retire this facility as it is not required.

The Directors' base case cash flow forecast which shows clear liquidity headroom through the going concern period is based on the following key assumptions:

- The contractual obligations related to the sale of investments and resultant cash inflows from private equity investment are met
- A return to the pandemic situation does not recur

Based on this assessment of the Group's financial position, forward cash flow projections, as well as a number of assumptions, mitigating measures already taken and further measures which could be taken including cost reductions, the Directors have a clear and reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and do not foresee a scenario where additional funds will be required. The Directors are therefore satisfied to adopt the going concern basis in preparing the financial statements.

Basis of Consolidation

The consolidated financial statements cover the year to 31 May 2022 and include the Scottish Rugby Union, a mutual organisation and its subsidiaries Scottish Rugby Union Limited, Edinburgh Rugby Limited, Glasgow Warriors Limited, Saltire Rugby Holdings Limited and The Murrayfield Experience Limited, all of which are companies registered in Scotland. The parent body, Scottish Rugby Union, has not traded during the current or prior financial year, its only assets and liabilities are its investment in, and loans from, Scottish Rugby Union Limited of £50,000. The only trading company in the Group is Scottish Rugby Union Limited.

A subsidiary is an entity controlled by the Group. Control, for accounting purposes, is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Functional and Presentational Currency

Both the functional and presentational currency of the Group is Pounds Sterling. Monetary amounts in these financial statements are rounded to the nearest £000.

Turnover

Turnover represents ticket sales, broadcasting revenue, commercial income (including barter transactions) and all other income and is stated net of VAT. Recognition of revenues is as follows:

- Ticketing revenue - in the period during which the related event takes place.
- Broadcasting revenue – during the period in which the event or tournament takes place.
- Commercial and all other income - over the period of the individual agreements, based on the relevant contractual terms.

Value in Kind or Barter Transactions

The Group enters into value in-kind or barter transactions through contracts with sponsors which result in consideration being received in-kind for provision of sponsorship benefits. Where consideration is received in-kind the related income and expenditure are recognised in line with the contractual arrangements in place, which represent arm's length commercial rates, but only on receipt of appropriate supporting invoicing documentation from both sides to ensure independent verification of income received.

A review of prior bartering transactions has resulted in a reversal of £180k of income and £180k of cost recognised in the prior financial year, in the current year. Further income of £880k and offsetting costs of the same amount that was recognised over several previous financial years has been reversed through reserves. There is no net impact of this transaction as it involves offsetting equivalent incomes and costs.

Tangible Assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Significant sums are spent on maintenance of the Group's main asset, BT Murrayfield Stadium, therefore the de-minimis level for capitalisation of assets has been set at £10,000 for the first three asset categories below and at £5,000 for other equipment. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The straight-line basis is used in respect of all assets and the principal annual depreciation rates for the tangible fixed assets are:

	%
Land	Nil
Stands and Heritable property	1-20
Fixtures and fittings	4-25
Other equipment	7-50

No depreciation is charged on Assets Under Construction.

Intangible Assets

Intangible assets comprise computer- related software. The cost of intangible fixed assets is their purchase cost, together with any incidental costs of acquisition. The level for capitalisation of intangible fixed assets has been set at £5,000. Amortisation is calculated so as to write off the cost of intangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The straight line basis is used in respect of all assets and the principal annual amortisation rates for the intangible fixed assets are:

	%
Intangible Fixed Assets	10-50

Investment in subsidiaries, associates and other investments

Investments in subsidiaries, associates and other fixed asset investments are included at cost less any accumulated impairment losses.

Deferred Income

Capital grants and debenture premiums are transferred to deferred income and amortised over the estimated useful life of the associated fixed assets or the life of the debenture, respectively.

Income which is received in advance of the period to which it relates is classified within creditors as Advance Receipts.

Debenture issue costs

The costs associated with the issue of capital instruments are charged to the Income and Expenditure Account on an annual basis over the minimum period remaining until the redemption of the associated instrument.

Pension costs

Contributions are made by the Group to money purchase scheme pension arrangements for certain employees. Amounts due to assurance companies are charged against the Income and Expenditure Account in the period in which they become payable. The Group provides no other post-retirement benefits to its employees.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Grants

Revenue grants are recognised on an accruals basis, whereby they are credited to the Income and Expenditure Account in the same year as the related expenses. The Coronavirus Job Retention Scheme has been utilised in the course of the year, with sums relating to the financial year being credited to the income and expenditure account, in turnover and other income, in the same period as the related expenses.

Taxation

The Group has mutual trading status for taxation purposes as regards its trading activities with the members of its parent body, the Scottish Rugby Union, and pays tax only on the profit derived from trading with non members.

Deferred Taxation is recognised on all timing differences where the transaction or events that give rise to an obligation to pay more, or less, tax in the future have occurred by the Balance Sheet date. Deferred tax assets are recognised when it is probable that they will be recovered. The tax rates in force at the Balance Sheet date are used to calculate the need for any deferred tax provision or asset.

