



SCOTTISH RUGBY UNION Plc

Financial Statements

for the year ended 31 May 2015



Registered No. SC132061

SCOTTISH RUGBY UNION PLC

Financial Statements for the period ended 31 May 2015

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SCOTTISH RUGBY UNION PLC – STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 May 2015.

Principal Activities

The principal activity of the Company is to promote the game of Rugby throughout Scotland.

Business Review

The Company continues to work towards the objectives outlined in its Policy Initiatives, specifically in the areas of academies, coaching, the women's game, schools, clubs, and refereeing. The implementation of these initiatives has continued in the course of the year.

The Company has achieved a £24k profit for the year (period ended 31 May 2014: surplus of £0.9m). Turnover was £0.5m higher than in the period to 31 May 2014, with additional sponsorship income from the BT agreement and higher ticket revenues from 3 home 6 Nations matches compared with 2 in the prior period being offset by reduced broadcast income from 6 Nations and the effects of the depreciating euro. Other income was £0.1m lower than in the period ended 31 May 2014, with various offsetting factors affecting this. Increased sponsorship from BT is partially offset by there being no income from the British & Irish Lions Tour this year, a 12 month period against a 13 month period last year, and other smaller changes in incomes relating to grants and other income.

Within the expenditure categories, there are the effects of returning to a 12 month period from the 13 month period in 2013/14 period of 13 months, together with increases in investment in a number of areas of the game. Club Support and Development shows a 23% increase compared with the prior period, which itself showed a 16% increase compared with 2012/13. This year, the increase relates mainly to the funding available from the new Club Sustainability Fund, made possible through the BT deal. International and Professional Rugby, which represents the Company's largest cost base, although similarly represents the largest income generating area, has dropped from £23.6m to £22.8m, where the effects of the period length were partially offset by higher National Team tour investment and additional Pro Team coaching and off-field investment. Investment in Community & Performance Rugby has increased from £5.0m to £6.2m, both through the increased resource being made available for Domestic Rugby, but also through enhanced expenditure in the BT Academies. Commercial and Operational costs increased from £10.1m to £10.9m reflecting the increased focus on generating income, together with continuing higher investment in the maintenance of BT Murrayfield Stadium. Similarly, there were a number of additional events in 2014/15 compared with 2013/14 including the One Direction concert, and an additional 6 Nations match, with associated costs. Depreciation fell to £1.1m as a result of the profile of the asset base.

Average bank borrowings over the year amounted to £8.6m, which is £1.6m below the level during the period to 31 May 2014, generally as a result of funds from World Rugby received in advance of Rugby World Cup. Year end bank borrowings of £8.1m are £0.2m above the previous period level, principally as a result of working capital movements, in particular payments made during the year for the new International pitch. Interest charges fell to £0.6m, compared with £0.7m in the period to 31 May 2014.

The Directors continue to monitor borrowing levels, income and expenditure against budget on a monthly basis. They also monitor other key business issues including Professional and National Team performance which are fundamental to the Company's strategy of growing the game within a stable commercial environment.

On pages 4 to 21, the Directors present their report and audited consolidated financial statements for the year ended 31 May 2015. The financial statements comprise the consolidated financial statements of the Company and its subsidiary.

SCOTTISH RUGBY UNION PLC – STRATEGIC REPORT

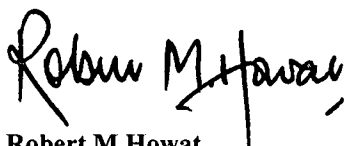
Financial Risk Management

The risk management framework of the Company is well established with the ongoing identification, evaluation and status of business risks being presented formally to the Audit Committee, Scottish Rugby Board and Council, periodically.

Financial Instruments

The Company uses interest rate swaps to reduce its exposure to interest rate movements. Details of this are noted in the Accounting Policies and in Note 8 to the financial statements. The Company also uses forward sale currency contracts to reduce its exposure to exchange rate movements. Details of this are noted in the Accounting Policies and in Note 7 to the financial statements. Financial instruments are not used for speculative purposes.

By order of the Board

A handwritten signature in black ink, appearing to read 'Robert M Howat', with a stylized flourish at the end.

Robert M Howat
Company Secretary
Edinburgh, 23 July 2015

SCOTTISH RUGBY UNION PLC – DIRECTORS’ REPORT

The directors present their report and the audited financial statements of the group for the year ended 31 May 2015.

An overview and review of the Company can be found in the Business Review, within the Strategic Report on page 2.

Going Concern

The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and it therefore continues to adopt the going concern basis in preparing the financial statements.

