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**SCOTTISH RUGBY LIMITED
SC132061**

**MINUTES OF MEETING OF THE BOARD OF SCOTTISH RUGBY LIMITED
HELD ON 31 OCTOBER 2024 AT 11:35AM**

MONCRIEFF SUITE AND TEAMS AV PLATFORM

Present:

John McGuigan	(JM)	SRL Chair & Independent Non-Executive Director
Ruth Davidson	(RD)	Independent Non-Executive Director (By Teams AV)
Mike Soutar	(MS)	Independent Non-Executive Director
Chris Stewart	(CS)	Independent Non-Executive Director
Hazel Swankie	(HSw)	Non-Executive Director
Alex Whelan	(AW)	Independent Non-Executive Director
Stephen White	(SW)	Independent Non-Executive Director (By Teams AV)

In Attendance:

Robert Howat	(RH)	General Counsel & Company Secretary
Laura Mahadea	(LM)	Executive Assistant
Oliver Colling	(OC)	Interim Chief Financial Officer
Chris Healy	(CH)	Interim Commercial Director
Gavin Scott	(GS)	Director of Rugby Development
Doug Struth	(DS)	Director of Edinburgh Rugby
Al Kellock	(AK)	Director of Glasgow Warriors
Gerry Devine	(GD)	Head of Stadium Operations
Matt Horler	(MH)	Director of Communications
Stephen Gemmell	(SG)	Technical and Operations Director
Louise Mair	(LM)	Johnston Carmichael
Grant Rodger	(GR)	Johnston Carmichael

Apologies:

Shona Bell	(SB)	SRL Chair & Independent Non-Executive Director
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ACTION

1. INTRODUCTION

The Chair noted a quorum was present and opened the Meeting. Apologies were received from SB who had a longstanding prior commitment.

No conflicts of interests were noted or declared.

2. MINUTES OF PREVIOUS MEETING

The Minutes of the SRL Board Meetings of 29 August 2024 and 9 October 2024 were **APPROVED**.

The Chair advised that he had been made aware that some aspects of protocols for reviewing and approving Minutes from a recent meeting with involving the SRU

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Board and the Joint Meeting SRU & SRL Nominations Committee on International Representative had not been observed but would be addressed in future.

3. ACTION LIST & MATTERS ARISING

The status of the Action List was noted with the following highlighted:-

- In connection with URC and third-party income, greater insight into financial forecasts from external bodies would be beneficial with additional information to be provided in future.

Quarterly and 6 monthly reporting on external bodies' budgets and performance would be helpful. A standing item should be introduced onto the Agenda for International Bodies, particularly in connection with financial information.

The Chair and Company Secretary would look to invite external bodies' senior representatives to speak to the Board. This should also include representatives from CVC.

JM/RH

- A request was made for the turnaround time on minuting to be reduced.

RH

4. KEY TOPICS**4.1 Financial Year 23/24 Financial Statements Approval**

OC presented a comparison between the draft financial statements circulated to the Board and the final version for approval.

Individual changes to the draft financial statements were identified and discussed. These had taken account of additional review within Johnston Carmichael.

A more detailed explanation of the utilisation of funds received from the CVC transactions and how these were held, additional breakdown and explanation of the cash position to include reference to the working capital facility and various minor wording changes, had been made.

There had been no changes to the numbers reported in the previous draft.

These showed a statutory loss for the group of (£11.3m) for the 13-month period to 30 June 2024 by comparison to a loss of (£10.1m) for the prior 12-month period.

The like-for-like position for the 12 months to the 31 May 2024 had also been stated, being a loss of (£8m).

Further minor adjustment to wording were agreed.

In connection with treasury policy, SW as Chair of the Audit & Risk Committee confirmed that SW and OC were discussing potential options on how to hold the company's cash. OC confirmed that the approach to treasury policy and deposits in the past had been very straightforward, largely due to historic levels of debt. But with larger cash deposits now being held a more sophisticated policy would be brought back to the Board via the Audit & Risk Committee.