Long term incentive plan

Various bonus schemes, including annual bonus schemes and a Long Term Incentive Plan ("LTIP") had been operated in recent years. The most recent LTIP scheme was terminated and has not been replaced.

Financial Instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial Assets

Basic financial assets, i.e. trade and other debtors, cash and bank balances and loans, are initially recognised at transaction price, i.e. selling price.

At the end of each reporting year financial assets are assessed for evidence of impairment. Assessment takes place:

1. Individually (and collectively for smaller debtors) and
2. Collectively looking at groups of debtors with similar risk characteristics, which are assessed for recoverability based on their ageing.

If an asset is impaired, i.e. we believe the debt is irrecoverable, the difference between the carrying amount of the debtor and the present value of the estimated cash flows that will actually generate from the asset, discounted at the asset's original effective interest rate, is charged to the Profit and Loss Account.

If there is a decrease in this amount because of a subsequent event, the charge to the Income and Expenditure Account is reversed through the Profit and Loss account. The value of such a reversal will never exceed the original write off.

Other financial assets are initially measured at fair value, which is normally the transaction price and are subsequently carried at fair value with the changes in fair value being recognised in the Profit and Loss Account.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, and bank loans, are initially recognised at transaction price i.e. purchase price.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

The derivative instruments utilised by the Group are foreign exchange forward contracts.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Hedging arrangements

The Group has in the past applied hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. These foreign exchange hedges have been designated as cash flow hedges. No such hedges exist at the Balance Sheet date.

Unrealised gains or losses on hedges are recognised in Other Comprehensive Income and reclassified to the Income Statement when the hedge matures. There are no such transactions or instruments in place at the Balance Sheet date.

Public benefit entity concessionary loans (including debentures)

In determining whether or not amounts received (including debentures) from third parties are financial liabilities, consideration is given to the terms and whether or not the Group has the unconditional right to avoid settling in cash or other financial assets and whether settlement is dependent on the occurrence or non-occurrence of uncertain future events beyond the Group and the third party's control.

Where there is not an unconditional right the amounts received are accounted for as concessionary loans arrangements, when received for the purpose of furthering the primary objective of the Group. This includes any debentures, bank loans or other Government loans received below the prevailing market rate of interest which are initially measured at the amount received. In subsequent years, the carrying amount of concessionary loans in the financial statements is adjusted to reflect any accrued interest payable or receivable. A concessionary loan is a loan provided on more favourable terms than the borrower could obtain in the marketplace.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are regularly evaluated. The Directors consider that their assessment of the going concern basis of preparation of the financial statements is a critical accounting judgement but do not consider that there are any further key accounting judgements and estimates in the preparation of these financial statements.

Project Light income discounting

During the course of the year, the Group sold its investment in Six Nations Rugby Limited as part of a significant restructuring of the Six Nations tournament to facilitate further investment. As outlined in Note 7, the consideration is being received in instalments through to July 2025. In accordance with accounting standards, it is necessary to discount some of the deferred receipts to reflect the time value of money. The Directors are therefore required to exercise judgement over the appropriateness of the discount rate applied. In making this assessment, the Directors have estimated the cost of capital of CVC Capital Partners (as the investor into the tournament) and based on these considerations, a discount rate of 2% has been applied.

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT

for the year ended 31 May 2022

	Notes	2022 £000	2021 £000
Turnover and Other Income			
Ticket Income		**16,413**	-
Broadcasting Revenues		**15,265**	19,620
Commercial Income		**9,264**	8,543
Professional Rugby		**10,585**	5,400
Development Income & Grants		**3,198**	17,864
Hospitality and Other Income		**3,203**	1,071
		57,928	52,498
Costs			
International Rugby		**(11,261)**	(9,991)
Professional Rugby		**(21,129)**	(17,697)
Performance Rugby		**(4,136)**	(3,587)
Domestic Rugby		**(4,151)**	(3,117)
Club Support Funds		**(3,517)**	(1,889)
Commercial		**(4,508)**	(4,025)
Facilities		**(6,601)**	(3,445)
Administration & Governance		**(5,748)**	(5,060)
		(61,051)	(48,811)
EBITDA (earnings before interest, tax, depreciation and amortisation)*		**(3,123)**	3,687
Depreciation and Amortisation		**(2,406)**	(1,784)
Operating (Deficit) / Surplus		**(5,529)**	1,903
Gain on disposal of investments	7	**34,178**	-
Income from investments	7	**-**	7,139
Provision against investments	7	**(881)**	-
Gain on disposal of commercial rights		**-**	2,716
Surplus before interest and taxation		**27,768**	11,758
Net interest	3	**(213)**	(184)
Surplus before taxation	1	**27,555**	11,574
Tax credit / (charge) on surplus on ordinary activities	4	**1,491**	(1,054)
Surplus for the financial year	16	**29,046**	10,520

The turnover and operating surplus shown above are derived from continuing operations within the UK.