Employees

Scottish Rugby recognises the value and importance of promoting equal employment opportunities for its current and future staff and considers all forms of discrimination to be unacceptable in the workplace. We aim to be an inclusive organisation where everyone is treated with dignity and respect and where diversity is valued across all of the recognised equality strands detailed within the Equality Act 2010. The organisation is committed to providing equal opportunities throughout recruitment, employment, training and career development and has a comprehensive Equal Opportunities Employment Policy, Equality and Diversity Policy and several other related policies that support the nine protected characteristics within the Equality Act.

We are committed to adopting equitable employment practices and terms and conditions which are based on the merits, ability and potential of individuals, and to avoiding any conditions or requirements that cannot be justified by the needs of the job. As an example of this equitable approach, Scottish Rugby has been granted the Positive About Disabled People award by Job Centre Plus, recognising our commitment to equality and confirming that applications from disabled people are always positively considered by the organisation.

In addition to our employment practices, Scottish Rugby has achieved the Intermediate Level of the Equality Standard: A Framework for Sport which is a collaborative effort between the four national Sports Councils, UK Sport and equality organisations to achieve measurable stands of equality. Scottish Rugby has also been awarded the Preliminary Level of the Equality Standard through our efforts and commitment to make rugby in Scotland open to all. A significant amount of work has been undertaken in producing our Equality and Diversity Plan, which can be located on our website, and we have appointed an Equality Champion. In addition we have recruited an Equality and Outreach Manager. This role has been instrumental in imbedding equality and diversity and progressing actions within our plan.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through e-mail communication, team meeting briefings and the distribution of the Annual Report.

Statement of Directors’ responsibilities

The Directors are responsible 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 Company’s 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 then 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

SCOTTISH RUGBY UNION PLC – DIRECTORS’ REPORT

Statement of Directors’ responsibilities (cont)

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.

The Directors are responsible for the maintenance and integrity of the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors and Disclosure of Information to Auditors

So far as each Director is aware, there is no relevant audit information (that is, information needed by the Company’s auditors in connection with preparing their report) of which the Company’s auditors are unaware.

Each Director has taken all the steps (such as making enquiries of other Directors and the auditors and any other steps required by the Director’s duty to exercise due care, skill and diligence) that he or she ought to have taken in his or her duty as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Union’s auditors are aware of that information.

Directors

The Directors of the company at 31 May 2015, and up to the date of signing the financial statements, are listed below.

Sir Moir Lockhead, Chairman
Mark Dodson, Chief Executive
Andrew Healy, Finance Director
Dominic McKay, Director of Commercial Operations,
Communications and Public Affairs
Colin Grassie

Ian McLauchlan
Lesley Thomson
Ian Barr
Ian Rankin (appointed 16 August 2014)
Fergus Neil
Mike Monro

Donald Macleod retired from the Board at the conclusion of the AGM on 16 August 2014.

Company Number

The Company’s Registered Number is SC132061.

By order of the Board



Robert M Howat
Secretary
Edinburgh, 23 July 2015

SCOTTISH RUGBY UNION PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE SCOTTISH RUGBY UNION PLC

REPORT ON THE FINANCIAL STATEMENTS

Our Opinion

In our opinion the Scottish Rugby Union Plc's group financial statements and company financial statements ("the financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 May 2015 and of the group's profit and cash flows 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.

What we have audited

The group financial statements (the "financial statements"), which are prepared by Scottish Rugby Union Plc, comprise:

- the group and company balance sheets as at 31 May 2015;
- the group profit and loss account for the year then ended;
- the group cash flow statement for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

SCOTTISH RUGBY UNION PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE SCOTTISH RUGBY UNION PLC

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Financial Statements ("the Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
23 July 2015

SCOTTISH RUGBY UNION PLC

Principal accounting policies

The financial statements have been prepared under the historical cost convention, and on a going concern basis, in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of Consolidation

The consolidated financial statements cover the year to 31 May 2015 and include the Scottish Rugby Union Plc and The Murrayfield Experience Limited.

Turnover

Turnover represents ticket sales, broadcasting revenue and all other income and is stated net of VAT. Revenue is recognised based on the relevant contractual terms or in accordance with the occurrence of the relevant event. Where consideration is received in kind, income and expenditure are grossed up on the basis of arm's length commercial rates.

Tangible Fixed Assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Significant sums are spent on maintenance of the Union's main asset, BT Murrayfield Stadium, therefore the de-minimus level for capitalisation of assets has been set at £10,000 for the first three asset categories below and at £5,000 for Other equipment. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The straight line basis is used in respect of all assets and the principal annual depreciation rates are:

| | % |
|-------------------------------|----------|
| Land | Nil |
| Stands and Heritable property | 1-20 |
| Fixtures and fittings | 4-25 |
| Other equipment | 7-50 |

No depreciation is charged on Assets Under Construction.

