

Registration number: 03389199

Scarlets Regional Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 June 2021

LHP Auditors Ltd
Llys Deri
Parc Pensarn
Carmarthen
SA31 2NF



Scarlets Regional Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7 to 10
Consolidated Profit and Loss Account	11
Consolidated Balance Sheet	12
Balance Sheet	13
Consolidated Statement of Changes in Equity	14
Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the Financial Statements	17 to 33

Scarlets Regional Limited

Company Information

Chairman and Director	Mr S W Muderack
Directors	Mr N V Short Mr P J Morgan Mr D B Jones Mr R A Cammish Mr P J Davies Mr S B T Fitzpatrick Mr H D Evans Mr G H Wise Mr E W Evans Mr B G L Phillips Mr D Owen Mr O G R Jones Mr J D Daniels Mr G Jenkins Mr R H S J B Moon
Company secretary	Mr P J Morgan
Registered office	Parc y Scarlets Pemberton Regional Park Trostrê Roundabout Llanelli SA14 9UZ
Auditors	LHP Auditors Ltd Llys Deri Parc Pensarn Carmarthen SA31 2NF

Scarlets Regional Limited

Strategic Report for the Year Ended 30 June 2021

The directors present their strategic report for the year ended 30 June 2021.

Principal activity

The principal activity of the group is running the of the Scarlets RFC and other associated rugby activities.

Fair review of the business

This is my first report as Chairman of Scarlets. The impact of Covid-19 on all professional sport has been dramatic making these results difficult to compare with any other season. Unfortunately, for the vast majority of the season fans were unable to attend games at Parc y Scarlets as we operated under government lockdown restrictions.

Financially, the results show the effects of Covid-19 that Scarlets have faced across the entire year. Our turnover for the year was £5.78m, which was nearly £6.8m less than 2019/20 and £8.6m less than 2018/19 (the last full season that was unimpacted by Covid-19). We have reported a loss before tax of £2.43m (2020 – loss before tax of £0.3m). With the support of our commercial partners, season members, loyal fans, supporters, players and staff we have managed to navigate through another difficult year.

Maintaining a strong cash balance became a priority for the Club. Our thanks to the WRU for their support securing a CLBILS loan and to the Welsh Government for their support under the Spectator Survival Fund. It is also important to note here our gratitude to the incredible support of our commercial partners and season ticket members who allowed us to retain their cash within the business, underlying once again the remarkable commitment towards Scarlets from our supporter community.

Last year's report detailed the critical and effective measures management took to rapidly reduce our operating cost base to reflect the drop in income across the business. These measures, whilst difficult, were necessary to ensure the long-term financial health of the Scarlets. This included a reduction in all salaries across the Club for the full year; including the players and all staff. I must relay my thanks to our special group of staff who were incredibly supportive and understanding of this regrettable measure while our doors remained closed to our fans. In addition, the government's Job Retention Scheme allowed us to place a number of our staff on furlough which meant we were able to keep any redundancies to a minimum across the Club. Despite the obvious operational and financial impact of these actions for our staff, their response was outstanding in their contribution to ensure a safe return to play for the rugby environment and ensure the stadium was ready when the time came to welcome fans back.

On the field of play we are delighted to welcome Dwayne Peel into the role of Head Coach who is supported by a strengthened coaching team. In professional sport success does not come overnight. These are a top-class group who will nurture and develop talent, that together, with a strong pipeline of quality young players will excite our fans at Parc y Scarlets to achieve our ambitions at the top table of European rugby.

Scarlets continue to provide more international players to Wales than any other Welsh Region with 13 Scarlets representing the national team. Our club has a tradition and passion for developing talent from within our Region. We are particularly pleased our academy continues to give a whole new generation of young talent the opportunity to become professional rugby players with 8 academy players playing for Scarlets during the season.

Finally, I would like to express my personal thanks to the Board, management team and all the hardworking Scarlets staff, players, commercial partners, and loyal fans. Every one of you have played a significant part in supporting us to navigate through these challenging times. There is much work to do as we emerge from the effects of Covid-19, but as we leave this challenging period behind us, we are optimistic for the future with our fans back at the Parc watching our own exciting brand of rugby.

