

**SCOTTISH RUGBY UNION  
SC748672**

**MINUTE OF MEETING OF THE BOARD OF SCOTTISH RUGBY UNION**

**THURSDAY 19 OCTOBER 2023 AT 2.30 PM  
HELD IN-PERSON AND BY TEAMS AV PLATFORM**

**MONCRIEFF SUITE, SCOTTISH GAS MURRAYFIELD**

**Present:**

Lorne Crerar	(LC)	SRU Chair and Custodian Director
Cheryl Black	(CB)	Custodian Director
Maxine Manditsch	(MM)	Custodian Director
Alison Milne	(AM)	Custodian Director
Colin Rigby	(CR)	President and Custodian Director (by Teams AV)
Keith Wallace	(KW)	Vice-President and Custodian Director

**In Attendance:**

Shona Bell	(SB)	SRL Chief People & Engagement Officer
Mark Dodson	(MD)	SRL Chief Executive
Robert Howat	(RH)	SRU Company Secretary
John McGuigan	(JM)	SRL Chair
Hilary Spence	(HSp)	SRL Chief Financial Officer
Grant Roger	(GR)	Partner, Johnston Carmichael LLP (Auditors)

**Apologies:**

Ian Barr	(IB)	Immediate Past-President and Custodian Director
David Grevemberg	(DG)	Custodian Director

**1. INTRODUCTION**

The Chair noted that a quorum was present and opened the Meeting.

Apologies were received on behalf of David Grevemberg and Ian Barr.

Grant Roger of Johnston Carmichael LLP (auditors) was welcomed to the Meeting.

The Chair advised that the primary purpose of the Meeting was to review and if thought fit, approve the financial statements of the Group and Company for the year ended 31 May 2023.

**2. MINUTES**

The Minutes of the previous Meeting (29 August 2023) had already been approved by the Custodian Directors.

**3. ACTION LIST & MATTERS ARISING**

The contents of the action list from the previous Quarterly Reporting meeting of 29 August 2023 were noted. These would be considered in more detail at the next Quarterly Reporting Meeting.

#### 4. SRU ACCOUNTS- FINANCIAL YEAR 2022/23

The Company Secretary outlined the steps to be taken in connection with the approval of the financial statements for the Group and Company for the year ended 31 May 2023.

In addition to the papers circulated the previous week, a copy of the updated final draft financial statements for SRU had been circulated in advance of the Meeting, together with a copy of a draft letter of representation to the auditors.

The SRL Board had met earlier in the day to consider and approve the SRL financial statements. The SRL Chair would comment later in the Meeting on the outcomes from that meeting.

##### 4.1 Risk Register

Reference was made to the circulated Report, which was taken as read. This provided an update on recent adjustments to the Register, an overview of changes in risk in the course of the preceding year, and a commentary on the principal risks and uncertainties facing the Group, which were also referred to in the draft Strategic Report within the SRU accounts.

Overall, the risk profile of the Group had reduced, with the Register currently comprising 98 risks, (2022: 89) of which 3 were Red (2022: 9), 32 Amber (2022: 33) and 62 green (2022:48).

The contents of the Report were noted, with no comments.

##### 4.2 Auditor's Report

GR presented Johnston Carmichael's Report to the SRU Board on the audit for financial year 2022/23.

Recognising that SRU's role as the parent company was principally one of oversight and that the bulk of activity was conducted by the operating subsidiary, Scottish Rugby Limited (SRL), the Report to the SRU Board included the audit report provided to the Directors of SRL, together with an additional Appendix which was specific to SRU.

The Report was taken as read.

GR commented on the following in particular:

**(i) Key areas of audit focus/ risk identified in the audit plan**

*Revenue recognition* - testing had been conducted on the material income streams in the Group. Detailed commentary had been provided on each of these. Some immaterial adjustments had been suggested as part of the review. Overall, it was considered that the revenue recognised was reasonable. Comfort had been obtained from the work conducted that revenue was not materially misstated within the financial statements.

*Management override* - this was a mandatory significant risk under auditing standards. The testing had not given rise to any adverse findings. The discount rate and approach applied to the proceeds from the Project Light transaction had been considered and found to be consistent with the previous year.

*Completeness and occurrence of costs* - cost breakdowns had been examined and samples tested, with no material issues noted. Substantive procedures had been conducted on wages/payroll costs, with no issues noted. Overall, the auditors were satisfied with the adequacy of disclosures and that costs had not been materially misstated in the financial statements.

*Going concern (SRL)* - forecasts to May 2024 had been provided by management. Assumptions within cash flow forecasts had been assessed and challenged through a reverse stress test. This indicated in all the scenarios tested that sufficient funds were available for the foreseeable future. The auditors were satisfied that there were no significant going concern issues. Further comment was provided later in connection with SRU as the parent entity.