Deferred Income

Capital grants and debenture premiums are transferred to deferred income and amortised over the estimated useful life of the associated fixed assets or the life of the debenture, respectively.

Debenture issue costs

The costs associated with the issue of capital instruments are charged to the profit and loss Account on an annual basis over the minimum period remaining until the redemption of the associated instrument.

Pension costs

Contributions are made by the Company to money purchase scheme pension arrangements for certain employees. Amounts due to assurance companies are charged against the profit and loss account in the period in which they become payable. The Company provides no other post retirement benefits to its employees.

SCOTTISH RUGBY UNION PLC

Principal accounting policies (continued)

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing and hire purchase agreements which transfer substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements, with the capital element applied to reduce the outstanding obligation and the interest element charged against the profit or loss for the period on a straight line basis.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

Grants

Revenue grants are credited to the profit and loss account in the same period as the related expenses.

Taxation

The Company has mutual trading status for taxation purposes as regards its trading activities with the members of its parent body, the Scottish Rugby Union, and pays tax only on the profit derived from trading with non-members.

Deferred Taxation is recognised on all timing differences where the transaction or events that give rise to an obligation to pay more, or less, tax in the future have occurred by the Balance Sheet date. Deferred tax assets are recognised when it is probable that they will be recovered. The tax rates in force at the Balance Sheet date are used to calculate the need for any deferred tax provision or asset.

Financial Instruments

The Company uses interest rate swaps to reduce its exposure to interest rate movements. Receipts and payments on these interest rate swaps are recognised on an accruals basis over the life of the swap. The Company also uses forward sale currency contracts to reduce its exposure to exchange rate movements. The income relating to these sales is accounted for at the rate of exchange at which the related contract has been taken out. The Company does not hold or issue derivative financial instruments for speculative purposes.

SCOTTISH RUGBY UNION PLC

Group Profit and loss account for the period ended 31 May 2015

| | | Year ended 31 May 2015 £000 | Period ended 31 May 2014 £000 |
|---|-------|--------------------------------------|--|
| | Notes | | |
| Turnover | | | |
| Ticket income | | 10,143 | 8,225 |
| Broadcasting revenues | | 10,822 | 12,065 |
| Other operating income | | 23,276 | 23,438 |
| | | <u>44,241</u> | <u>43,728</u> |
| Costs | | | |
| International and Professional Rugby | | 22,761 | 23,614 |
| Domestic and Performance Rugby | | 6,201 | 4,969 |
| Commercial and Operational | | 10,874 | 10,075 |
| Club Support & Development | | 2,772 | 2,251 |
| Depreciation | | 1,053 | 1,257 |
| | | <u>43,661</u> | <u>42,166</u> |
| Operating Profit | | 580 | 1,562 |
| Net interest | 3 | <u>(556)</u> | <u>(702)</u> |
| Profit on ordinary activities before taxation | 1 | 24 | 860 |
| Tax on profit on ordinary activities | 4 | <u>-</u> | <u>-</u> |
| Profit for the financial period | 16 | <u>24</u> | <u>860</u> |

The Company has no recognised gains or losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented. All activities are continuing.

There is no difference between the profit on ordinary activities before taxation and the profit for the periods stated above and their historical cost equivalents.


SCOTTISH RUGBY UNION PLC

Group Balance Sheet as at 31 May 2015

| | Notes | 2015 £000 | 2014 £000 |
|---|-------|-----------------|-----------------|
| Fixed Assets | | | |
| Tangible fixed assets | 5 | 39,616 | 39,629 |
| Investments | 6 | <u>2</u> | <u>2</u> |
| | | 39,618 | 39,631 |
| Current Assets | | | |
| Debtors | 7 | 5,512 | 4,952 |
| Cash at bank | | - | 372 |
| Cash in hand | | <u>8</u> | <u>5</u> |
| | | 5,520 | 5,329 |
| Creditors: amounts falling due within one year | 8 | (20,143) | (11,633) |
| Net Current Liabilities | | (14,623) | (6,304) |
| Provisions for liabilities | 9 | (46) | (44) |
| Total assets less current liabilities and provisions | | 24,949 | 33,283 |
| Creditors: amounts falling due after more than one year | 8 | 148 | 8,451 |
| Deferred income | 10 | 2,070 | 2,207 |
| Ten Year Debentures | 11 | 1 | 1 |
| Murrayfield Debentures | 12 | 31,542 | 31,460 |
| Irredeemable Debentures | 13 | <u>97</u> | <u>97</u> |
| | | 33,858 | 42,216 |
| Capital and Reserves | | | |
| Called up Share Capital | 14 | 50 | 50 |
| Capital reserve | | 2,781 | 2,781 |
| Profit and Loss Account | 16 | <u>(11,740)</u> | <u>(11,764)</u> |
| Total Shareholder's Deficit | | (8,909) | (8,933) |
| | | 24,949 | 33,283 |