*EBITDA (earnings before interest, tax, depreciation and amortisation), a measure commonly used in business as an indicator for profitability. Income from investments, provision for impairments and gain on sale of commercial rights are not considered as part of the EBITDA calculation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 May 2022

	2022 £000	2021 £000
Surplus for the financial year	**29,046**	10,520
Other comprehensive (expenditure) / income :		
Cash Flow hedges:		
Change in value of foreign exchange hedging instruments	**(220)**	276
Other comprehensive (expenditure) / income for the year	**(220)**	276
Total comprehensive income for the year	**28,826**	10,796

CONSOLIDATED BALANCE SHEET
as at 31 May 2022

	Notes	2022 £000	2021 £000
Fixed Assets			
Tangible assets	5	**41,457**	43,167
Intangible assets	6	**412**	593
Investments	7	**-**	881
		41,869	44,641
Current Assets			
Derivative financial instruments	10	**-**	220
Debtors amounts falling due over one year	8	**21,460**	-
Debtors falling due within one year	8	**12,430**	5,525
Cash at bank		**21,473**	20,655
Cash in hand		**4**	10
		55,367	26,410
Creditors: amounts falling due within one year	9	**(20,666)**	(23,079)
Net Current Assets		**34,701**	3,331
Total assets less current liabilities and provisions		**76,570**	47,972
Creditors: amounts falling due after more than one year			
Bank and Other Loans	9	**4,750**	5,000
Deferred income	12	**1,531**	1,591
Murrayfield Debentures	13	**32,114**	32,032
Irredeemable Debentures	14	**97**	97
		38,492	38,720
Capital and Reserves			
General reserve	16	**38,078**	9,032
Hedging reserve		**-**	220
Total Capital and Reserves Surplus		**38,078**	9,252
		76,570	47,972

The financial statements on pages 30 to 50 were approved by the Scottish Rugby Board and signed on its behalf on 15 September 2022 by:

John Jeffrey, Chairman

Mark Dodson, Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 May 2022

	General Reserve £000	Hedging Reserve £000	Total £000
Balance as at 1 June 2020	**(1,488)**	**(56)**	**(1,544)**
Surplus for the year	**10,520**	**-**	**10,520**
Other comprehensive income for the year:			
Fair value gain on foreign exchange derivative financial instrument	-	276	276
Total other comprehensive expense for the year	**-**	**276**	**276**
Balance as at 31 May 2021	**9,032**	**220**	**9,252**
Balance as at 1 June 2021	**9,032**	**220**	**9,252**
Surplus for the year	**29,046**	**-**	**29,046**
Other comprehensive expense for the year:			
Fair value loss on foreign exchange derivative financial instrument	-	(220)	(220)
Total other comprehensive expense for the year	**-**	**(220)**	**(220)**
Balance as at 31 May 2022	**38,078**	**-**	**38,078**

The hedging reserve is used to record transactions arising from the Group's cash flow hedging arrangements.

Fair value losses and gains on foreign exchange derivative financial instruments are shown net of tax.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 May 2022

	Notes	2022 £000	2021 £000
Cash Flow from operating activities			
Operating (deficit)/surplus		**(5,529)**	1,903
Depreciation charge	5	**2,002**	1,662
Amortisation charge	6	**131**	122
Deferred income amortisation	12	**(60)**	(59)
Decrease in debtors		**855**	3,229
Loss on disposal		**222**	-
Decrease in provisions		**-**	(99)
(Decrease)/increase in creditors		**(1,490)**	2,633
Net cash (used in)/generated from operating activities		**(3,869)**	9,391
Cash Flow from investing activities			
Payments to acquire Tangible Assets		**(292)**	(3,189)
Payments to acquire Intangible Assets		**(172)**	(101)
Payments to acquire Fixed Asset Investments		**-**	(218)
Dividend received		**-**	7,139
Proceeds on disposal of Fixed Asset Investments (net of transaction costs)	7	**5,276**	-
Cash received on disposal of commercial rights		**-**	2,716
Net cash generated from investing activities		**4,812**	6,347
Cash flow from financing activities			
Repayment of bank loan		**-**	(5,407)
Receipt of other loans		**-**	5,000
Interest paid on bank overdrafts and loans		**(131)**	(174)
Net cash generated from/(used in) financing activities		**(131)**	(581)
Net increase in cash at bank and in hand		**812**	15,157
Cash and cash equivalents at the beginning of the financial year		**20,665**	5,508
Cash and cash equivalents at the end of the financial year		**21,477**	20,665