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OC confirmed that none of the changes made to the draft Financial Statements discussed most recently with the Audit & Risk Committee and with the Board were material.

The representatives from Johnston Carmichael were then invited to present their Audit Report.

Reference was made by GR to the circulated Audit Report for the Financial Year 2023-24, being the 13-month period from 1 June 2023 to 30 June 2024.

All of the items outstanding at the time of circulation of the Report had since been cleared except those to be addressed at the meeting (fraud risks and other final confirmations and the representation letter approval).

There had been no issues with access to information and adjustments suggested by the Auditors had been agreed with SRL Management.

In connection with the mandatory risk areas commented on in more detail later, the auditor were comfortable that there were no fundamental issues to note and internal controls were not relied on in conducting the audit process.

The recommendations made within the report largely related to IT and password systems access. Responses had been received from Management in connection with those.

4.2 Key Areas of Audit Focus – Risks Identified in the Audit Plan*Revenue Recognition*

Testing had been conducted on the material income streams within the Group, those being Ticketing, Broadcast (income from 6Ns), Commercial income, National Team and Pro Teams, Competition income (URC/EPCR), Hospitality (Elior) and other income (grants and merchandise from Macron). Detailed commentary had been provided in the Report on each of these.

Ticket Income – no issues had been noted over the completeness and accuracy of ticket revenue.

Broadcast Income – there were some complexities around the timing and collection of third-party revenue by 6Ns which led to some estimation on recognition and adjustment, depending on the revenue level reasonably expected to be received for the year.

As a result of the uncertainty, 50% had been accrued previously but due to amounts higher than that having actually been received in practice more recently, an unadjusted difference had been proposed and agreed with management.

The auditors remained satisfied that revenue in this area was not materially misstated.

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Commercial Income – this was principally sponsorship income from Edinburgh Rugby, Glasgow Warriors and central sponsorships contracts. Many of these contracts were now coterminous with the adjusted year-end. No significant issues had been noted.

Competition Income – this was also affected by estimation due to variations between the forecasts from URC and EPCR. The auditors considered the 50% percentage applied to be reasonable in this case, having received comfort that revenue from this source was being recorded based on the best estimate available at the time of signing the Report and that any difference was not material.

Hospitality Income – this included revenue from Elixir and from events such as the Taylor Swift concerts and Manchester United football match. The auditors were satisfied this revenue was recorded accurately with no issues noted during testing.

Other Income – this covered grant income and merchandise income from Macron. Some Macron royalties had been noted as misstated in FY23 arising from a query from the Finance Team around the accuracy of Macron statements. Macron reporting had improved since, with no misstatements in merchandising noted in FY24. The auditors were satisfied that the income from this source was not materially misstated.

The Directors noted the issue in connection with estimation and recognition of third-party revenues and following discussion, **AGREED** that the interim Chief Financial Officer should consider the approach adopted historically and then report to the Board, via the Audit & Risk Committee, on a policy to be adopted in future on recognition of third-party revenues. **OC**

Management Override – testing focussed on journal posting and significant estimates. The significant estimates involved had been in relation to the discount rate applied to the deferred consideration for the Project Light transaction proceeds (2%) and revenue recognition.

The 2% discount rate adopted was the same as in the prior year and had been disclosed in the accounts. The testing had not given rise to any adverse findings.

Completeness and Occurrence of Costs – this had been tested, with specific attention paid to the redundancy and restructuring provision and the contractual position on Director remuneration. The auditors were satisfied that the disclosures in connection with Director emoluments and redundancy costs were complete and accurate.

Going Concern – the forecast provided by management had been reviewed and reports provided earlier in the year by external financial experts had also been examined. Assumptions made within cashflow forecasts had been assessed and challenged through reverse stress testing. This indicated that the business would have sufficient funds for the foreseeable future being in cash terms, a period of at least 12 months.

