



Tom Prydie (centre) is the youngest man capped by Wales



**Taking Wales to the world
with our rugby**

**Welcoming the world to
Wales in our stadium**

Defining Wales as a nation

**Leading Welsh rugby to the
forefront of the global game in
performance and reputation**

**Developing grass roots rugby,
increasing participation,
supporting clubs and bringing
communities together**

**Promoting the Millennium
Stadium as a unique, must play,
must visit venue**



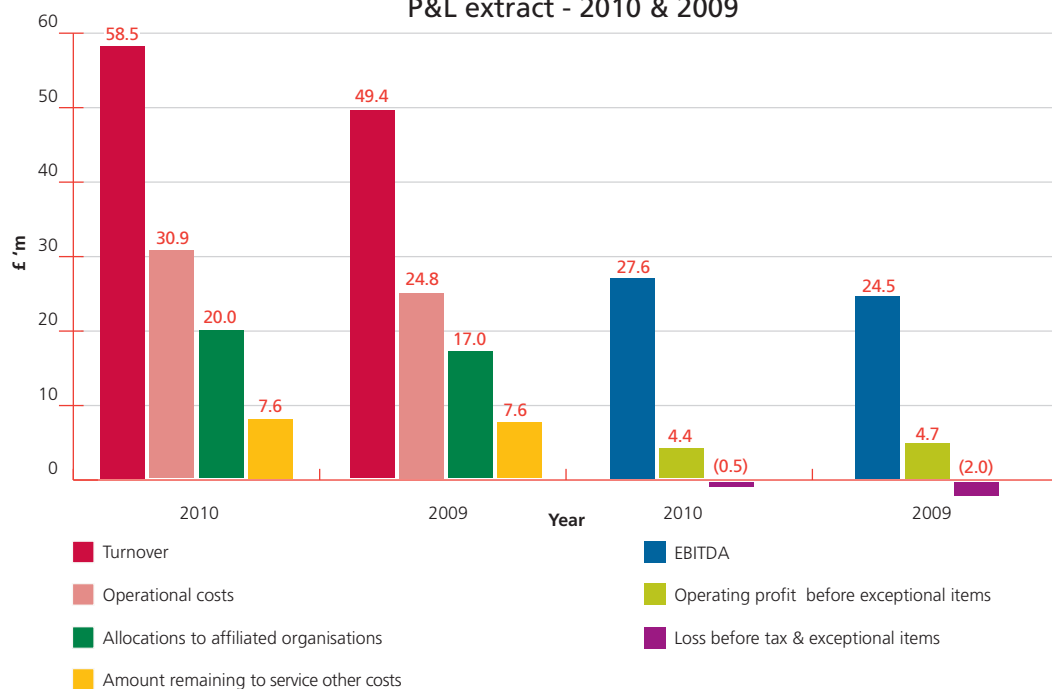
Contents

Financial highlights	02
Neges y llywydd / President's message	04
Chairman's statement	06
Group Chief Executive's summary	08
Operating and financial review	
Financial review	14
Elite rugby	20
Community rugby	36
Stadium	42
Key performance indicators and business risks	50
Directors' report	51
Consolidated profit and loss account	54
Consolidated statement of total recognised gains and losses	54
Balance sheets	55
Consolidated cash flow statement	56
Notes to the financial statements	57
Independent auditors' report	79
Welsh Rugby Union governance	80
Registered office and advisers	84
Obituaries	86
Commercial partners	88