1. Surplus on ordinary activities before taxation

	2022	2021
The surplus before taxation is stated after crediting:	**£000**	£000
Recognition of deferred income	**60**	59
Barter transaction sponsorship income	**883**	1,134
And after charging:		
Auditors' remuneration	**40**	69
Auditors' fees for non-audit services		
Tax compliance	**11**	11
Tax advisory	**-**	47
Corporate Finance Advisory	**-**	-
Other	**7**	-
Depreciation charge for the year:		
Owned fixed assets	**2,002**	1,662
Amortisation charge for the year:		
Owned intangible assets	**131**	122
Operating lease rentals		
Plant & Machinery	**-**	5
Other	**109**	409
Barter transaction sponsorship costs	**883**	1,134

2. Staff Costs

The average monthly number of persons employed during the year who are involved in and support the Scottish game was:

	2022	2022	2021	2021
	No.	**No.**	No.	No.
Rugby				
Professional Players	**114**		111	
Professional Teams – Coaching & Operations	**39**		40	
National Team – Coaching & Operations	**9**		12	
Elite Development Players & Coaches	**32**		33	
Domestic & Performance	**84**		84	
Strength & Conditioning	**22**		21	
Medical & Physiotherapy	**20**		22	
		320		323
Stadium Operations		**33**		47
Commercial, marketing & other corporate functions		**92**		66
TOTAL		**445**		436

Within these figures:

Domestic & Performance includes employees within the FOSROC Academies, Rugby Development Support, Services, Participation and Development, Training & Education, Outreach & Equality, Schools & Youth, Domestic and Elite Refereeing, and Age Grade & Other Coaches.

Stadium Operations includes staff involved in Event Management, Ticketing and Stadium, Pitch & Grounds Maintenance.

Commercial, marketing & other corporate functions includes Commercial & Marketing, People & Communications, Finance & IT, Governance and Office Management.

	2022	2021
	£000	£000
Employment costs:		
Wages and salaries	**29,660**	25,806
Social security costs	**2,807**	3,094
Other pension costs	**450**	792
	32,917	29,692

The above costs are prior to Coronavirus Job Retention Scheme grant claims.

At the year end the pension accrual was £264k (2021:- £298k).

3. Net Interest

	2022 £000	2021 £000
Interest payable on bank overdrafts	**(131)**	(102)
Amortisation of Debenture issue costs	**(82)**	(82)
	(213)	(184)

4. Tax on surplus on ordinary activities

	2022 £000	2021 £000
Current Tax:		
On surplus arising from non-mutual trading	**(1,173)**	1,054
Adjustment in respect of prior periods	**(318)**	-
Deferred:		
Origination and reversal of timing differences	**(142)**	(1,785)
Movement in deferred tax unprovided	**142**	1,785
Tax on surplus	**(1,491)**	1,054

Factors affecting the current tax charge for the year

	2022	2021
Surplus on ordinary activities before taxation	**27,555**	11,574
Corporation Tax at 19% (2021: 19%)	**5,235**	2,199
Effects of:		
Net expenses not deductible for tax purposes	**716**	2,068
Crystallisation of tax losses	**-**	(2,004)
Income not subject to tax	**(7,019)**	(1,356)
Adjustments to tax charge in respect of previous period	**(318)**	-
Remeasurement of deferred tax charge for change in tax rates	**36**	-
Depreciation in excess of capital allowances	**163**	142
Movement in other timing differences	**-**	16
Movement in deferred tax not recognised	**(304)**	(11)
	(1,491)	1,054

The Union has gross taxable profits arising in the year of £nil (2021: £nil).

A change in the future UK Corporation tax rate to 25% with effect from 1 April 2023 was announced in the UK Government's March 2021 budget and substantively enacted on 24 May 2021. This change will have a consequential effect on the Group's future tax charge in the UK.

5. Tangible Assets

	Heritable Property £000	Fixtures and Fittings £000	Other Equipment £000	Assets Under Construction £000	Total £000
Cost					
As at 1 June 2021	**50,705**	**14,776**	**7,573**	**-**	**73,054**
Additions	-	21	140	131	292
As at 31 May 2022	**50,705**	**14,797**	**7,713**	**131**	**73,346**
Accumulated Depreciation					
As at 1 June 2021	14,760	12,331	2,796	-	29,887
Charge for year	1,022	395	585	-	2,002
As at 31 May 2022	**15,782**	**12,726**	**3,381**	**-**	**31,889**
Net book value					
As at 31 May 2022	**34,923**	**2,071**	**4,332**	**131**	**41,457**
As at 31 May 2021	35,945	2,445	4,777	-	43,167

6. Intangible Assets

	Computer Software £000	Total £000
Cost		
As at 1 June 2021	886	886
Additions	172	172
Disposals	(483)	(483)
As at 31 May 2022	**575**	**575**
Accumulated Amortisation		
As at 1 June 2021	293	293
Charge for year	131	131
Depreciation eliminated on disposals	(261)	(261)
As at 31 May 2022	**163**	**163**
Net book value		
As at 31 May 2022	**412**	**412**
As at 31 May 2021	593	593