Scarlets Regional Limited

Strategic Report for the Year Ended 30 June 2021

The group's key financial and other performance indicators during the year were as follows:

Financial KPIs	Unit	2021	2020
Turnover	£	5,778,774	12,556,863
Gross (loss)/profit	%	(20)	26
Net (loss)/profit	£	(2,364,691)	34,583
Average attendance		-	7,440

The result for the season is that Scarlets finished 5th in the PRO14 (2020 : 3rd)

Principal risks and uncertainties

The group seeks to continue to maintain investment levels in rugby performance and developing the next generation of rugby players through the academy system. The principle risk remains that investment in rugby performance is based on projected income levels from commercial partners and supporters not being achieved which will put the group cash flow under pressure.

The group has projected results for the 2021/22 that show revenues begin to recover as we emerge from the impact of Covid. These forecasts show the loan from the WRU restructured over a 20-year repayment and further investment included to allow the board to continue to invest in the development of talent and support rugby performance to grow the supporter base and commercial partners.

Financial risk management objectives and policies

The group operates several risk management policies designed to minimise its exposure to financial risk.

Liquidity and Cash flow risk

The group produces detailed management accounts and forecasts, which enable the directors to monitor the cash position and to ensure that there is sufficient liquidity and cash flow to minimise the risk of the group being unable to pay its debts as they fall due.

The group utilises several financial instruments including loans and overdrafts to finance its operations. Bank borrowings at variable rates expose the group to inherent rate risk, however the directors actively manage this risk by monitoring cash flow to ensure such borrowings are minimised.

The group does not currently seek to hedge any interest.

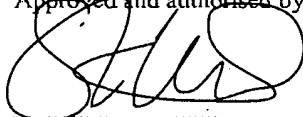
Credit Risk

Given the nature of the business the group does not consider that it faces any significant credit risk.

Price Risk

The group actively manages price risk by agreeing terms with suppliers prior to entering any transactions with customers.

Approved and authorised by the Board on 24 March 2022 and signed on its behalf by:



Mr S W Muderack
Chairman

Scarlets Regional Limited

Directors' Report for the Year Ended 30 June 2021

The directors present their report and the for the year ended 30 June 2021.

Director of the group

The directors who held office during the year were as follows:

Mr S W Muderack - Chairman (appointed 1 July 2020)

Mr N V Short

Mr P J Morgan - Company secretary and director

Mr D B Jones

Mr R A Cammish

Mr P J Davies

Mr S B T Fitzpatrick (appointed 1 July 2020)

Mr H D Evans

Mr G H Wise

Mr E W Evans

Mr R M Griffiths (ceased 1 September 2021)

Mr B G L Phillips

Mr T P Griffiths (ceased 12 May 2021)

Mr D Owen

Mr O G R Jones

Mr J D Daniels

The following directors were appointed after the year end:

Mr G Jenkins (appointed 1 September 2021)

Mr R H S J B Moon (appointed 1 September 2021)

Employment of disabled persons

It is the groups employment policy to treat all its employees fairly and ensure equal opportunity for all regardless of gender, ethnic origin, age, disability, or religion.

Future developments

The directors aim to improve performance on and off the field, this coupled with improved income from the WRU should move the group towards profitability.

Going concern

The group have successfully finalised a new agreement with the WRU to ensure funding deficits are matched and allow continued investment in Rugby. As a result, this ensures that the group has adequate resources to continue in operation for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts.

Disclosure of information to the auditor

Each director has taken 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 company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

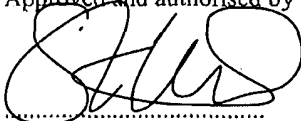
Scarlets Regional Limited

Directors' Report for the Year Ended 30 June 2021

Reappointment of auditors

The auditors LHP Auditors Ltd are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved and authorised by the Board on 24 March 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'S W Muderack', written over a dotted line.

