



FINANCIAL  
UPDATE

**20**

19-20



# Financial Update

As part of the financial presentation at Stage 2 of Scottish Rugby's AGM last Thursday, we agreed to provide members with additional financial information on Financial Year 2019/20. The attached summary document provides that additional information. The full audited Financial Statements will be published in due course.

As noted last week, we would reiterate that like many organisations we face ongoing challenges due to Covid-19; however, our business remains stable and we are currently in the process of finalising an additional medium-term funding package, which would help us even if we were to face materially reduced income streams throughout the whole of 2021. The funding process can't be hurried if we are to achieve the right package for our business. However, we expect matters to be finalised shortly and this will enable the audited accounts to be issued to the membership.

The numbers presented at Stage 2 of the AGM are consistent with what we expect to publish in our Financial Statements. The headline from these numbers is that Scottish Rugby realised a £2.87m surplus after tax for the year, with several factors to consider:

- ongoing trading and operations were, as happens every fourth year, impacted by the RWC which reduced our income levels and increased our costs from what they otherwise might have been;
- the impact of the Covid-19 pandemic from February 2020 was material, in particular in relation to the deferral or cancellation of certain international and professional rugby income streams; and
- the welcome conclusion of a significant investment in the Guinness PRO14 tournament by CVC offset the loss which would otherwise have been incurred. (Our receipts, after deduction of professional fees, as at 31 May 2020 following that transaction are described under "Income from interests in associated undertakings" in the Results for the Year, on page 3.)

Ensuring that members are informed about the effect of the pandemic on the organisation, and in particular, have sufficient time to consider the financial information and ask questions about them, is a priority for the Council and Board.

We have provided these numbers - in this form - as a means of providing members with additional detail in advance of publication of the full audited Financial Statements. This supplements the information already made available by way of the Annual Review.

We will publish the Annual Report, which will include the Financial Statements, as soon as possible. At AGM 3, we will provide a detailed financial presentation, and we will welcome any questions you may have.

Ian Barr,  
President, Scottish Rugby

John Jeffrey,  
Interim Chairman, Scottish Rugby

**SCOTTISH RUGBY UNION FINANCIAL UPDATE**  
Results for the Year (Unaudited)

	<b>Unaudited</b>	Actual
	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Income</b>		
Ticket Income	<b>10,524</b>	15,776
Broadcasting Revenues	<b>11,011</b>	15,517
Commercial Income	<b>9,879</b>	9,704
Professional Rugby	<b>10,139</b>	13,323
Development Income & Grants	<b>10,620</b>	1,421
Hospitality & Other Income	<b>3,295</b>	5,336
	<b>55,468</b>	61,077
<b>Expenditure</b>		
International and Professional Rugby	<b>(31,677)</b>	(30,797)
Domestic and Performance Rugby	<b>(9,358)</b>	(9,854)
Commercial and Operational	<b>(15,165)</b>	(15,459)
Club Support and Development	<b>(2,982)</b>	(3,088)
Depreciation and Amortisation	<b>(1,562)</b>	(1,341)
	<b>(60,744)</b>	(60,539)
<b>Operating (Deficit)/Surplus</b>	<b>(5,276)</b>	538
Income from interests in associated undertakings	<b>8,381</b>	-
<b>Surplus on ordinary activities before interest and tax</b>	<b>3,105</b>	538
Net Interest	<b>(236)</b>	(230)
<b>Surplus before taxation</b>	<b>2,869</b>	308
Taxation	-	-
<b>Surplus for the year</b>	<b>2,869</b>	308

## SCOTTISH RUGBY UNION FINANCIAL UPDATE

### Balance Sheet (Unaudited)

	Unaudited	Actual
	2020	2019
	£000	£000
<b>Fixed Assets</b>		
Tangible assets	41,477	38,622
Intangible assets	614	610
Investments	663	2
	<b>42,754</b>	39,234
<b>Current Assets</b>		
Derivative financial instruments: falling due after more than one year	-	207
Derivative financial instruments	148	152
Debtors	8,753	9,027
Cash at bank	5,485	4,529
Cash in hand	23	14
	<b>14,409</b>	13,722
<b>Creditors: amounts falling due within one year</b>	<b>(24,707)</b>	(20,540)
Derivative financial instruments	(161)	(82)
	<b>(10,459)</b>	(6,693)
<b>Net Current Liabilities</b>		
Provisions for liabilities	(99)	(99)
	<b>32,196</b>	32,442
<b>Total assets less current liabilities and provisions</b>		
<b>Creditors: amounts falling due after more than one year</b>		
Bank loans	-	3,000
Derivative financial instruments	43	310
Deferred income	1,650	1,556
Murrayfield Debentures	31,950	31,868
Irredeemable Debentures	97	97
	<b>33,740</b>	36,831
<b>Capital and Reserves</b>		
General reserve	(1,488)	(4,357)
Hedging reserve	(56)	(32)
<b>Total Capital and Reserves Deficit</b>	<b>(1,544)</b>	(4,389)
	<b>32,196</b>	32,442

