

**SCOTTISH RUGBY UNION  
SC748672**

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

**31 OCTOBER 2024 AT 2.45 PM  
HELD IN-PERSON AND BY TEAMS AV PLATFORM**

**MONCRIEFF SUITE, SCOTTISH GAS MURRAYFIELD**

**Present:**

Lorne Crerar	(LC)	SRU Chair and Custodian Director
Ian Barr	(IB)	Immediate Past-President and Custodian Director (by Teams AV)
Cheryl Black	(CB)	Custodian Director
David Grevemberg	(DG)	Custodian Director
Maxine Manditsch	(MM)	Custodian Director
Alison Milne	(AM)	Custodian Director
Colin Rigby	(CR)	President and Custodian Director
Keith Wallace	(KW)	Vice-President and Custodian Director

**Attending:**

Oliver Colling	(OC)	SRL Interim Chief Financial Officer
Megan Gaffney	(MD)	SRU Board Adviser
Robert Howat	(RH)	SRU Company Secretary
John McGuigan	(JM)	SRL Chair
Stuart McInally	(SM)	SRU Board Adviser (by Teams AV)
Grant Roger	(GR)	Partner, Johnston Carmichael LLP (Auditors)
Gavin Scott	(GS)	SRL Director of Rugby Development

**Apologies:**

None

**1. INTRODUCTION**

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

There were no apologies. No conflicts of interest were declared or noted.

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 30 June 2024.

**2. MINUTES**

The Minutes of the Meeting held on Friday 20 September 2024 were approved.

**3. ACTION LIST & MATTERS ARISING**

The contents of the Action List from the previous Quarterly Reporting meeting of 20 September 2024 were noted. These would be considered in more detail at the next Quarterly Reporting Meeting. The actions specifically relating to the financial statements and Club Rugby budget allocation were addressed during the course of the Meeting.

**4. SRU GROUP ACCOUNTS - FINANCIAL YEAR 2023/24**

OC referred to the circulated draft financial statements for SRU.

These were almost identical to those for SRL but took account of the Group position. Changes made since the draft had been issued, and taking account of additional partner review within Johnston Carmichael, were displayed and explained. These included 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.

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 31 May 2024 had also been stated, being a loss of (£8m).

It was confirmed that references to the Scottish Government loan and its status were included within the Notes (Note 11). Reference to the new strategy were included within the SRL Chair's commentary for the Annual Report document.

GR was invited to present the Audit Report.

#### 4.1 Audit Report

GR referred to the circulated Report to SRU and SRL on the audit for financial year 2023/24, being the 13-month period 1 June 2023 to 30 June 2024. All of the items outstanding at the time of circulation of the Report had since been cleared, with the exception of those to be addressed at the Meeting (fraud risk and other final confirmations and representation letter approval).

There had been no issues with access to information and adjustments suggested had been agreed with SRL management.

Recognising that SRU's role as the parent company was principally one of oversight and that the bulk of activity was conducted by Scottish Rugby Limited (SRL), the Report predominantly related to SRL activity but also commented on Group risk and included an additional section on SRU-specific matters.

The Report was taken as read. GR commented on the following elements.

##### (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 – being Ticketing, Broadcast Income (income from 6 Nations), Commercial Income (National Team and Pro teams), Competition Income (URC and EPCR), Hospitality, and Other Income (grants and merchandise). Detailed commentary had been provided in the Report on each of these, with outcomes summarised as follows:

*Ticket Income* - no issues noted with completeness and accuracy of ticket revenue

*Broadcasting Income* - some complexities around collection of 3<sup>rd</sup> party revenue by 6 Nations led to the need for estimation on recognition and recoverability and adjustments, depending on what revenue was reasonably expected to be received for the year. 50% had been accrued previously but due to an amount higher than that having actually been received, an unadjusted difference had been proposed and management requested to consider whether a different percentage should be applied in future.

*Commercial Income* – this focussed on the largest sponsorship contracts. Testing had been easier due to the year-end now being coterminous with many of the contracts. No significant issues had been noted with completeness, occurrence and cut-off of this revenue stream.