Mr S W Muderack
Chairman

Scarlets Regional Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Scarlets Regional Limited

Independent Auditor's Report to the Members of Scarlets Regional Limited

Opinion

We have audited the financial statements of Scarlets Regional Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2021, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of 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).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Emphasis of matter

We have considered the adequacy of the disclosure made in the accounting policies to the financial statements concerning the carrying value of the stadium as at 30 June 2021. The trading conditions, along with the other matters explained in the accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the carrying value of the stadium. Were these key assumptions to which the accounting policies refer not be realised, the result would be a requirement to reduce the carrying value of the stadium. Any adjustment required would be a non-cash item. Our opinion is not modified in this respect.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

The group incurred a net loss of £2,364,691 during the year to 30 June 2021 and, at that date, the group had an excess of net current assets over liabilities of £879,860. These conditions along with the other matters explained in the accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Scarlets Regional Limited

Independent Auditor's Report to the Members of Scarlets Regional Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 6], 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 and the parent company'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 the parent company or to cease operations, or have no realistic alternative but to do so.

Scarlets Regional Limited

Independent Auditor's Report to the Members of Scarlets Regional Limited

Auditor's 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.

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 identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members.

We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion. We obtained an understanding of the legal and regulatory frameworks within which the company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were FRS102. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Company and the group's ability to operate or to avoid a material penalty.

The laws and regulations we considered in this context for the UK operations were, General Data Protection Regulation (GDPR), and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income, estimates surrounding legal provisions and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed noncompliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scarlets Regional Limited

Independent Auditor's Report to the Members of Scarlets Regional Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Matthew Williams (Senior Statutory Auditor)
For and on behalf of LHP Auditors Ltd, Statutory Auditor

Llys Deri
Parc Pensarn
Carmarthen
SA31 2NF

24 March 2022

Scarlets Regional Limited

Consolidated Profit and Loss Account for the Year Ended 30 June 2021

	Note	2021 £	2020 £
Turnover	3	5,778,774	12,556,863
Cost of sales		<u>(6,958,647)</u>	<u>(9,299,876)</u>
Gross (loss)/profit		(1,179,873)	3,256,987
Administrative expenses		(5,483,943)	(4,449,596)
Other operating income	4	<u>4,390,901</u>	<u>954,435</u>
Operating loss	6	(2,272,915)	(238,174)
Interest payable and similar expenses	7	<u>(159,229)</u>	<u>(151,026)</u>
Loss before tax		(2,432,144)	(389,200)
Tax on loss	11	<u>67,453</u>	<u>423,783</u>
(Loss)/profit for the financial year		<u>(2,364,691)</u>	<u>34,583</u>
Profit/(loss) attributable to:			
Owners of the company		<u>(2,364,691)</u>	<u>34,583</u>

The notes on pages 17 to 33 form an integral part of these financial statements.

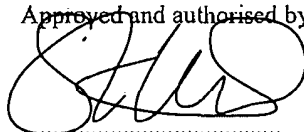
Scarlets Regional Limited

(Registration number: 03389199)

Consolidated Balance Sheet as at 30 June 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	12	9,317,938	9,525,276
Other financial assets	14	<u>14,300</u>	<u>14,300</u>
		<u>9,332,238</u>	<u>9,539,576</u>
Current assets			
Stocks	15	18,511	22,937
Debtors	16	426,296	697,099
Cash at bank and in hand		<u>5,018,311</u>	<u>1,138,131</u>
		5,463,118	1,858,167
Creditors: Amounts falling due within one year	18	<u>(4,583,258)</u>	<u>(3,884,608)</u>
Net current assets/(liabilities)		<u>879,860</u>	<u>(2,026,441)</u>
Total assets less current liabilities		10,212,098	7,513,135
Creditors: Amounts falling due after more than one year	18	<u>(9,837,916)</u>	<u>(4,774,262)</u>
Net assets		<u><u>374,182</u></u>	<u><u>2,738,873</u></u>
Capital and reserves			
Called up share capital	20	12,208,137	12,208,137
Other reserves		104,264	129,394
Profit and loss account		<u>(11,938,219)</u>	<u>(9,598,658)</u>
Equity attributable to owners of the company		<u>374,182</u>	<u>2,738,873</u>
Shareholders' funds		<u><u>374,182</u></u>	<u><u>2,738,873</u></u>

Approved and authorised by the Board on 24 March 2022 and signed on its behalf by:



Mr S W Muderack
Chairman

The notes on pages 17 to 33 form an integral part of these financial statements.