## SCOTTISH RUGBY UNION FINANCIAL UPDATE

### Cash Flow (Unaudited)

	<b>Unaudited</b>	Actual
	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Net cash from operating activities</b>	<b>(4,040)</b>	4,827
<b>Cash Flow from investing activities</b>		
Payments to acquire Tangible Assets	<b>(4,841)</b>	(1,534)
Payments to acquire Intangible Assets	<b>(113)</b>	(14)
Payments to acquire Fixed Asset Investments	<b>(613)</b>	-
Dividend received	<b>8,381</b>	-
<b>Net cash generated from/(used in) investing activities</b>	<b>2,814</b>	(1,548)
<b>Cash flow from financing activities</b>		
Repayment of bank loan	-	(500)
Receipt from bank loan facility	<b>2,407</b>	-
Finance Lease	-	(4)
Interest paid on bank overdrafts and loans	<b>(216)</b>	(225)
<b>Net cash generated from/(used in) financing activities</b>	<b>2,191</b>	(729)
Net increase in cash at bank and in hand	<b>965</b>	2,550
Cash and cash equivalents at the beginning of the year	<b>4,543</b>	1,993
Cash and cash equivalents at the end of the year	<b>5,508</b>	4,543

### Cash and Borrowings (Unaudited)

#### Analysis of net debt

	Actual		Other	Unaudited
	31 May		Changes	31 May
	2019	Cash Flows		2020
	£000	£000	£000	£000
Cash in hand	14	9	-	<b>23</b>
Cash at bank	4,529	956	-	<b>5,485</b>
Bank loans	(3,000)	(2,407)	-	<b>(5,407)</b>
Finance lease due within one year	8	-	-	<b>8</b>
Irredeemable Debentures	(97)	-	-	<b>(97)</b>
Murrayfield Debentures	(31,868)	-	(82)	<b>(31,950)</b>
	<b>(30,414)</b>	<b>(1,442)</b>	<b>(82)</b>	<b>(31,938)</b>

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.



## Explanatory Notes to Unaudited Financial Update for Year Ending 31st May 2020

### TURNOVER

Scottish Rugby's turnover comes from a number of areas. National team match ticket sales, including the Guinness 6 Nations and other home international matches, pro-club match ticket sales, together with related broadcasting revenue provide a significant element of this. Match day income also includes revenue from pitchside advertising boards, match programmes and revenue from hospitality activities. The sale of merchandise throughout the year is a further important source of income.

Scottish Rugby is grateful for funding from its many sponsors including BT and Macron. All of Scottish Rugby's partners are noted at the back of the Annual Review. Scottish Rugby is also grateful for significant grant funding from World Rugby, sportscotland and the Cashback for Communities programme. Turnover also includes income from European Professional Club Rugby (EPCR) and the Guinness PRO14, and from other events held in BT Murrayfield Stadium including football matches, dinners, business conferences, concerts and Christmas party nights.

### INTERNATIONAL AND PROFESSIONAL RUGBY

The expenditure relating to the players, management, medical and strength & conditioning teams involved in International and Professional rugby is within this category. This includes travel, food and accommodation at venues, salaries, kit, laundry costs, travel insurance and training facilities for all of the Scotland teams playing at international level. It also includes all Pro-club costs, being players', coaches' and support staff salaries together with kit, travel and other coaching costs, and match day outgoings such as advertising, turnstile staff, ticket printing, venue preparation and entertainment.

Expenditure in the provision of medical services, including physiotherapists, match doctors for the players, crowd doctors, and the medical supplies needed to support players involved in international and professional rugby is included in this category. Also included is the investment in the strength and conditioning personnel who work with the National and Professional teams, together with the associated programme costs.