7. Investments

	2022	2021
	£000	£000
Investment in Subsidiaries	**-**	-
Other Investments	**881**	881
Provision against investments	**(881)**	-
	-	881

Through Scottish Rugby Union Limited, the Union holds investments in the following subsidiaries:

Investment in Subsidiaries	Country of Incorporation	Holding	Year End	Principal Activities	Holding £	Registered Office
Scottish Rugby Union Limited	Scotland	100%	31 May	Promotion & management of Rugby	-	BT Murrayfield Stadium, Edinburgh, EH12 5PJ
Edinburgh Rugby Limited	Scotland	100%	31 July	Dormant	-	
Glasgow Warriors Limited	Scotland	100%	31 July	Dormant	-	
Saltire Rugby Holdings Limited	Scotland	100%	31 July	Dormant	-	
The Murrayfield Experience Limited	Scotland	100%	31 May	Dormant	-	
Scottish Rugby (USA) LLC	USA	100%	31 May	Nominee	-	US address: 251 Little Falls Drive, New Castle County, Wilmington, Delaware

Through Scottish Rugby Union Limited, the Union holds investments in the following other investments:

Other Investments	Country of Incorporation	Holding	Year End	Principal Activities	Holding £	Registered Office
Celtic Rugby DAC (1)	Ireland	25%	30 June	Competition Management	-	Millbank House, Arkle Road, Sandyford Industrial Estate, Dublin 18
British and Irish Lions DAC (2)	Ireland	25%	30 June	Rugby Organisation	-	First Floor, Simmonscourt House, Simmonscourt Road, Ballsbridge, Dublin 4
Great Britain Rugby Sevens Limited (3)	England and Wales	33.33%	30 June	Team Management	-	Rugby House, 200 Whitton Road, Twickenham, Twickenham Stadium, London TW2 7BA
Washington DC Professional Rugby LLC (4)	USA	15.50%	30 September	US Major League Rugby Club	£881k before provision for impairment	Principal Office: 1140 Connecticut Avenue NW, 400, Washington, DC 20036.
New Six Nations Union Rugby Limited (5)	England and Wales	16.67%	30 June	Investment Holding Vehicle	-	Thomas House, 84 Eccleston Square, London, SW1V 1PX.

(1) During the financial year to 31 May 2020, Celtic Rugby DAC entered into a partnership involving itself and an external partner, CVC Capital Partners. Following the completion of the transaction, Scottish Rugby Union Limited received a dividend from Celtic Rugby DAC of £8.381m, in that year and a further £7.139m in the financial year to 31 May 2021. Under the relevant agreements, the CVC interest in the new partnership increases over several years if a number of conditions are met. Once fully invested, CVC Capital Partners will hold a 28% interest in the new partnership, with Celtic Rugby DAC holding the remaining majority 72% interest.

(2) The Union holds one €1.25 ordinary share in British & Irish Lions DAC through Scottish Rugby Union Limited. Given the disposition of the other shareholdings in these companies, and the immateriality of their net surpluses and net assets, the Directors do not believe that this investment falls to be treated as an associated company.

(3) Through Scottish Rugby Union Limited, the Union is one of three subscribers, the others being The Welsh Rugby Union Limited and The Rugby Football Union, to Great Britain Rugby Sevens Limited. Given the disposition of the other shareholdings in these companies, and the immateriality of their net surpluses and net assets, the Directors do not believe that this investment falls to be treated as an associated company.

(4) The Group has a shareholding in Washington DC Professional Rugby LLC held through a wholly owned subsidiary, Scottish Rugby (USA) LLC. As at 31 May 2021 and 31 May 2022 the total holding was £881k (before provision for impairment). The Group's shareholding in Washington DC Professional Rugby LLC at 31 May 2022 was 15.50% (2021: 24.8%). The change in shareholding in the period is a result of investments into Washington DC Professional Rugby LLC by the other shareholders in the course of the year, in which the Group declined to participate, resulting in a dilution of the Group's shareholding. The Group's share of this company's profit for the year was nil. The Group's share of this company's net assets at 31 May 2022 was nil. Scottish Rugby (USA) LLC's registered office address in the United States is 251 Little Falls Drive, New Castle County, Wilmington, Delaware.

Following a review of the speculative nature of the investment, the cash flow projections of both the company and the MLR, the league in which it participates and the need for further capital injections in the short to medium term, while the Directors believe that there continues to be considerable strategic value in operations in the USA and in Old Glory DC itself a write-down of the investment value has been applied via an exceptional provision charged to the profit and loss account.