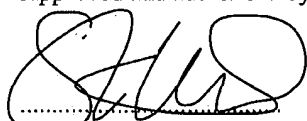
Scarlets Regional Limited

(Registration number: 03389199)
Balance Sheet as at 30 June 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	12	9,317,938	9,525,276
Investments	13	-	250
Other financial assets	14	14,300	14,300
		<u>9,332,238</u>	<u>9,539,826</u>
Current assets			
Stocks	15	18,511	22,937
Debtors	16	423,650	694,721
Cash at bank and in hand		4,915,666	1,117,156
		<u>5,357,827</u>	<u>1,834,814</u>
Creditors: Amounts falling due within one year	18	<u>(4,560,326)</u>	<u>(3,883,108)</u>
Net current assets/(liabilities)		<u>797,501</u>	<u>(2,048,294)</u>
Total assets less current liabilities		10,129,739	7,491,532
Creditors: Amounts falling due after more than one year	18	<u>(9,837,916)</u>	<u>(4,724,262)</u>
Net assets		<u>291,823</u>	<u>2,767,270</u>
Capital and reserves			
Called up share capital	20	12,208,137	12,258,137
Other reserves		104,264	129,394
Profit and loss account		<u>(12,020,578)</u>	<u>(9,620,261)</u>
Shareholders' funds		<u>291,823</u>	<u>2,767,270</u>

The company made a loss after tax for the financial year of £2,425,313 (2020 - profit of £14,703).

Approved and authorised by the Board on 24 March 2022 and signed on its behalf by:


.....
Mr S W Muderack
Chairman

Scarlets Regional Limited

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2021 Equity attributable to the parent company

	Share capital £	Other reserves £	Profit and loss account £	Total £
At 1 July 2020	12,208,137	129,394	(9,598,658)	2,738,873
Loss for the year	-	-	(2,364,691)	(2,364,691)
Other comprehensive income	-	(25,130)	25,130	-
Total comprehensive income	-	(25,130)	(2,339,561)	(2,364,691)
At 30 June 2021	12,208,137	104,264	(11,938,219)	374,182
	Share capital £	Other reserves £	Profit and loss account £	Total £
At 1 July 2019	12,008,137	154,524	(9,658,371)	2,504,290
Profit for the year	-	-	34,583	34,583
Other comprehensive income	-	(25,130)	25,130	-
Total comprehensive income	-	(25,130)	59,713	34,583
New share capital subscribed	200,000	-	-	200,000
At 30 June 2020	12,208,137	129,394	(9,598,658)	2,738,873

The notes on pages 17 to 33 form an integral part of these financial statements.

Scarlets Regional Limited

Statement of Changes in Equity for the Year Ended 30 June 2021

	Share capital £	Other reserves £	Profit and loss account £	Total £
At 1 July 2020	12,208,137	129,394	(9,620,395)	2,717,136
Loss for the year	-	-	(2,425,313)	(2,425,313)
Other comprehensive income	-	(25,130)	25,130	-
Total comprehensive income	-	(25,130)	(2,400,183)	(2,425,313)
At 30 June 2021	<u>12,208,137</u>	<u>104,264</u>	<u>(12,020,578)</u>	<u>291,823</u>
	Share capital £	Other reserves £	Profit and loss account £	Total £
At 1 July 2019	12,008,137	154,524	(9,660,094)	2,502,567
Profit for the year	-	-	14,703	14,703
Other comprehensive income	-	(25,130)	25,130	-
Total comprehensive income	-	(25,130)	39,833	14,703
New share capital subscribed	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
At 30 June 2020	<u>12,258,137</u>	<u>129,394</u>	<u>(9,620,261)</u>	<u>2,767,270</u>

The notes on pages 17 to 33 form an integral part of these financial statements.