*Risk of Litigation* - legal costs had been reviewed for evidence of litigation. No evidence was found other than cases that had already been disclosed to the auditors. A litigation review had been conducted with the Company Secretary and with external solicitors. From the testing performed no evidence of material risk from litigation had been found.

**(ii) Taxation**

Reference was made the commentary in the Report. No tax charge arose, with the Group having significant carried-forward losses. No deferred tax asset was being recognised.

**(iii) Audit differences**

A summary of adjustments had been provided in the Report. Adjusted misstatements had been recognized by management and reflected in the financial statements. There were some unadjusted items – individually each was immaterial.

**(iv) Internal controls**

Under new auditing standards, additional focus was applied to internal controls and best practice recommendations had been included in the Report, together with management's responses. These had been discussed at the SRL Audit & Risk Committee.

**(v) Independence and ethics**

The Report set out various matters which required to be communicated under applicable audit standards. These were noted.

No instances of fraud or non-compliance with applicable laws and regulations had been brought to the auditors' attention during the course of the audit. Earlier confirmation had been obtained from the Custodian Directors in connection with awareness of fraud, attempted fraud and risk of fraud.

Each Custodian Director present confirmed again that they were not aware of any fraud or non-compliance with laws or regulations or of any litigation that had not already been disclosed.

**(vi) SRU - Appendix**

Reference was then made to the Appendix to the Report, setting out additional elements of the audit specific to SRU.

*Management override* – transactions within the SRU company were limited. Based on the work performed, the auditors were satisfied that there no instances of management override occurring.

*Completeness and occurrence of costs* - the cost recharge for SRL had been verified as reasonable.

*Going concern* – the SRL going concern assessment had been commented on earlier in the Meeting. The Group was largely covered by SRL’s position. In connection with SRU itself and the current inter-company loan balance, a letter of support from SRL stating that it would not request repayment of the inter-company loan balance within 12 months of signing the accounts would suffice to satisfy the going concern assessment.

It was confirmed that the SRL Board had approved the issue of a letter of support in the required terms earlier that day.

GR was thanked for his Report. Questions were then taken.

Under reference to cost recharges and services fee, as provided for in the Relationship Management Agreement and Inter-Company Services Agreement, and the materiality of that:

- HSp confirmed that she had met with Johnston Carmichael’s audit and tax teams. The RMA and inter-company agreements set out the legal basis for charging of costs and inter-company services. The specific values to be applied to the services fee from SRU to SRL were still to be established. HSp and RH would take this forward. Transfer pricing rules would need to be considered in establishing what values should be applied. **HSp, RH**
- GR advised that the amount of the inter-company balance at the moment was not material in the context of SRL but would grow over a period of time, if not recovered or otherwise reduced. The point to resolve was mainly related to taxation and demonstrating that the value attributed to any management service fee charged by SRU to SRL was reasonable for tax purposes.

#### **4.3 Financial Statements – Year ended 31 May 2023**

HSp referred to the circulated draft financial statements and accompanying paper. Changes made from the previous draft circulated were highlighted, with detailed comments provided by the Custodian Directors, and questions which could assist the Union’s members’ understanding of the accounts. Key points arising:

- The comments made by the auditors on revenue recognition and the judgements which had to be made on that illustrated the rationale for the proposed change to the financial year end.
- The estimated annual cost recharge to SRU in future years had been reduced from £250k per year to £175k per year.

- The aggregate directors' emoluments number had increased slightly from the draft presented to the SRL Audit & Risk Committee due to the inclusion of NI figures, for consistency with the prior year.
- An explanation of the difference in the highest paid director's remuneration (an accrual for a future terminal payment that had been deferred from 2019/20, rather than a pay rise) had been provided.
- Presentational improvements had been made in the Strategic Report to more clearly differentiate the SRL element of overall revenues and the costs attributable to SR.
- The impacts of strategic spending on the Pro team wage budgets and cash were discussed and explained in some detail, as was the rationale and accounting treatment of funds set aside each year from Project Pentagon proceeds to compensate for the reduction in revenues from URC due to the private equity participation in URC. Both were the continued implementation of approvals given at the time of the transaction.
- The approach to accounting for investment funds, Project Light instalment payments and associated value discounting was discussed. This was complex but accorded with the external advice taken at the time of the transaction. The proceeds had been recognised in their entirety up front, leading to an enhanced profit figure in the prior year even although the actual payments were spread over a longer period. This was recognised as being very technical and the table included in the Strategic Report should assist. However, it was considered that members would also benefit from this being explained at the AGM.
- Explaining underlying performance at the AGM, with a clear narrative was also important – at an EBITDA level the core business (before accounting for the investment fund and exceptional items) was breaking even, against an EBITDA loss in the core business the year before but due to reporting requirements this was not obvious from the financial statements themselves.
- It was also noted that pre-Covid underlying performance had been stronger. The CEO explained that Covid had impacted heavily on external cycle 1 broadcast revenues, with cycle 2 now encountering relatively flat broadcast markets. Revenues overall were recovering and now at a record level but still affected by hyper-inflationary cost pressures, such as in utilities, where costs had increased from £700k per year to around £2m per year.
- The change in employment costs and employee numbers was discussed – this arose mainly from players for GB7s and the women's contracts and from headcount, where there had been an increase in employees servicing the state schools programme, insourcing of the gatehouse and investment in posts supporting the women's game, offset by some voluntary redundancies.
- Potential questions from members were identified. As with the previous year, the CFO would be available for a briefing session for member clubs in advance of the AGM, once the accounts had been distributed. A further preparatory session with the SRU Board members was also to be arranged.