The financial statements on pages 8 to 21 were approved by the Board of Directors and signed on its behalf on 23 July 2015 by:


Sir Moir Lockhead, Chairman

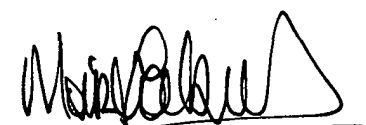

Mark Dodson, Chief Executive

SCOTTISH RUGBY UNION PLC

Company Balance Sheet as at 31 May 2015

| | Notes | 2015 £000 | 2014 £000 |
|---|-------|-----------------|-----------------|
| Fixed Assets | | | |
| Tangible fixed assets | 5 | 39,616 | 39,629 |
| Investments | 6 | <u>2</u> | <u>2</u> |
| | | 39,618 | 39,631 |
| Current Assets | | | |
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| Net Current Liabilities | | (14,623) | (6,304) |
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| Total assets less current liabilities and provisions | | 24,949 | 33,283 |
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| Irredeemable Debentures | 13 | <u>97</u> | <u>97</u> |
| | | 33,858 | 42,216 |
| Capital and Reserves | | | |
| Called up Share Capital | 14 | 50 | 50 |
| Capital reserve | | 2,781 | 2,781 |
| Profit and Loss Account | 16 | <u>(11,740)</u> | <u>(11,764)</u> |
| Total Shareholder's Deficit | | (8,909) | (8,933) |
| | | 24,949 | 33,283 |

The financial statements on pages 8 to 21 were approved by the Board of Directors and signed on its behalf on 23 July 2015 by:


Sir Moir Lockhead, Chairman


Mark Dodson, Chief Executive

SCOTTISH RUGBY UNION PLC

Group Cash Flow Statement for the period ended 31 May 2015

| | | Year ended 31 May 2015 £000 | Period ended 31 May 2014 £000 |
|---|-------|--------------------------------------|--|
| | Notes | | |
| Net cashflow from operating activities | 17 | 1,999 | 4,388 |
| Return on investments and servicing of finance | | | |
| Interest paid on bank overdrafts and loans | | (341) | (409) |
| Capital Expenditure and Financial Investment | | | |
| Payments to acquire Tangible Fixed Assets | | (1,877) | (598) |
| Financing | | | |
| Repayment of bank loan | | (2,250) | (1,250) |
| Finance lease | | (4) | (5) |
| (Decrease) / Increase in cash | | (2,473) | 2,126 |

Reconciliation of net cashflow to movement in net debt

| | | Year ended 31 May 2015 £000 | Period ended 31 May 2014 £000 |
|---|----|--------------------------------------|--|
| (Decrease) / Increase in cash in period | | (2,473) | 2,126 |
| Amortisation of Murrayfield Debentures | | (82) | (89) |
| Finance Lease | | 4 | 5 |
| Repayment of bank loan | | 2,250 | 1,250 |
| Change in net debt | | (301) | 3,292 |
| Opening net debt | | (39,443) | (42,735) |
| Closing net debt | 18 | (39,744) | (39,443) |

SCOTTISH RUGBY UNION PLC

Notes to the Financial Statements for the period ended 31 May 2015

1. Profit on Ordinary Activities before Taxation

| | Year ended 31 May 2015 £000 | Period ended 31 May 2014 £000 |
|--|--------------------------------------|--|
| The profit on ordinary activities before taxation is stated after crediting: | | |
| Amortisation of deferred income | 137 | 148 |
| Barter transaction sponsorship income | 851 | 710 |
| And after charging: | | |
| Auditors remuneration | 23 | 23 |
| Auditors fees for non-audit services | | |
| Tax compliance | 8 | 7 |
| Tax advisory | 8 | 9 |
| Other | 2 | 2 |
| Depreciation charge for the period | | |
| Owned fixed assets | 1,053 | 1,257 |
| Operating lease rentals | | |
| Plant & Machinery | 44 | 10 |
| Other | 305 | 265 |
| Barter transaction sponsorship costs | 851 | 710 |
| Administrative and management expenses | 2,680 | 2,644 |

2. Staff Costs

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

| | Year ended 31 May 2015 No. | | Period ended 31 May 2014 No. | |
|--|-------------------------------------|-----|---------------------------------------|-----|
| Rugby | | | | |
| Professional Players | 101 | | 100 | |
| Professional Teams – Coaching & Operations | 24 | | 22 | |
| National Team – Coaching & Operations | 9 | | 9 | |
| Elite Development Players & Coaches | 33 | | 26 | |
| Domestic & Performance | 69 | | 61 | |
| Strength & Conditioning | 11 | | 12 | |
| Medical & Physiotherapy | 10 | | 11 | |
| | | 257 | | 241 |
| Stadium Operations | | 37 | | 34 |
| Commercial, marketing & other corporate functions | | 51 | | 42 |
| TOTAL | | 345 | | 317 |

Within these figures:

Domestic & Performance includes employees within the BT Academies, Domestic Rugby 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.