Scarlets Regional Limited

Consolidated Statement of Cash Flows for the Year Ended 30 June 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
(Loss)/profit for the year		(2,364,691)	34,583
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	431,335	413,510
Loss from disposals of investments	5	250	-
Finance costs	7	159,229	151,026
Income tax expense	11	(67,453)	(423,783)
		(1,841,330)	175,336
Working capital adjustments			
Decrease in stocks	15	4,426	269
Decrease in trade debtors	16	270,803	382,543
(Decrease)/increase in trade creditors	18	(407,334)	519,148
Increase/(decrease) in deferred income, including government grants		911,819	(312,512)
Cash generated from operations		(1,061,616)	764,784
Income taxes received	11	67,453	423,783
Net cash flow from operating activities		(994,163)	1,188,567
Cash flows from investing activities			
Acquisitions of tangible assets		(223,997)	(457,390)
Cash flows from financing activities			
Interest paid	7	(159,229)	(125,896)
Proceeds from issue of ordinary shares, net of issue costs		-	200,000
Proceeds from other borrowing draw downs		5,387,500	892,875
Repayment of other borrowing		(129,930)	(192,526)
Net cash flows from financing activities		5,098,341	774,453
Net increase in cash and cash equivalents		3,880,181	1,505,630
Cash and cash equivalents at 1 July		1,138,130	(367,500)
Cash and cash equivalents at 30 June		5,018,311	1,138,130

The notes on pages 17 to 33 form an integral part of these financial statements.

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Parc y Scarlets
Pemberton Regional Park
Trostre Roundabout
Llanelli
SA14 9UZ

These financial statements were authorised for issue by the Board on 24 March 2022.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

Going concern

The group recorded a net loss of £2,364,691 for the year ended 30.06.2021 compared to a net profit of £34,583 in the previous year, however at the balance sheet date, the group had excess net current assets over liabilities of £879,860 (2020: (£2,026,441)). The company is dependent on future short-term and long-term funding being available to enable it to continue operating and to meet its liabilities as they fall due.

The club's financial well-being is dependent on the continued goodwill and financial support of its supporters, sponsors, directors, and investors.

As a result of the above the directors consider it appropriate to prepare the financial statements on a going concern basis.

The financial statements do not reflect the adjustments that would have been made should continuing finance not be made available, namely reducing the value of the assets to their realisable amounts, providing for any further liabilities which might arise and reclassifying all fixed assets and long term liabilities as current assets and liabilities respectively.

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

Judgements

In the application of the group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying value of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

Stadium carrying value

The trading conditions, along with the other matters explained in the accounting policies to the financial statements, indicate the uncertainty with regards the director's estimation to the carrying value of the stadium. The stadium is currently carried at cost less accumulated depreciation and any previous provisions for impairment. The carrying amount is £8,274,883 (2020 -£8,479,190).

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

Ticket, hospitality, and competition income are recognised as revenue when the representative event takes place. Revenue from commercial contracts - including broadcasting, sponsorship and lease of hospitality boxes is recognised based on terms of the contract.

Government grants

Government grants are recognised at fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met, and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria is satisfied it is recognised as a liability.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

Depreciation

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings Freehold	2% - Straight line
Plant and machinery	20% - Straight line
Heritage Trail	20% - Straight line

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Transfer Fees

Fees payable to and receivable from other rugby football clubs on the transfer of a player's registration, together with associated costs, are dealt with through the profit and loss account in the accounting year in which the transfer of the player's registration takes place.