(5) During the year there was a restructuring of the Six Nations tournament to accommodate investment from a private equity firm, CVC Capital Partners. The transaction was accommodated via the creation of new corporate entities. As part of the transaction Scottish Rugby Union Limited obtained a cash settlement, contingent consideration settlement and subscribed for 1,600 Ordinary Shares of £1 each (16.67%) in a newly created entity "New Six Nations Union Limited", a company incorporated under the laws of England and Wales. Following completion of the transaction during the financial year, Scottish Rugby Union Limited disposed of its entire holding in Six Nations Rugby Limited and no longer held any shares in the capital of that company at the year end.

The non-contingent consideration for the transaction is being paid over 5 years, amounting to a total of £37,206,950, less costs. The transaction also has a contingent element: further payments may be due if EBITDA performance of the Six Nations in their financial years 2024/25 to 2026/27 exceeds targets set as part of the transaction.

In line with accounting and tax advice from independent external professional advisers, the Company is accounting for the whole of the non-contingent amount as if the entire transaction took place on the closing date, since shares were sold as of that date. The contingent receipt has not been recognised in the accounts due to its uncertain nature.

Accounting for the transaction is split into two parts.

1. Accounting for cash received before year end: in the current year, the Group has recognised income of £7,441,390, being the first payment in relation to the sale, received in November 2021, net of fees of £2,165,161 i.e. net income of £5,276,229. The cash has been received and is included in the year-end cash balances.
2. Accounting for cash received post year end: The second payment due, amounting to £7,441,390 was received in July 2022 and has not been discounted. To account for the remaining payments expected to be received in each of July 2023, 2024, and 2025 in accordance with accounting standards, the total remaining consideration of £22,324,170 has been discounted at a rate of 2%. The full amount of £34,177,719 (after applying the discount) has been credited to the profit and loss account in the 2021/22 financial year.

The amounts above total £34,177,719 and are included as income from investments in the 2021/22 financial year. The table below sets out each tranche and the accounting values recorded.

Year	Cash Consideration	Costs	Net Amount	Discounted Amount	Status
2021	£7,441,390	(£2,165,161)	£5,276,229	£5,276,229	Cash in bank at 31 May 2022
2022	£7,441,390	-	£7,441,390	£7,441,390	Cash in bank at 6 July 2022
2023	£7,441,390	-	£7,441,390	£7,295,480	Amount to be received
2024	£7,441,390	-	£7,441,390	£7,152,432	Amount to be received
2025	£7,441,390	-	£7,441,390	£7,012,188	Amount to be received
	£37,206,950	**£2,165,161**	**£35,041,789**	**£34,177,719**	

Fixed asset investments are stated at the lower of cost and valuation.

Other Interests

In addition to the above, the Group is a member of the European Professional Club Rugby, a Swiss association, whose principal activity is promoting and managing the European Rugby Champions Cup and European Rugby Challenge Cup.

In the financial year to 31 May 2021, Scottish Rugby Union Limited agreed to transfer its share of the revenues from the exploitation of commercial rights in relation to these competitions to the partnership between Celtic Rugby DAC and CVC Capital Partners, resulting in a gain on disposal of £2.716m.

NOTES TO THE FINANCIAL STATEMENTS

8. Debtors

	2022	2021
Amounts falling due within one year	**£000**	£000
Trade debtors	**4,087**	2,047
Other debtors	**573**	62
Deferred consideration	**7,441**	-
Prepayments and accrued income	**329**	3,416
	12,430	5,525

Deferred consideration relates to amounts due following a disposal of the investment in Six Nations Rugby Limited held by Scottish Rugby Union Limited. Refer to Note 7 for more details.

	2022	2021
Amounts falling due after one year	**£000**	£000
Deferred consideration	**21,460**	-
	21,460	-

Deferred consideration relates to amounts due following a disposal of the investment in Six Nations Rugby Limited held by Scottish Rugby Union Limited. Refer to Note 7 for more details.

9. Creditors

	2022	2021
Amounts falling due within one year	**£000**	£000
Advance receipts	**8,536**	11,582
Trade creditors	**2,993**	1,783
Corporation Tax	**-**	1,054
Taxation and social security	**2,817**	1,461
Accruals	**6,070**	7,199
Bank loans and overdrafts	**250**	-
	20,666	23,079

	2022	2021
Amounts falling due after more than one year	**£000**	£000
Other loans	**4,750**	5,000
	4,750	5,000

Through Scottish Rugby Union Limited, the Group completed a refinancing in November 2020 with Bank of Scotland plc which comprised a working capital facility with gross value of £11.8m and net value nil, together with a Revolving Credit Facility of £8.5m, which is secured by a bond and floating charge over all assets of Scottish Rugby Union Limited. The Revolving Credit Facility remained undrawn at the date of signing of the Financial Statements. Post Balance Sheet date the bank have been notified that this latter facility is no longer required.

Within Amounts falling due within one year and after more than one year, the Other Loans category represents borrowings in the form of a loan from the Scottish Government, which is unsecured and interest free, and which is repayable in equal annual instalments starting on or by 1 September 2022, and in full by 1 August 2042. Early repayment is permissible without penalty.