SCOTTISH RUGBY UNION PLC

Notes to the Financial Statements for the year ended 31 May 2015

2. Staff Costs (cont)

| | Year ended 31 May 2015 | Period ended 31 May 2014 |
|--------------------------|---------------------------|-----------------------------|
| | Total | Total |
| | £000 | £000 |
| Employment costs: | | |
| Wages and salaries | 21,052 | 19,868 |
| Social security costs | 2,295 | 2,131 |
| Other pension costs | 573 | 488 |
| | <u>23,920</u> | <u>22,487</u> |

At the period end the pension accrual was £159k (2014 - £105k).

3. Net Interest

| | Year ended 31 May 2015 | Period ended 31 May 2014 |
|---------------------------------------|---------------------------|-----------------------------|
| | £000 | £000 |
| Interest payable on bank overdrafts | (474) | (613) |
| Amortisation of Debenture issue costs | <u>(82)</u> | <u>(89)</u> |
| | <u>(556)</u> | <u>(702)</u> |

The rates of interest on the Company's term loan borrowings are included in Note 8.

4. Tax on profit on ordinary activities

| | Year ended 31 May 2015 | Period ended 31 May 2014 |
|---|---------------------------|-----------------------------|
| | £000 | £000 |
| Current Tax : | | |
| On profit arising from non-mutual trading | - | - |
| Deferred : | | |
| Origination and reversal of timing differences | (27) | 533 |
| Movement in deferred tax unprovided | <u>27</u> | <u>(533)</u> |
| | <u>-</u> | <u>-</u> |
| Factors affecting the current tax charge for the period | | |
| Profit on ordinary activities before taxation | <u>24</u> | <u>860</u> |
| Corporation Tax at 20% (2014 – 20%) | 5 | 172 |
| Effects of : | | |
| Net expenses not deductible for tax purposes | 141 | 167 |
| Crystallisation of tax losses | (112) | (316) |
| Non-taxable mutual profits | (150) | (134) |
| Depreciation in excess of capital allowances | 88 | 105 |
| Movement in other timing differences | <u>28</u> | <u>6</u> |
| | <u>-</u> | <u>-</u> |

The Company has gross taxable profits arising in the period of £nil (2014 - £nil).

SCOTTISH RUGBY UNION PLC

Notes to the Financial Statements for the year ended 31 May 2015

5. Tangible Fixed Assets

| Group and Company | Heritable Property £000 | Fixtures and Fittings £000 | Other Equipment £000 | Assets Under Construction £000 | Total £000 |
|---------------------------------|-------------------------------|----------------------------------|----------------------------|--------------------------------------|---------------|
| Cost | | | | | |
| As at 1 June 2014 | 46,128 | 14,171 | 3,888 | 916 | 65,103 |
| Additions | 513 | 162 | 365 | - | 1,040 |
| Transfers | 916 | - | - | (916) | - |
| As at 31 May 2015 | 47,557 | 14,333 | 4,253 | - | 66,143 |
| Accumulated Depreciation | | | | | |
| As at 1 June 2014 | 10,241 | 12,190 | 3,043 | - | 25,474 |
| Charge for year | 657 | 218 | 178 | - | 1,053 |
| As at 31 May 2015 | 10,898 | 12,408 | 3,221 | - | 26,527 |
| Net book value | | | | | |
| As at 31 May 2015 | 36,659 | 1,925 | 1,032 | - | 39,616 |
| As at 31 May 2014 | 35,887 | 1,981 | 845 | 916 | 39,629 |

6. Investments

| Group and company | 31 May 2015 £000 | 31 May 2014 £000 |
|----------------------------|------------------------|------------------------|
| Investment in Subsidiaries | - | - |
| Other Investments | 2 | 2 |
| | <u>2</u> | <u>2</u> |

| | Country of Incorporation | Holding | Year End | Principal Activities |
|------------------------------------|-----------------------------|---------|----------|------------------------|
| Investments in Subsidiaries | | | | |
| The Murrayfield Experience Limited | Scotland | 100% | 31 May | Dormant |
| Other investments | | | | |
| European Rugby Cup Limited | Ireland | 16.67% | 30 June | Competition management |
| British Lions Limited | Ireland | 25% | 30 June | Rugby organisation |
| Celtic Rugby Limited | Ireland | 33% | 30 June | Competition management |

Given the disposition of the other shareholdings in these companies, and the immateriality of their net surpluses and net assets, the Directors do not believe that these investments fall to be treated as associate companies.