*Competition Income* – this was also affected by estimation due to variations between the forecasts from URC and EPCR and amounts received. An accrual of 50% at year-end had been made, which the auditors considered to be reasonable for FY24. Overall, the auditors had received comfort that revenue from this source was being recorded based on the best estimate available at the time of signing the report and any difference was not material.

*Hospitality Income* – this included revenue from Elixir and events. The auditors were satisfied that this revenue was recorded accurately, with no issues noted during testing.

*Other Income* - no issues noted from testing for completeness and cut-off. Some Macron royalties had been noted as misstated in FY23, arising from a query at the time from the finance team around accuracy of statements from Macron in FY23. Macron reporting had improved, with no misstatements in merchandising noted in FY24.

Overall, it was considered that revenue was not materially mis-stated.

JM advised that due to the questions around recognition and accuracy of forecasting of 3<sup>rd</sup> party revenues, the interim CFO had been asked to prepare a report for the SRL Audit & Risk Committee and SRL Board on accuracy and trends over time, with a view to establishing a policy for application in future years.

*Management override* - testing focussed on journal posting and significant estimates. The significant estimates noted had been in relation to the discount rate applied to the deferred consideration from the Project Light transaction and revenue recognition. The testing had not given rise to any adverse findings.

*Completeness and occurrence of costs* - completeness and occurrence of costs had been tested, with specific attention paid to the redundancy and restructuring cost provisions and contractual position on director remuneration. The auditors were satisfied with the adequacy of disclosures and that costs had not been materially misstated.

*Going concern* - forecasts provided by management had been reviewed and reports provided earlier in the year by external financial experts examined. Assumptions within cash flow forecasts had been assessed and challenged through a reverse stress test. This indicated in all the scenarios tested that the business would have sufficient funds for the foreseeable future, being a period of at least 12 months. No issues had been noted with numerical accuracy of forecasts, and cash balances had been compared and agreed to bank statements.

The auditors were satisfied with the adequacy of disclosures and that there were no significant going concern issues.

JM advised that the Audit & Risk Committee would be reporting regularly to the SRL Board on actions identified from the reports provided by the external financial experts earlier in the year.

*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 confirmation received from external solicitors. From the testing performed no evidence of a material risk from litigation had been found.

**(ii) SRU Element**

Reference was then made to the elements of the audit specific to SRU, which had focused on revenue recognition as an area of risk.

The revenue recognised within SRU related to the SRU Custodian time being recharged to SRL, for services performed by the Directors of SRU.

The auditors had agreed the amounts recharged to the Transfer Pricing Review, undertaken in FY24. These aligned with the recommendation in that report, which had been benchmarked against potentially comparable third parties. Additional time of Custodian Directors recharged was agreed to supporting documentation and agreed as reasonable based on services performed.

SRU had generated a profit of £63k, applied to reducing the inter-company balance.

The audit report had confirmed that there were no issues in connection with going concern for the Group. It was confirmed that the SRL Board had also approved the issue of a letter of support for SRU in the required terms (copy included in the papers) earlier that day relating to the remaining inter-company balance.

**(iii) Taxation**

Reference was made to the commentary in the Report. No tax charge arose, given the loss in the period and significant carried-forward losses. No deferred tax asset was being recognised. R & D tax credits receivable from HMRC had been recognised, with JM confirming that this was an area for increased focus for SRL in the current year.

**(iv) Audit differences**

A summary of adjustments had been provided. Adjusted misstatements had been recognized by management and reflected in the financial statements. The net impact on profit of unadjusted items sat below materiality thresholds, with the auditors comfortable that the journals remain unadjusted and the financial statements were not materially mis-stated as a result.

**(v) Internal controls**

The audit approach did not place reliance on the internal control environment. Overall, the auditors were satisfied that the results of the audit indicated the operation of a robust and appropriate system of internal controls within SRL. 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, as a result of which a number of observations had been raised and set out in the Report.