10. Financial instruments

Treasury policy

Treasury activity is focused on monitoring working capital, managing interest rate risk and managing currency rate risk. Treasury activity is not a profit centre and the Group neither enters into treasury transactions of a speculative nature nor trades in financial instruments.

The Group has the following financial instruments:

The Union has the following financial instruments:

	2022	2021
	£000	£000
Financial assets that are debt instruments measured at amortised cost due within one year:		
Cash at bank and in hand	**21,477**	20,665
Trade debtors	**4,087**	2,047
Accrued income	**-**	2,903
Deferred consideration	**7,441**	-
Other debtors	**573**	62
Financial assets that are debt instruments measured at amortised cost due after one year:		
Deferred consideration	**21,460**	-
Financial assets measured at fair value through other comprehensive income due within one year:		
Derivative financial instruments	**-**	220
Financial liabilities measured at amortised cost due within one year:		
Trade creditors	**2,993**	1,783
Accruals	**6,070**	7,199
Financial liabilities measured at amortised cost due after more than one year:		
Other Loans	**4,750**	5,000

Derivative financial instruments - Forward Contracts

Through Scottish Rugby Union Limited the Group enters into forward foreign exchange contracts to mitigate the exchange rate risk for certain future foreign currency receivables. The forward foreign exchange contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the year end spot exchange rates. The fair value of the forward foreign exchange currency contracts at 31 May 2022 was an asset of £nil (2021: £220k).

11. Provisions for Liabilities

	2022	2021
Deferred taxation comprises:	**£000**	£000
Accelerated capital allowances	**1,852**	1,143
Other timing differences	**486**	312
Trading losses carried forward	**(2,196)**	(900)
	142	555
Deferred tax asset not recognised	**(142)**	(555)
	-	-

The gross value of unrecognised deferred tax assets on trading losses carried forward at 31 May 2022 was £8,786k (2021: £4,736k)

Following due consideration of future anticipated taxable profits, the residual deferred tax assets on trading losses carried forward has not been recognised on the basis that it will take some time for them to be fully recovered. The deferred tax asset will be fully recoverable should there be appropriate future taxable profits. Other timing differences include FRS102 derivative timing differences, debenture cost tax timing differences and pension creditor timing differences.

12. Deferred Income

	Heritable Property	Debenture Premium	2022 Total	2021 Total
	£000	£000	**£000**	£000
Opening	1,562	29	**1,591**	1,650
Additions in the year	-	-	**-**	-
Recognised in period	(31)	(29)	**(60)**	(59)
Closing	1,531	-	**1,531**	1,591

13. Murrayfield Debentures

Class of Debenture	Value Each	No. Authorised	2022 No. Issued	2022 £000	2021 No. Issued	2021 £000
A	£1,200	9,100	9,092	10,910	9,092	10,910
B	£2,200	7,900	7,900	17,380	7,900	17,380
C	£3,500	1,000	1,000	3,500	1,000	3,500
Thistle	£9,900	500	188	1,861	188	1,861
Debentures issued			18,180	33,651	18,180	33,651

	2022	2021
Issue Costs:		
Opening	**1,619**	1,701
Amortisation	**(82)**	(82)
Closing	**1,537**	1,619
Net Issue Proceeds less Amortisation	**32,114**	32,032

The Murrayfield Debentures are unsecured, rank pari passu and are interest free. Repayment is at the discretion of the Company but the terms include an administration clause meaning the Company does not have an unconditional right to avoid settling. Holders have the right to purchase a ticket for any event or match at the stadium for which the Company retains direct control over the allocation of all tickets. In respect of Six Nations matches the ticket is for a specific seat. Thistle and C Debenture holders also have a right to purchase certain matchday hospitality packages.

14. Irredeemable Debentures

The 972 (2021 - 972) Debentures of £100 each (the 1925 Debentures) entitle the holder to purchase two tickets at Murrayfield for each match directly controlled by the Group. The debentures are interest free.

15. Leases

Operating Lease commitments	2022	2021
	£000	£000
Land & Buildings; payable in		
1 year	109	300
2 to 5 years	170	-
Car Commitments; payable in		
1 year	226	-
2 to 5 years	316	-
	821	300

16. General Reserve

	2022	2021
	£000	£000
Opening	9,032	(1,488)
Surplus for the year	29,046	10,520
Closing	38,078	9,032

17. Reconciliation of net cashflow to movement in net debt

	2022 £000	2021 £000
Increase in cash in the year	812	15,157
Amortisation of Murrayfield Debentures	(82)	(82)
Receipt of other loan	-	(5,000)
Repayment of bank loan	-	5,407
Change in net debt during the year	730	15,482
Net debt at the beginning of the year	(16,464)	(31,938)
Net debt at the end of the year	(15,734)	(16,464)

18. Analysis of net debt

	31 May 2021	Cash Flows	Other Changes	31 May 2022
	£000	£000	£000	£000
Cash in hand	10	(6)	-	4
Cash at bank	20,655	818	-	21,473
Other loans	(5,000)	-	-	(5,000)
Irredeemable Debentures	(97)	-	-	(97)
Murrayfield Debentures	(32,032)	-	(82)	(32,114)
	(16,464)	812	(82)	(15,734)

Debentures have been treated as public benefit entity concessionary loans as they were received below the prevailing market rate of interest and for the purpose of furthering the primary objective of the Union.