Fixed asset investments are stated at the lower of cost and valuation.

SCOTTISH RUGBY UNION PLC

Notes to the Financial Statements for the year ended 31 May 2015

7. Debtors

| | Group 31 May 2015 £000 | Company 31 May 2015 £000 | Group 31 May 2014 £000 | Company 31 May 2014 £000 |
|--|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Amounts falling due within one year | | | | |
| Trade debtors | 4,413 | 4,413 | 3,818 | 3,818 |
| Loan to parent body | 50 | 50 | 50 | 50 |
| Other debtors | 394 | 394 | 194 | 194 |
| Prepayments | 655 | 655 | 890 | 890 |
| | 5,512 | 5,512 | 4,952 | 4,952 |

The loan to the parent body is unsecured, non-interest bearing and repayable on demand.

The Company has entered into a number of forward sale currency contracts to reduce its exposure to exchange rate movements affecting the income it receives in Euro. At 31 May 2015, the contracts held were for a total of €9m, with settlement dates between 25 January 2016 and 29 July 2016 at an average rate of £0.73:€1. The notional market value of these contracts at 31 May 2015 was £151k. At 31 May 2014, contracts for a total of €1.3m were held, with a settlement date of 30 June 2014 at an average rate of £0.86:€1. The notional market value of these at 31 May 2014 was £61k.

8. Creditors

| | Group 31 May 2015 £000 | Company 31 May 2015 £000 | Group 31 May 2014 £000 | Company 31 May 2014 £000 |
|--|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Amounts falling due within one year | | | | |
| Bank overdrafts | 2,104 | 2,104 | - | - |
| Bank loans | 6,000 | 6,000 | - | - |
| Obligations under finance leases | 5 | 5 | 5 | 5 |
| Advance receipts | 4,372 | 4,372 | 3,899 | 3,899 |
| Trade creditors | 2,163 | 2,163 | 2,251 | 2,251 |
| Other tax and social security | 1,234 | 1,234 | 1,111 | 1,111 |
| Accruals | 4,265 | 4,265 | 4,367 | 4,367 |
| | 20,143 | 20,143 | 11,633 | 11,633 |

| | Group 31 May 2015 £000 | Company 31 May 2015 £000 | Group 31 May 2014 £000 | Company 31 May 2014 £000 |
|---|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Amounts falling due after more than one year | | | | |
| Bank loans and overdrafts | - | - | 8,250 | 8,250 |
| Obligations under finance leases | 3 | 3 | 7 | 7 |
| Other creditors | 145 | 145 | 194 | 194 |
| | 148 | 148 | 8,451 | 8,451 |

| | Group 31 May 2015 £000 | Company 31 May 2015 £000 | Group 31 May 2014 £000 | Company 31 May 2014 £000 |
|---|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Finance lease obligations to which the Group is committed are due: | | | | |
| In one year or less | 5 | 5 | 5 | 5 |
| Between one and two years | 3 | 3 | 5 | 5 |
| Between two and five years | - | - | 2 | 2 |
| | 8 | 8 | 12 | 12 |

SCOTTISH RUGBY UNION PLC

Notes to the Financial Statements for the year ended 31 May 2015

8. Creditors (cont)

Within Amounts falling due within one year, bank loans of £6m (2014 - amounts falling due after more than one year - £8.25m) were repayable in full on 30 June 2015. Security was granted to the company's bankers by way of a Bond and Floating charge over the assets of Scottish Rugby Union plc.

The company had entered into an interest rate swap with the Bank of Scotland, in relation to £6m of the loan (2014 - £8.25m). This fixed the interest rate on these borrowings at 4.295% (2014 - 4.295%).

The company has concluded a further re-financing deal with the Bank of Scotland and a new term loan of £6m has been agreed. £0.5m of this loan is repayable annually, with the balance being repayable in full on 30 June 2020. The company has also entered into a further interest rate swap with the Bank of Scotland, initially in relation to £5.5m of the new term loan. This has fixed the interest rate on these borrowings, from July 2015, at an average rate of 3.491%.

The interest rate swap arrangement has a notional market value, being the net present value of future cash flows due under the swap compared to current interest rates. The market value of the interest rate swap on 31 May 2015 was (£9k). The market value of the interest rate swaps in place on 31 May 2014 relating to the £8.25m term loan was (£43k).