*HSp*

HSp and GR were thanked for their explanations and comments.

JMcG then confirmed, on behalf of the SRL Board that:

- (i) draft SRL financial statements had been considered by SRL's Audit & Risk Committee and had been recommended by the Committee to the SRL Board for approval;
- (ii) at the SRL Board meeting earlier that day, the SRL Board had received a similar presentation from Johnston Carmichael in connection with the audit process and outcomes;
- (iii) the CFO had presented the draft SRL financial statements to the SRL Directors and various questions had been dealt with;
- (iv) the terms of a similar letter of representation by the SRL Directors to the auditors had been approved;
- (v) similar reassurances in connection with fraud, attempted fraud and non-compliance had been provided to the auditors by the SRL Board;
- (vi) the SRL Board had approved the SRL financial statements and given authorisation for these and the accompanying Strategic Report and Directors' Report to be signed on behalf of the SRL Board; and
- (vii) approval had been given for the issue of a letter of comfort to SRU in connection with the inter-company balance, in the required terms.

The SRL Chair was thanked for his comments.

#### **4.4 Approval of Financial Statements and Accompanying Reports**

Taking into account,

- (i) the allocation of powers and responsibilities between SRU and SRL in the Relationship Management Agreement entered into between the 2 organisations and the contents of the inter-company services agreement and intra-group loan agreement;
- (ii) previous discussions in connection with identification and allocation of costs and recharging;
- (iii) the content of the detailed audit report and presentation by GR on behalf of Johnston Carmichael;
- (iv) the explanations provided in connection with SRL's financial position and the responses to questions posed by the Custodian Directors;
- (v) the letter of representation to be given to the auditors by the SRL Board;
- (vi) that the SRL Directors had considered and approved the SRL financial statements and in doing so had satisfied themselves that they gave a true and fair view of the assets, liabilities, financial position and profit or loss of that company for the period, including being satisfied that it was appropriate to adopt the going concern basis in preparing those financial statements; and

(vii) the grant by SRL of the letter of support in the required terms,

The Custodian Directors **AGREED THAT:**

- i) the Financial Statements, Explanatory Notes and accompanying Reports of Scottish Rugby Union for the financial year ending 31 May 2023 each be and are **APPROVED** as tabled and that the Chairman and Vice-President be and are authorised to sign the Group and Company Balance Sheets on behalf of the Directors;
- ii) the Company Secretary be and is authorised to sign the Directors' Report and Strategic Report on behalf of the SRU Board;
- iii) the Letter of Representation from Scottish Rugby Union to Johnston Carmichael LLP be **APPROVED**, and the SRU Chair be authorised to sign it on behalf of the Directors; and
- iv) the inclusion of the Financial Statements of Scottish Rugby Union in the Annual Report and their distribution to the organisation's members be and is authorised.

It was noted that the financial statements of associated entities were being approved separately by their director(s) and Trustees, as applicable.

## **5. OTHER MATTERS**

### **5.1 AGM 2023**

The Company Secretary updated the Custodian Directors briefly on progress on AGM planning under reference to the circulated papers. Preparation of the Annual Report was on schedule and included the usual governance report.

### **5.2 CRB Election Rules**

A final draft had been prepared for the SRU Nomination Committee to consider, with only skillset criteria to be finalised. These would be discussed separately with the Committee.

## **6. AOB**

There was no other business.

The Chair thanked those attending for their contributions.

The Meeting closed.

Next SRU Board Quarterly Reporting Meeting: Wednesday 22 November 2023.

**APPROVED BY THE SRU BOARD  
7 NOVEMBER 2023**