19. Transactions Involving Directors of Scottish Rugby Union Limited

The names of the Directors who served during the year are as set out on page 27. The aggregate emoluments payable to the Directors for the year comprised:

	2022	2021
	£000	£000
Fees and salaries	1,191	988
Contributions to pension schemes	27	36
	1,218	1,024

The highest paid director received aggregate emoluments of £570k (2021: £403k) during the year, comprising salary and benefits of £570k (2021: £403k) and pension contributions of £nil (2021: nil).The increase in aggregate emoluments follows the restoration of salary rates to pre-Covid levels from 1 June 2021, after a period of voluntary salary reductions, and includes one-off cost-of-living payments applied in May 2022 on a Company-wide basis to eligible employees.

20. Capital Commitments

At 31 May 2022, Scottish Rugby Union Limited had capital commitments of £522,335 in relation to the installation of new CCTV systems at BT Murrayfield. and capital commitments of £51,866, (2021: £nil) in relation to the completion of the construction of the new Dam Health stadium on its estate at BT Murrayfield.

21. Related Party Transactions

Certain directors of Scottish Rugby Union Limited, were also trustees of the Murrayfield Injured Players Foundation during the year. Scottish Rugby Union Limited does not charge the charity for any administrative or other support that it provides and made a donation to it of £2,250 in the current year (2021: £2,250). The Union's Investments, through Scottish Rugby Union Limited, are outlined in Note 7.

22. SRU Group

The Scottish Rugby Union carries out all its operations through Scottish Rugby Union Limited, which is treated as a wholly owned subsidiary for accounting purposes, with its registered office being Murrayfield Stadium, Edinburgh, EH12 5PJ. The issued share capital of Scottish Rugby Union Limited is held in trust for the benefit of the members of Scottish Rugby Union by the Trustees of the Scottish Rugby Union Trust (49,999 Ordinary Shares of £1 each) and G A Ireland (1 Ordinary Share of £1) as a nominee. For accounting purposes, the Group is also deemed to include the Thistle Rugby Trust. The Group has taken advantage of the exemption conferred by FRS102 from the need to disclose transactions between group entities that have been eliminated on consolidation in these Group financial statements.

FIVE YEAR SUMMARY

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Income	**57,928**	52,498	55,468	61,077	57,241
Expenditure:					
International and Professional Rugby	**32,389**	27,688	31,677	30,797	28,894
Domestic and Performance Rugby	**8,287**	6,704	9,358	9,854	8,731
Commercial and Operational	**16,858**	12,530	15,165	15,459	13,252
Club Support and Development	**3,517**	1,889	2,982	3,088	2,913
Depreciation and Amortisation	**2,406**	1,784	1,562	1,341	1,281
	63,457	50,595	60,744	60,539	55,071
Operating (Deficit)/Surplus	**(5,529)**	1,903	(5,276)	538	2,170
Income from investments	**34,178**	7,139	8,381	-	-
				-	-
Provision against investments	**(881)**	-	-		
					-
Gain on disposal of commercial rights	**-**	2,716	-	-	
Surplus on ordinary activities before interest and tax	**27,768**	11,758	3,105	538	2,170
Net interest	**(213)**	(184)	(236)	(230)	(333)
Surplus before taxation	**27,555**	11,574	2,869	308	1,837
Taxation	**1,491**	(1,054)	-	-	-
Surplus for year	**29,046**	10,520	2,869	308	1,837
Capital Expenditure	**464**	3,453	4,421	2,255	1,104

This page does not form part of the audited Financial Statements.

Thank you to

Our Partners

PRINCIPAL PARTNERS

OFFICIAL PARTNERS

Registered Office

BT Murrayfield Stadium
Edinburgh, EH12 5PJ

Bankers

Bank of Scotland
Head Office
The Mound,
Edinburgh, EH1 1YZ

Auditors

Johnston Carmichael LLP
7-11 Melville Street
Edinburgh, EH3 7PE

Solicitors

Pinsent Masons
Princes Exchange
1 Earl Grey Street,
Edinburgh, EH3 9AQ

Front cover
Scotland Captain Rachel Malcolm and Vice Captain Helen Nelson

Produced by
Scottish Rugby

Editor
Stuart MacLennan

Editorial Contributor
Graham Law

Designer
Laura Chessar

Photography
SNS Group unless otherwise stated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