9. Provisions for Liabilities

Group and Company

| | Deferred Tax £000 | Tenant Club Residual Fund £000 | Total £000 |
|------------------------|-------------------------|--------------------------------------|---------------|
| Opening | - | 44 | 44 |
| Transfer during period | - | 2 | 2 |
| Closing | - | 46 | 46 |

| | Group and Company 2015 £000 | Group and Company 2014 £000 |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Deferred taxation comprises : | | |
| Accelerated capital allowances | 1,644 | 1,704 |
| Other timing differences | 390 | 418 |
| Trading losses carried forward | (3,399) | (3,470) |
| | (1,365) | (1,348) |
| Deferred tax asset not recognised | 1,365 | 1,348 |
| | - | - |

Following due consideration of future anticipated taxable profits, the residual deferred tax assets on trading losses carried forward has not been recognised on the basis that it will take some time for them to be fully recovered. The deferred tax asset will be fully recoverable should there be appropriate future taxable profits.

10. Deferred Income

Group and Company

| | Heritable Property £000 | Debenture Premium £000 | 2015 Total £000 | 2014 Total £000 |
|------------------------|-------------------------------|------------------------------|-----------------------|-----------------------|
| Opening | 1,598 | 609 | 2,207 | 2,355 |
| Amortisation in period | (31) | (106) | (137) | (148) |
| Closing | 1,567 | 503 | 2,070 | 2,207 |

SCOTTISH RUGBY UNION PLC

Notes to the Financial Statements for the year ended 31 May 2015

11. Ten Year Debentures Group and Company

| Debenture Issue | Class of Debenture | Value Each | Max. No. Authorised | 2015 No. Issued | 2014 No. Issued |
|-------------------|--------------------|------------|---------------------|-----------------|-----------------|
| 2009 Debentures | J | £1 | 500 | 90 | 90 |
| | K | £1 | 1,000 | 429 | 429 |
| | L | £1 | 200 | 78 | 78 |
| 2012 Debentures | N | £1 | 1,000 | 14 | 14 |
| | O | £1 | 1,000 | 180 | 180 |
| Debentures issued | | | | <u>791</u> | <u>791</u> |

The 2009 Debentures are unsecured, interest free and repayable at par on 31 May 2019. The 2012 Debentures are unsecured, interest free and repayable at par on 31 May 2022. Holders of the 2009 and 2012 Debentures have the right to purchase a ticket for any event or match at the stadium for which the Union retains direct control over the allocation of all tickets. In respect of Six Nations matches, the ticket is for a specific seat.

12. Murrayfield Debentures Group and Company

| Class of Debenture | Value Each | No. Authorised | 31 May 2015 No. Issued | 31 May 2015 £000 | 31 May 2014 No. Issued | 31 May 2014 £000 |
|--------------------------------------|------------|----------------|------------------------|------------------|------------------------|------------------|
| A | £1,200 | 9,100 | 9,092 | 10,910 | 9,092 | 10,910 |
| B | £2,200 | 7,900 | 7,900 | 17,380 | 7,900 | 17,380 |
| C | £3,500 | 1,000 | 1,000 | 3,500 | 1,000 | 3,500 |
| Thistle | £9,900 | 500 | 188 | 1,861 | 188 | 1,861 |
| Debentures issued | | | <u>18,180</u> | <u>33,651</u> | <u>18,180</u> | <u>33,651</u> |
| Issue Costs: | | | | | | |
| Opening | | | | 2,191 | | 2,280 |
| Amortisation | | | | <u>(82)</u> | | <u>(89)</u> |
| Closing | | | | <u>2,109</u> | | <u>2,191</u> |
| Net Issue Proceeds less Amortisation | | | | <u>31,542</u> | | <u>31,460</u> |

The Murrayfield Debentures are unsecured, rank pari passu and are interest free. Repayment, at par, is at the discretion of the Company on or after 1 January 2043 in respect of the A and C Debentures and 1 January 2044 with regard to the B and Thistle Debentures. Holders have the right to purchase a ticket for any event or match at the stadium for which the Company retains direct control over the allocation of all tickets. In respect of Six Nations matches the ticket is for a specific seat. Thistle and C Debenture holders also have a right to purchase certain matchday hospitality packages.

13. Irredeemable Debentures Group and Company

The 972 (2014 - 972) Debentures of £100 each (the 1925 Debentures) entitle the holder to purchase two tickets at Murrayfield for each match directly controlled by the Group and Company. The debentures are interest free.