No issues had been noted in numerical accuracy and forecasts, and cash balances had been compared and agreed to bank statements.

SW as Chair of the Audit & Risk Committee, confirmed that the Committee would be tracking the actions identified in the external financial experts' reports earlier in the year.

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The Committee had been satisfied that the quality of underlying data available within the Company was to an appropriate standard, recognising that the external experts had also come to a similar view. The auditors confirmed that they were satisfied with the accuracy of disclosures and confirmed that in their view, and based on the work conducted and information provided, there were no significant going concern issues for SRL.

Risk of Litigation – legal costs had been reviewed for evidence of litigation with no evidence found other than cases that had already been disclosed to the auditors. A litigation review had been conducted with the Company Secretary and separate confirmation received from external solicitors (Pinsent Masons).

From the testing performed, no evidence of a material risk from litigation had been found. The accounts included a provision for the excess on the public liability insurance policy in connection with the Cattigan family matter.

SRU elements – the Audit Report contained a section in connection with SRU, which related to the charge from SRU to SRL for the services of the Custodian Directors. This also took account of the re-charging of costs from SRL to SRU, with the net effect being a £63k profit created within SRU. The auditors had concluded there was a reasonable basis for the charges. The net profit of £63k was being applied to reducing the inter-company balance.

Taxation – reference was made to the detailed commentary in the Report. No tax charge arose, given the loss in the period and significant carried forward losses from prior years. No deferred tax asset was being recognised.

R&D tax credits of £886k receivable from HMRC had been recognised. OC explained that this arose in connection with research undertaken on a number of medical initiatives.

There was potential for further tax credits on other activity and a role had been identified as part of the restructuring process to maximise revenue or income from this source. Similar activity was underway in other sports and that other areas such as capital investment projects and capital allowances should be considered.

OC would coordinate a separate session on the potential opportunity.

OC

Audit Differences – a number of adjustments had been reflected in the financial statements. The net impact on profit of any unadjusted items lay below materiality thresholds (which were just over £1m) with the auditors comfortable that the journals affected remained unadjusted, and that the financial statements were not materially mis-stated.

A question was raised over whether the materiality level should be applied to turnover rather than revenue. It was explained that revenue was considered to be the standard measure against which materiality was applied but agreed this should be discussed with the Audit & Risk Committee as part of the next audit plan.

OC

Internal controls - the auditors were satisfied that the results of the audit indicated the operation of a robust and appropriate system of internal controls within SRL.

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Recommendations made in prior year audits to improve controls had been implemented and further controls applied.

Auditing standards now placed increased emphasis on technology and general IT controls. A number of observations had been set out in the Report. Responses to those recommendations had been received from management.

RD left the meeting, temporarily.

Financial reporting – FRS102 continued to apply. The auditors were satisfied that the format and content of the financial statements complied and that the information contained in the Strategic Report and Directors’ Report was consistent with the financial statements and the knowledge obtained by Johnston Carmichael during the audit.

Independence & Ethics – the Report set out various matters which required to be communicated. These were identified by GR and acknowledged by the Directors. No instances of fraud or non-compliance with applicable laws and regulations had been brought to the auditors’ attention.

Reference was then made to the circulated papers in connection with the proposed responses to the fraud risk questions which had been posed by the auditors. These had been considered by the Audit & Risk Committee and an adjusted answer in connection with the second question had been circulated.

The Directors confirmed that they were satisfied with the proposed answers to the fraud risk questions proposed and each Director present then confirmed that they were not aware of any fraud or non-compliance with regulations, or any litigation or any related party transactions or subsequent events that had not already been disclosed.

The Company Secretary would separately confirm RD’s responses to the questions posed. **RH**

Approval of Financial Statements

GR was thanked for the Report with questions having been taken in the course of the report and the earlier discussion.