The Professional layer of the game continues to be a critical component of rugby in this country. While the Men's National Team currently drives revenues to support the vast majority of the organisation's activity, the professional teams provide the opportunities and pathways for players and coaches to develop to that international level and compete for Scotland in the international team on the global stage. As such, there is a recognised net cost to the organisation in the area of professional rugby which amounted to £11.6m in 2019/20 (£8.3m – 2018/19). The increase year on year in the net cost was primarily due to reduced professional rugby related income, as outlined in the Income & Expenditure statement which was largely related to the effects of Covid-19.

### DOMESTIC AND PERFORMANCE RUGBY

Grassroots investment, which is key in helping to develop the players and coaches of the future, as well as maintaining and growing the game, is included in this category. The Rugby Development team, which is supported by sportscotland, together with associated programme costs, including travel, training – both internal and external – and event costs are also included. Similarly, expenditure for the delivery of the programme related to funding from the Cashback for Communities grant is included here.

The investment in The Fosroc Scottish Rugby Academy is included in this category, with costs including coaching, facilities, programmes and players, kit, equipment and match venue and logistics. Specialist coaching costs are included here, as are analysis and other rugby operational support costs. This area also includes investment in the Scottish Qualified programme and Nice player and related costs.

Referee development, from grassroots to international level, includes the costs of referee coaching, travel to games, kit, and staffing and office expenditure for those employed in this area. Referee costs also include salary, travelling expenses and associated costs for professional refereeing.

Scottish Rugby delivers coaching courses throughout Scotland, including United Kingdom Coaching Certificate (UKCC) ones. The costs of these are included here and the delivery of this programme is part funded by sportscotland. This area also includes the staff in the Training & Education team, training and facility costs, and course resources, as well as tutor and registration fees. The costs of a number of other coaching resources and initiatives, including the on-line training hub, workshops and conferences, and Rugby Right are also part of this area's expenditure.

Finally, the provision of medical services from physiotherapists and doctors, for cover at various domestic and performance rugby events and matches are included here, as are related strength and conditioning costs.

Scottish Rugby is grateful for the support of sportscotland and World Rugby grants which assist in the delivery of a number of the above programmes.

## COMMERCIAL & OPERATIONAL

Commercial and Operational costs cover various areas of activity in Scottish Rugby. The running costs of the national stadium are included and these range from pitch repair and preparation to roof and other stadium maintenance, and include security, insurance, rates, electricity, gas and water, all of which continue to ensure that BT Murrayfield remains a suitable, safe, and well maintained venue. Also included are match day and non-match day operational and staff costs, as are other event management and entertainment costs.

Marketing and commercial expenditure is included in this area, where the costs of partnering with, developing and maintaining Scottish Rugby's family of sponsors are recorded. The activation costs of marketing campaigns, promotional materials, media events and other operational activities are also included here. Similarly included are the costs of other support staff and programmes in the areas of ticketing, HR, procurement, IT, finance, governance and business services. Finally, the costs of the communications and corporate affairs team and related activity across the wide range of print, broadcast, web and other social media are part of this category.

## CLUB SUPPORT AND DEVELOPMENT

Scottish Rugby recognises that investment in the sport at grassroots level is a key element in maintaining and growing the game of rugby. Clubs are supported through the payment of Club Sustainability Awards, Club Sustainability Fund, Player Accident Insurance, contributions to cup and league travel costs, the payment of all referees' travel costs across the country, and in 2019/20, the Club Hardship Fund, as a result of covid-19. Ticket commissions which clubs receive for sales of international and sevens tickets are included here as are player reward scheme payments, where clubs' contributions to the development of players who have gone on to win academy or professional contracts are acknowledged. The joint funding of Club Development Officers in partnerships with both clubs and local authorities across the country is also part of Club Support and Development Expenditure.

The funding values for the current and previous year are noted below:

	<b>Unaudited</b>	Actual
	<b>2020</b>	2019
	<b>£000</b>	£000
Direct Club Support Funding ( <i>Note 1</i> )	<b>2,028</b>	2,160
Direct Club Support Funding – paid on behalf of clubs ( <i>Note 2</i> )	<b>364</b>	409
Development Officer Contributions	<b>590</b>	519
Club Support and Development	<b>2,982</b>	3,088
Rugby Development Funding ( <i>Note 3</i> )	<b>4,125</b>	4,339
<b>Total</b>	<b>7,107</b>	7,427

*Note 1* – Direct Club Support Funding consists of the elements of funding outlined in the commentary above paid directly to clubs, namely Club Sustainability Awards, Club Sustainability Fund, contributions to cup and league travel costs, ticket commissions, player reward scheme payments, and in 2019/20, the Club Hardship Fund.