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

3 Revenue

The analysis of the group's turnover for the year by class of business is as follows:

	2021 £	2020 £
Membership Subscriptions	-	473,229
WRU Receipts	3,949,390	9,147,064
Sponsorships	942,221	1,587,385
Tickets and matchday income	28,755	237,655
Other income	858,408	1,111,530
	<u>5,778,774</u>	<u>12,556,863</u>

4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2021 £	2020 £
Government grants	4,221,872	942,035
Miscellaneous other operating income	169,029	12,400
	<u>4,390,901</u>	<u>954,435</u>

5 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2021 £	2020 £
Loss from disposals of investments	<u>(250)</u>	<u>-</u>

6 Operating loss

Arrived at after charging/(crediting)

	2021 £	2020 £
Depreciation expense	431,335	413,510
Operating lease expense - plant and machinery	<u>1,690</u>	<u>2,947</u>

7 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and borrowings	44,762	14,716
Interest expense on other finance liabilities	89,337	111,180
Other finance costs	25,130	25,130
	<u>159,229</u>	<u>151,026</u>

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021	2020
	£	£
Wages and salaries	8,834,501	9,275,380
Social security costs	855,993	840,317
Pension costs, defined contribution scheme	53,221	47,065
Other employee expense	403,485	179,454
	<u>10,147,200</u>	<u>10,342,216</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2021	2020
	No.	No.
Administration and support	<u>141</u>	<u>196</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021	2020
	£	£
Remuneration	<u>315,450</u>	<u>209,000</u>

In respect of the highest paid director:

	2021	2020
	£	£
Remuneration	<u>114,100</u>	<u>105,000</u>

10 Auditors' remuneration

	2021	2020
	£	£
Audit of these financial statements	<u>10,000</u>	<u>10,000</u>

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

11 Taxation

Tax charged/(credited) in the income statement

	2021 £	2020 £
Current taxation		
UK corporation tax adjustment to prior periods	<u>(67,453)</u>	<u>(423,783)</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2020 - the same as the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Loss before tax	<u>(2,432,144)</u>	<u>(389,200)</u>
Corporation tax at standard rate	(462,107)	(73,948)
Increase in UK and foreign current tax from unrecognised tax loss or credit	462,107	73,948
Decrease in UK and foreign current tax from adjustment for prior periods	<u>(67,453)</u>	<u>(423,783)</u>
Total tax credit	<u>(67,453)</u>	<u>(423,783)</u>

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

12 Tangible assets

Group

	Land and buildings £	Plant and equipment £	Heritage Trail £	Total £
Cost or valuation				
At 1 July 2020	11,827,855	1,486,687	24,163	13,338,705
Additions	<u>-</u>	<u>222,797</u>	<u>1,200</u>	<u>223,997</u>
At 30 June 2021	<u>11,827,855</u>	<u>1,709,484</u>	<u>25,363</u>	<u>13,562,702</u>
Depreciation				
At 1 July 2020	2,683,735	1,105,531	24,163	3,813,429
Charge for the year	<u>295,391</u>	<u>135,904</u>	<u>40</u>	<u>431,335</u>
At 30 June 2021	<u>2,979,126</u>	<u>1,241,435</u>	<u>24,203</u>	<u>4,244,764</u>
Carrying amount				
At 30 June 2021	<u>8,848,729</u>	<u>468,049</u>	<u>1,160</u>	<u>9,317,938</u>
At 30 June 2020	<u>9,144,120</u>	<u>381,156</u>	<u>-</u>	<u>9,525,276</u>

Included within the net book value of land and buildings above is £8,848,729 (2020 - £9,144,120) in respect of freehold land and buildings.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2021 £	2020 £
Plant and machinery	<u>16,710</u>	<u>19,657</u>

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

Company

	Land and buildings £	Plant & equipment £	Heritage Trail £	Total £
Cost or valuation				
At 1 July 2020	11,827,855	1,486,687	24,163	13,338,705
Additions	<u>-</u>	<u>222,797</u>	<u>1,200</u>	<u>223,997</u>
At 30 June 2021	<u>11,827,855</u>	<u>1,709,484</u>	<u>25,363</u>	<u>13,562,702</u>
Depreciation				
At 1 July 2020	2,683,735	1,105,531	24,163	3,813,429
Charge for the year	<u>295,391</u>	<u>135,904</u>	<u>40</u>	<u>431,335</u>
At 30 June 2021	<u>2,979,126</u>	<u>1,241,435</u>	<u>24,203</u>	<u>4,244,764</u>
Carrying amount				
At 30 June 2021	<u>8,848,729</u>	<u>468,049</u>	<u>1,160</u>	<u>9,317,938</u>
At 30 June 2020	<u>9,144,120</u>	<u>381,156</u>	<u>-</u>	<u>9,525,276</u>

Included within the net book value of land and buildings above is £8,848,729 (2020 - £9,144,120) in respect of freehold land and buildings.