Following consideration, the Directors **AGREED** that:

- (i) the Financial Statements, Explanatory Notes and accompanying Reports of Scottish Rugby Limited for the financial year ending 30 June 2024 each be and are **APPROVED** as presented and adjusted at the Meeting and the SRL Chair and Chair of the Investment Committee be and are authorised to sign the Company balance sheet on behalf of the Directors;
- (ii) the Company Secretary be and is authorised to sign the SRL Director’s Report and Strategic Report on behalf of the SRL Board;

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- (iii) the Letter of Representation from the Company to Johnston Carmichael LLP be **APPROVED**, in the form tabled and the SRL Chair be authorised to sign it on behalf of the Directors; and
- (iv) the Letter of Support to SRU in relation to the inter-company balance be **APPROVED** in the form tabled and the SRL Chair be authorised to sign it on behalf of the Company.

4.3 Rugby Development Budget – Composition and Approach to 15% Benchmark

GS presented the proposal under reference to the circulated paper.

OC noted that there had been previous conversations in connection with treatment of revenues at the time of budget approvals. SportScotland funding, for example, was contractually for the benefit of the domestic game yet still formed part of the overall turnover for the purposes of the 15% benchmark. Other similar examples, such as World Rugby funding for the Junior World trophy tournament and pass through-costs had been highlighted in the paper.

As a result, various discussions had taken place including the Finance Team, Rugby Development and Vice-President. GS advised that the suggested approach was considered to be transparent, fair and helpful in providing greater certainty and clarity for financial planning purposes for those clubs most affected. It was noted that some adjustment would be required from year to year based on what revenue was actually generated and its source.

Hsw confirmed that the proposal had been discussed at the most recent CRB Meeting with no dissent.

The Directors discussed the potential implications for the SRL bottom line. It was thought unlikely that there would be much impact, bearing in mind the outcome of calculation of the 15% threshold based on the proposal could move up or down and would be taken into account as part of budget approvals.

Following discussion, the proposed approach was agreed in principle by the SRL Board but before granting a final approval, additional modelling of the potential impacts in various revenue scenarios should be done before reverting to the Board for a final approval. **GS/OC**

SRU Board approval was also to be sought. **OC/RH**

RD rejoined the Meeting.

4.4 Scottish Gas Murrayfield Short-Term Works – Project Update Summary

Reference was made to the circulated report with GD referring to the summary of intended Capital Expenditure projects for the current two-year period. This included a number of electrical, mechanical (including water), structural and general projects. Benchmarking was being done with other stadia.

An investment timeline had also been set out. Individual projects would be brought to the Board for approval at the relevant time.

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A prioritised and categorised list should be produced, identifying those projects which were a regulatory requirement as opposed to those which may be for the purposes of improvement or revenue generation. **GD**

4.5 Capital Expenditure Approval Request – Hospitality Box Refurbishment

Reference was made to the circulated paper.

Nine of the 10 boxes, the central area and WCs were proposed to be refurbished. Vodafone were conducting their own refurbishment. Refurbishment was programmed to be completed in time for 6Ns 2025.

The cost of the works was being funded by Elior but SRL was entering into the necessary contracts so as to manage the contractors.

There had been some prior discussion with CS and MS, with helpful input. CS noted the importance of utilising a consistent palette of materials throughout the stadium as various projects were progressed. CS and GD would continue to liaise on these.

A commercial rate of return and ensuring that any refurbishment works created a quality environment generating a sense of pride and loyalty were also important considerations.

Elior’s funding derived from the balance of the capital expenditure budgets included in their contract. [REDACTED – CONTRACTUALLY CONFIDENTIAL]

Following discussion, the Board **APPROVED** the proposal, noting the need for continuing discussion between the Head of Stadium Operations and the incoming Chief Executive and CS on projects. Any director or the Company Secretary was authorised to sign the relevant contracts, once finalised, on behalf of the Company.