**(vi) Financial Reporting**

FRS 102 continued to apply. The auditors were satisfied that the format and content of the financial statements were compliant 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.

**(vii) Independence and ethics**

The Report set out various matters to be communicated under applicable audit standards. 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 during the course of the audit, nor had any been encountered by the auditors.

Earlier responses had been obtained from the Custodian Directors in connection with awareness of fraud, attempted fraud and risk of fraud.

Each of the Custodian Directors present re-confirmed that they were not aware of any fraud or non-compliance with laws or regulations or of any litigation or any related party transactions or subsequent events that had not already been disclosed.

GR was thanked for his Report. Questions were taken.

- The change in staff costs and headcount (Note 3) was due to averaging over the year and timing. Women's professional playing contracts were now included for the full year.
- World Rugby grant income – although paid over 4 years it was recognized when the RWC occurred.
- The increase in costs allocated to administration and governance reflected the 13-month period, rather than 12 months and costs incurred for external consultants assisting with the new strategic plan. There was also a reallocation of some cost between performance and international rugby. Some one-off costs had been incurred from the decision not to extend the Super 6 licences, with payments then made to each of the Super 6 clubs.
- Exceptional costs were split between various consultancy costs incurred during the year and severance for the former CFO and a provision for the redundancy programme which included redundancy pay, external legal advice, outplacement support for departing employees and early termination costs for vehicle leases.
- The aggregate emoluments of directors included the remuneration of the highest paid director, who had been employed for a period during the year before giving notice of termination. The total reflected contractual entitlements only, including pay in lieu of notice.

Having made reference to the former CFO in connection with the disclosure of a severance payment, reference should also be made elsewhere in the Note to the former CEO, for consistency. RH confirmed that legal advice had been taken in connection with the former CFO's severance entitlements.

**OC,  
RH**

JM confirmed, on behalf of the SRL Board that:

- (i) SRL's draft 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 interim 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 assurances in connection with fraud risk and 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 comfort letter to SRU for the inter-company balance, in the required terms.

#### 4.2 Approval of Financial Statements FY23/24 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 and agreement in connection with identification and allocation of costs and recharging between SRU and SRL;
- (iii) the contents of the audit report and the 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 30 June 2024 each be and are **APPROVED** as presented and adjusted at the Meeting and that the SRU Chair and 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 SRU 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**, as tabled 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.

## **5. OTHER MATTERS**

### **5.1 Composition of 15% Benchmark for Rugby Development Budget**

Reference was made to the paper circulated, which was taken as read.

Significant work had been undertaken by the Finance team, in conjunction with the Rugby Development Department and Vice-President as Chair of the CRB in examining the composition and interpretation of the 15% of turnover benchmark used to assess the Rugby Development Department budget.

The paper set out a suggested approach for consideration. The SRL Board had considered the paper earlier in the day and supported the proposed approach in principle but had requested some additional analysis on potential impacts in different scenarios so that the effect on the business as a whole in those scenarios, and whether those effects might be detrimental, were considered before final adoption.

The Custodian Directors concurred, noting that some mention of the work being done might be made at the forthcoming AGM, if the requested work was not completed before then and requesting also that: (i) the title of the suggested model be considered; and (ii) the potential benefit derived from the investment in club rugby also be considered so as to demonstrate the justification for the suggested investment level.

### **5.2 Risk Register Report & Update**

The circulated Report 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, referred to in the draft Strategic Report within the SRU accounts.

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

### **5.3 AGM 2024**

The Company Secretary updated the Custodian Directors on AGM planning. Preparation of the Annual Report was on schedule and included the usual governance report, a draft of which had been included in the papers.

SRL's Director of Communications would be asked to advise on the approach to be adopted for media attending the AGM, recognising the Meeting was being conducted online only. **RH**

## **6. AOB**

There was no other business. The Chair thanked those attending for their contributions and closed the Meeting.

Next SRU Board Quarterly Reporting Meeting: Monday 16 December 2024

**APPROVED BY THE SRU BOARD  
16 DECEMBER 2024**