13 Investments

Company

	2021 £	2020 £
Investments in associates	<u>-</u>	<u>250</u>
Associates		£
Cost		
At 1 July 2020		250
Disposals		<u>(250)</u>
At 30 June 2021		<u>-</u>
Provision		
Carrying amount		
At 30 June 2021		<u>-</u>
At 30 June 2020		<u>250</u>

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

Impairment of associates

The amount of impairment loss included in profit or loss is £250 (2020 - £Nil). During the year Pro Rugby Wales Ltd entered liquidation and were dissolved on 16 March 2021

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2021	2020
Subsidiary undertakings				
Llanelli RFC Limited	Parc Y Scarlets Pemberton Retail Park, Trostre Roundabout, Llanelli, Carmarthenshire, SA14 9UZ Wales	Ordinary	100%	100%
Associates				
Pro Rugby Wales Ltd	Parc Y Scarlets Pemberton Retail Park, Trostre Roundabout, Llanelli, Carmarthenshire, SA14 9UZ Wales	Ordinary	0%	25%

For the year ending June 2021 the subsidiary Llanelli RFC Limited (registration number 04840081) was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Scarlets Regional Limited has guaranteed the liabilities of Llanelli RFC Limited.

Subsidiary undertakings

Llanelli RFC Limited

The principal activity of Llanelli RFC Limited is running of Llanelli RFC and other rugby activities..

Associates

Pro Rugby Wales Ltd

The principal activity of Pro Rugby Wales Ltd is PR Support services.

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

14 Other financial assets

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Non-current financial assets				
Financial assets at cost less impairment	14,300	14,300	14,300	14,300

Group

	Financial assets at cost less impairment	Total
	£	£
Non-current financial assets		
Cost or valuation		
At 1 July 2020	14,300	14,300
At 30 June 2021	14,300	14,300
Impairment		
Carrying amount		
At 30 June 2021	14,300	14,300

Company

	Financial assets at cost less impairment	Total
	£	£
Non-current financial assets		
Cost or valuation		
At 1 July 2020	14,300	14,300
At 30 June 2021	14,300	14,300
Impairment		
Carrying amount		
At 30 June 2021	14,300	14,300

15 Stocks

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Other inventories	18,511	22,937	18,511	22,937

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

16 Debtors

		Group		Company	
	Note	2021	2020	2021	2020
		£	£	£	£
Trade debtors		123,060	467,073	121,300	464,779
Amounts owed by related parties	22	34	-	34	-
Other debtors		116,228	53,056	115,342	52,972
Prepayments		<u>186,974</u>	<u>176,970</u>	<u>186,974</u>	<u>176,970</u>
		<u>426,296</u>	<u>697,099</u>	<u>423,650</u>	<u>694,721</u>

17 Cash and cash equivalents

		Group		Company	
		2021	2020	2021	2020
		£	£	£	£
Cash on hand		12,298	12,670	12,298	12,670
Cash at bank		246,013	1,125,461	143,368	1,104,486
Short-term deposits		<u>4,760,000</u>	<u>-</u>	<u>4,760,000</u>	<u>-</u>
		5,018,311	1,138,131	4,915,666	1,117,156
Bank overdrafts		<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Cash and cash equivalents in statement of cash flows		<u>5,018,311</u>	<u>1,138,130</u>	<u>4,915,666</u>	<u>1,117,155</u>