*Note 2* – Direct Club Support Funding paid on behalf of clubs consists of the elements of funding outlined in the commentary above paid on behalf of clubs, being Player Accident Insurance, and the payment of match officials' travel costs.

*Note 3* – Rugby Development Funding consists of the investment in the Rugby Development team across the country, match officials and related programme costs, the competitions team and related events and programme costs, and the Training & Education team and programme costs.

## INVESTMENTS

During the year, Celtic Rugby DAC entered into a partnership involving itself and an external partner, CVC Capital Partners. Following the completion of the transaction, the group's main trading vehicle, Scottish Rugby Union Limited, received a dividend from Celtic Rugby DAC of £8.381m. Under the relevant agreements, the CVC interest in the new partnership will increase 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.

During the year, in accordance with the subscription agreement entered into, the group's main trading vehicle, Scottish Rugby Union Limited, acquired a shareholding in Washington DC Professional Rugby LLC through a wholly owned subsidiary, Scottish Rugby (USA) LLC. At 31 May 2020, the group's resultant shareholding in Washington DC Professional Rugby LLC was 28.4%, acquired at a total cost incurred over the year, including professional fees, of £661k. 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 2020 was nil. There is the expectation that this company will generate positive future cash flows and, as such, no impairment charge has been made against the group's investment in this company.

## Staff Costs

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

	Unaudited 2020 No.	Unaudited 2020 No.	Actual 2019 No.	Actual 2019 No.
<b>Rugby</b>				
Professional Players	115		104	
Professional Teams – Coaching & Operations	39		35	
National Team – Coaching & Operations	10		11	
Elite Development Players & Coaches	37		34	
Domestic & Performance	88		79	
Strength & Conditioning	20		17	
Medical & Physiotherapy	20		19	
		<b>329</b>		299
<b>Stadium Operations</b>		<b>47</b>		40
<b>Commercial, marketing &amp; other corporate functions</b>		<b>69</b>		62
<b>TOTAL</b>		<b>445</b>		401

Within these figures:

**Domestic & Performance** includes employees within the FOSROC Academies, Rugby Development Support, Services, Participation and Development, Coach Development, 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, HR & Communications, Finance & IT, Governance and Business Services.

	Unaudited 2020 £000	Actual 2019 £000
<b>Employment costs:</b>		
Wages and salaries	27,396	27,323
Social security costs	3,288	3,386
Other pension costs	871	779
	<b>31,555</b>	31,488



## Directors' Costs

### Transactions Involving Directors of Scottish Rugby Union Limited

The aggregate emoluments payable to the Directors for the year comprised:

	<b>Unaudited</b>	Actual
	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Employment costs:</b>		
Fees and salaries	<b>1,398</b>	2,246
Social security costs	<b>29</b>	27
	<b>1,427</b>	2,273

The highest paid director received aggregate emoluments of £454k (2019 - £933k) during the period, comprising salary and benefits of £454k (2019 - £933k) and pension contributions of £nil (2019 - nil).

In addition to annual bonus schemes, in prior years the Union operated a Long Term Incentive Plan ("LTIP") to attract, retain and incentivise participating employees over longer term periods and achieve alignment with the organisation's medium and long term strategic initiatives and targets. The Board's Remuneration Committee set the parameters of those medium and long term initiatives and targets and assessed progress against them, before deciding whether any award should be made under the LTIP. The Committee has terminated the Plan at 2018/19. Accordingly, no awards have been made, or will be made, for 2019/20.

The amounts shown for the year ended 31 May 2020 include sums in relation to awards up to 2018/19 for the participating directors. By agreement with participants, payment of these conditional awards previously made has been delayed to future dates spanning at least two financial years.

The amounts shown for the year ended 31 May 2019 include the crystallisation and release of sums accumulated for the first 3 years (financial years 15/16, 16/17 and 17/18) of a 5-year plan for the participating directors, including the highest paid director, as well as annual bonus awards for financial years 2017/18 and 2018/19.



SCOTTISH RUGBY

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