SCOTTISH RUGBY UNION PLC

Notes to the Financial Statements for the year ended 31 May 2015

14. Called Up Share Capital Group and Company

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Allotted, called up and fully paid : 50,000 (2014 - £50,000) Ordinary Shares of £1 each | <u>50</u> | <u>50</u> |

No reconciliation of movements in Shareholder's funds has been presented as the only movements in the period are noted in the Profit and Loss Account note below.

15. Leases

Non-cancellable commitments under leases to pay rentals in the year following the period of these financial statements are noted below, analysed to the period in which each lease expires.

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Land & Buildings - Expiring within 2 to 5 years | 305 | 305 |
| Plant & Machinery - Expiring within 2 to 5 years | 15 | 10 |
| | <u>320</u> | <u>315</u> |

16. Profit and Loss Account

| | Group Year ended 31 May 2015 £000 | Company Year ended 31 May 2015 £000 | Group Period ended 31 May 2014 £000 | Company Period ended 31 May 2014 £000 |
|--|--|--|--|--|
| Opening | (11,764) | (11,764) | (12,624) | (12,624) |
| Profit for the financial year / period | 24 | 24 | 860 | 860 |
| Closing | <u>(11,740)</u> | <u>(11,740)</u> | <u>(11,764)</u> | <u>(11,764)</u> |

17. Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

| | Year ended 31 May 2015 £000 | Period ended 31 May 2014 £000 |
|----------------------------------|-----------------------------------|-------------------------------------|
| Operating profit | 580 | 1,562 |
| Depreciation charge | 1,053 | 1,257 |
| Deferred income amortisation | (137) | (148) |
| Tenant club residual fund | 2 | 2 |
| (Increase) / decrease in debtors | (560) | 361 |
| Increase in creditors | 1,061 | 1,354 |
| | <u>1,999</u> | <u>4,388</u> |

SCOTTISH RUGBY UNION PLC

Notes to the Financial Statements for the year ended 31 May 2015

18. Analysis of Changes in Net Debt

| | 31 May 2014 £000 | Cash Flows £000 | Other Changes £000 | 31 May 2015 £000 |
|-----------------------------------|------------------------|--------------------|--------------------------|------------------------|
| Cash in hand | 5 | 3 | - | 8 |
| Cash at bank | 372 | (2,476) | - | (2,104) |
| Bank loans | (8,250) | 2,250 | - | (6,000) |
| Finance lease due within one year | (5) | 4 | (4) | (5) |
| Finance lease due after one year | (7) | - | 4 | (3) |
| Irredeemable Debentures | (97) | - | - | (97) |
| Murrayfield Debentures | (31,460) | - | (82) | (31,542) |
| Ten Year Debentures | (1) | - | - | (1) |
| | <u>(39,443)</u> | <u>(219)</u> | <u>(82)</u> | <u>(39,744)</u> |

19. Transactions Involving Directors

The names of the Directors who served during the period are as set out on page 5. The aggregate emoluments payable to the Directors for the year comprised:

| | Year ended 31 May 2015 £000 | Period ended 31 May 2014 £000 |
|----------------------------------|-----------------------------------|-------------------------------------|
| Fees and salaries | 1,112 | 797 |
| Contributions to pension schemes | 15 | 44 |
| | <u>1,127</u> | <u>841</u> |

The highest paid director received aggregate emoluments of £697k (2014 - £499k) during the period, comprising salary and benefits of £697k (2014 - £464k) and pension contributions of £nil (2014 - £35k). The sum in the year ended 31 May 2015 includes the crystallisation of sums accumulated under a 3-year long term incentive plan for the highest paid director.

20. Related Party Transactions

Two of the directors of Scottish Rugby Union plc, Mike Monro and Ian Rankin, were also trustees of the Murrayfield Centenary Fund during the year. Scottish Rugby Union plc does not charge the charity for any administrative or other support that it provides and made no donation to it in the current year or previous period.

During the course of the year, £16k (2014 - £9k) of ad hoc grounds and facility services were purchased from WH&R Barr, a firm whose managing partner, Ian Barr, is a director of Scottish Rugby Union plc. At the year end £nil (2014 - £2k) was outstanding.

Fergus Neil, a director of Scottish Rugby Union plc acts as a referee performance reviewer for domestic, EPCR and Pro12 fixtures, on behalf of Scottish Rugby. The fee payable to Mr Neil for this service in the year was £1,125 (2014: £1,500).

21. Ultimate Parent Body

The Company is a wholly owned subsidiary of the Scottish Rugby Union which is the Company's controlling body. The Company is therefore exempt from the further disclosure requirements of FRS 8 as regards the disclosure of intra group transactions. A copy of the consolidated financial statements of the Scottish Rugby Union can be obtained by writing to the Secretary, Scottish Rugby Union, Murrayfield, Edinburgh, EH12 5PJ.