5. REGULAR BUSINESS**5.1 Executive Summary**

The contents of the Executive Summary were noted, with no questions.

5.2 Finance Update

Reference was made to the Management Accounts and P&Ls, particularly in connection with the cost of the Summer Tour and forecasts of revenue.

Concern was expressed over the cost of the Summer Tour extension to Uruguay and Chile.

Plans were already being prepared for the 2025 Summer Tour which should be considered with the Board ahead of commitment. The proposals were also to be discussed with David Nucifora.

The Chair emphasised the requirement to meet or better the FY24/25 budget year outcome, that being a statutory loss of [REDACTED – COMMERCIAL] **OC**

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CONFIDENTIAL]. Risk of that not being achieved was to be reported to the Board even if arising outside the cycle of Board Meetings.

5.3 Risk Register Update

The Company Secretary referred to the circulated note. The red risks remained stable and those relating to the stadium would be re-examined once the identified remedial works had been conducted. Otherwise, changes in the Register were largely related to people matters arising from the ongoing redundancy consultation process and the prolonged period without a CEO and other senior positions. These risks were expected to reduce in due course.

6. COMMITTEE AND WORKING GROUP REPORTS**6.1 Audit & Risk Committee**

SW as Chair of the Audit & Risk Committee confirmed that the Committee had met recently with its recommendations having been made in connection with approval of the Financial Statements.

The Committee was committed to achieving a culture of openness, honesty and transparency in connection with financial reporting and communication of results. Appropriate Q&As were to be developed for the AGM with particular focus on explaining the 12-month like-for-like position for the Company to help address any questions around the impact of the 13-month year.

MH, OC**6.2 Joint Working Group – Inclusion and Diversity**

The draft report remained with David Grevemberg, as Chair of that Committee, for review.

6.3 Joint Meeting – SRL and SRU Nomination Committees on International Rep Appointments

The Committee had met on 13 September and recently ahead of the discussions in connection with the World Rugby Chair elections. John Jeffrey's withdrawal from the election process had been widely reported in the media.

7. VACANCY / SUCCESSION PLANNING

RH referred to the circulated paper.

A vacancy would arise on the Board as a result of the retirement of Hazel Swankie at the forthcoming AGM. This had a consequential impact in relation to Board Committees and the positions occupied by HS as the Anti-Doping Champion and Safeguarding Champion.

Board Effectiveness discussions were being scheduled between the SRL Chair and the other Directors, as part of which Board Committees would be discussed.

JM/Non-Execs

A list of business to be conducted by the Nominations Committee would then be prepared to enable recommendations for the Board in connection with Board

RH

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Committees and International Representatives which were also due to be considered due to the temporary nature of some of the appointments due to the departure of the former CEO.

It was noted that John Jeffrey had resigned as a Trustee of Thistle Rugby Trust and accordingly a further Trustee appointment would require to be made.

8. AOB

WR and RE Chair Elections - A small group of SRL and SRU Custodian Directors was receiving presentations from candidates for the World Rugby Chair Rugby Europe Chair positions. Suggestions on which candidates to support for the respective elections would then be made.

Board Effectiveness - the Non-Executive Directors, excluding the Chair, should meet separately in connection to a discussion relating to the SRL Chair's performance and effectiveness, in accordance with good governance principles. **NEDs/RH**

Strategy – further discussions on strategy would take place at a later meeting, recognising that the incoming CEO would become the holder of that document.

On behalf of the Board, the Chair thanked HSw for her contribution to the Company and SRL Board.

There was no further business and the Meeting closed.

APPROVED BY THE BOARD**5 December 2024****Post meeting Note:**

31 Oct 2024, 2.12pm: call with RD confirming (i) satisfaction with the proposed answers to the fraud risk questions proposed by the auditors, (ii) no awareness of any fraud or non-compliance with regulations, or any litigation or any related party transactions or subsequent events that had not already been disclosed; and (iii) agreement to approve financial statements and accompanying Reports.