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

18 Creditors

		Group		Company	
	Note	2021	2020	2021	2020
		£	£	£	£
Due within one year					
Loans and borrowings	21	229,388	35,223	229,388	35,223
Trade creditors		842,299	998,298	842,024	998,197
Social security and other taxes		1,516,688	1,992,307	1,515,556	1,991,852
Other payables		73,961	137,923	52,436	136,979
Accruals		556,845	268,599	556,845	268,599
Deferred income		1,364,077	452,258	1,364,077	452,258
		<u>4,583,258</u>	<u>3,884,608</u>	<u>4,560,326</u>	<u>3,883,108</u>
Due after one year					
Loans and borrowings	21	9,797,500	4,733,846	9,797,500	4,683,846
Deferred income		40,416	40,416	40,416	40,416
		<u>9,837,916</u>	<u>4,774,262</u>	<u>9,837,916</u>	<u>4,724,262</u>

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

19 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £53,221 (2020 - £47,065).

20 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	11,758,135	11,758,135	11,758,135	11,758,135
Special shares of £1,000 each	500	500,000	500	500,000
Heritage shares of £1 each	2	2	2	2
	<u>11,758,637</u>	<u>12,258,137</u>	<u>11,758,637</u>	<u>12,258,137</u>

21 Loans and borrowings

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Non-current loans and borrowings				
Other borrowings	<u>9,797,500</u>	<u>4,733,846</u>	<u>9,797,500</u>	<u>4,683,846</u>

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Current loans and borrowings				
Bank borrowings	-	18,324	-	18,324
Bank overdrafts	-	1	-	1
Hire purchase contracts	9,388	16,898	9,388	16,898
Other borrowings	<u>220,000</u>	<u>-</u>	<u>220,000</u>	<u>-</u>
	<u>229,388</u>	<u>35,223</u>	<u>229,388</u>	<u>35,223</u>

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

Group

Bank borrowings

The bank loans and overdrafts are secured against assets of the group and company.

There is limited guarantee given by the directors Mr N V Short and Mr P J Davies up to £1,730,000.

Other borrowings

Included within Other loans is an amount owed to Carmarthenshire County Council of £2,614,000 (2020 - £2,614,000) The amount is secured by a floating charge over the company's assets. The company pledges not to encumber any assets without consent from CCC. Interest is charged at 4% per annum. The loan is due for repayment in 2023.

Also included in Other loans are amounts due to the WRU which are secured by a fixed and floating charge over the assets of the company. The loans have been provided interest free on expected repayment within 5 years. The balance held in other loans has been discounted in accordance with FRS102.

Also included in Other loans are debentures and subordinated debts of the directors. These are secured by the assets of the company but acknowledge that CCC has a prior charge. The loans have been provided interest free with varying repayment terms. The balance held in Other loans has been discounted in accordance with FRS102.

During October 2020, Scarlets received a further loan of £5,500,000 from the the WRU. This is part of a facility agreement provided to all of the rugby regions. The interest rate of which is based on the total value outstanding by the regions.

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

22 Related party transactions

Company

Loans from related parties

	Other related parties £	Total £
2021		
At start of period	884,180	884,180
Repaid	(179,837)	(179,837)
At end of period	<u>704,343</u>	<u>704,343</u>
	Other related parties £	Total £
2020		
At start of period	<u>884,180</u>	<u>884,180</u>
At end of period	<u>884,180</u>	<u>884,180</u>

Scarlets Regional Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

23 Financial instruments

Group

Categorisation of financial instruments

	2021	2020
	£	£
Financial assets measured at fair value through profit or loss	427,750	515,120
Financial liabilities measured at fair value through profit or loss	7,672,429	7,295,026

Financial assets measured at fair value

Debt instruments measured at amortised cost

The fair value is £413,450 (2020 - £500,820) and the change in value included in profit or loss is £25,130 (2020 - £25,130).

Equity instruments measured at cost less impairment

The fair value is £14,300 (2020 - £14,300) and the change in value included in profit or loss is £Nil (2020 - £Nil).

Financial liabilities measured at fair value

Measured at amortised cost

The fair value is £7,672,429 (2020 - £7,295,026) and the change in value included in profit or loss is £Nil (2020 - £Nil).

24 Parent and ultimate parent undertaking

There was no ultimate controlling party during the current or previous year.