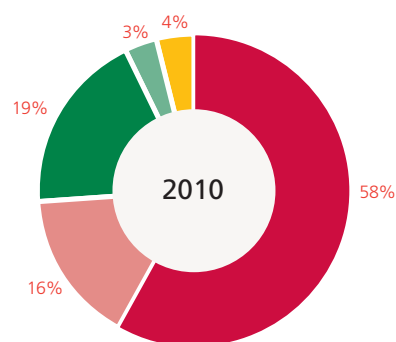


Financial highlights

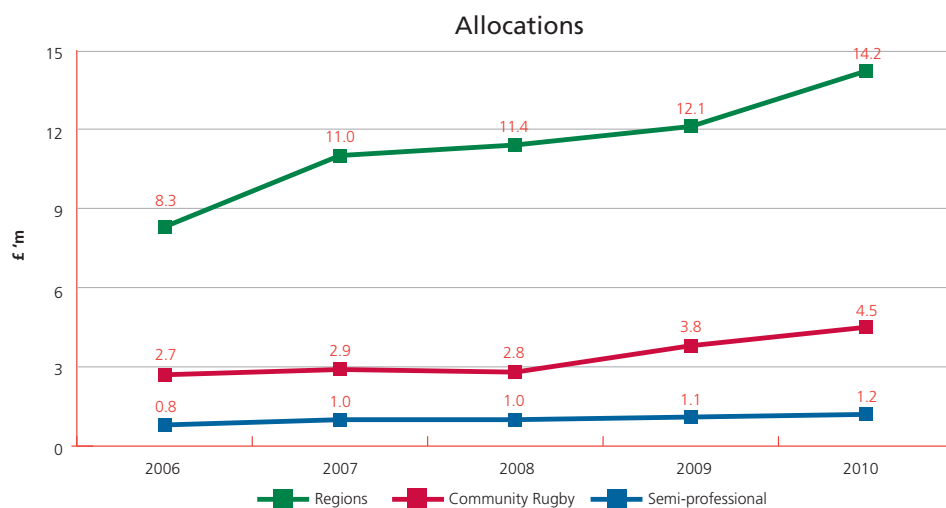
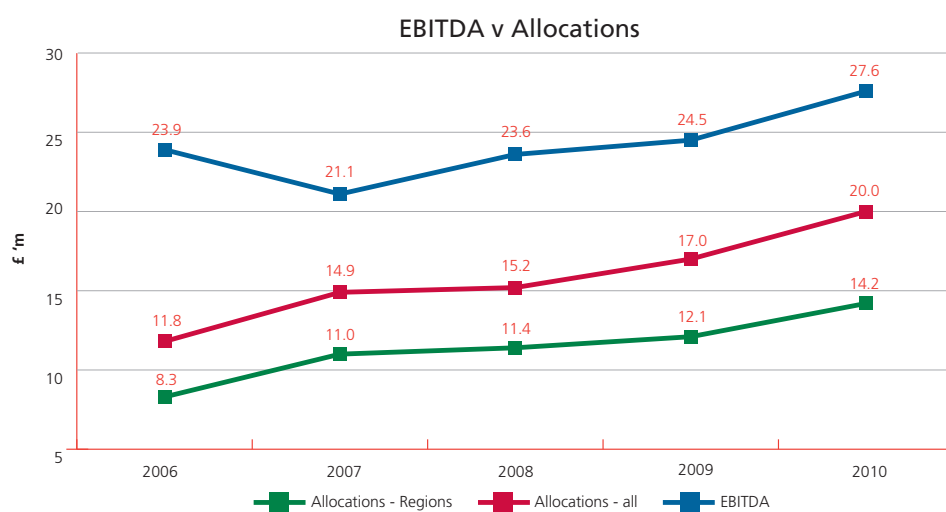
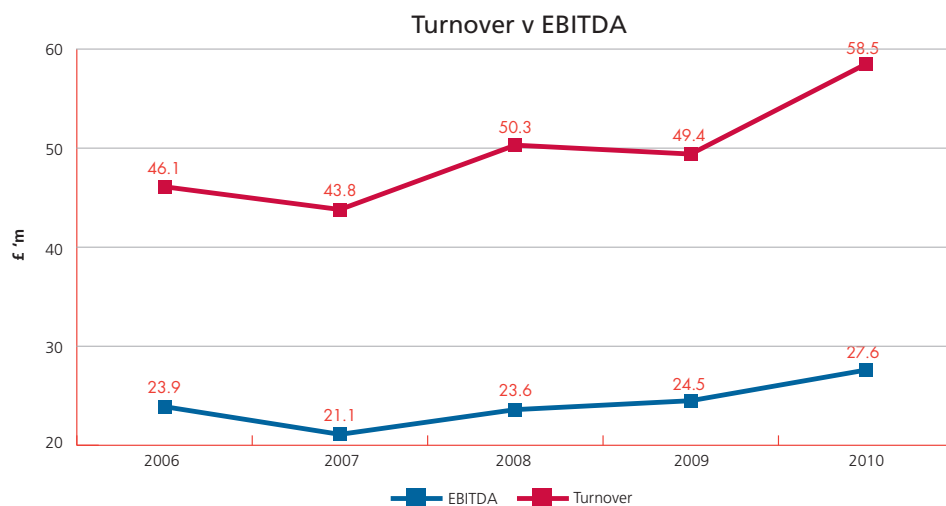
P&L extract - 2010 & 2009



Analysis of turnover



EBITDA = Earnings before interest, depreciation, allocations and exceptional items





Neges y Llywydd

Drwy gydol y flwyddyn roeddwn wrth fy modd unwaith eto i dystio i'r cadernid a'r angerdd a fydd yn sicrhau bod ein gêm genedlaethol yn llewyrchus ac yn ffynnu yn y blynyddoedd i ddod.

Mae'r grym angerddol hwnnw wedi'i wreiddio yn ein gêm gymunedol a dyna sy'n cynhyrchu'r doniau crai i Warren Gatland a'i dîm weithio arnynt ar y lefel uchaf.

Roedd yn hyfryd gweld Undeb Rygbi Ardaloedd Cymru yn dechrau'r broses o gymhathu i mewn i URC sy'n gam pwysig tuag at atgyfnerthu un gêm, un undeb ac un teulu o glybiau.

Gwahoddodd llawer o'r clybiau hynny fi unwaith eto i fynychu gemau, dathliadau a digwyddiadau a gyfoethogodd y cyfeillgarwch rwy'n ei drysori o fewn y gêm ar draws Cymru.

Pryd bynnag yr ymwelaf â'r clybiau gwerinol hyn fe'm hatgoffir yn wastad o'u pwysigrwydd, nid yn unig i gêm rygbi'r undeb, ond i'r cymunedau y maent yn rhan mor annatod ohonynt. Mae'u llwyddiant yn dibynnu'n helaeth ar waith caled a dygn llawer o wirfoddolwyr sy'n rhoi cymaint o amser ac egni i glybiau rygbi Cymru. Nhw yw'r arwyr di-sôn-amdanynt.

Mae URC, fel y corff llywodraethol, yn mawrygu'r ymdrech arbennig hon ac rwy'n gwybod bod Bwrdd Undeb Rygbi Cymru a'r bwrdd gweithredol wedi ymrwymo i alluogi'r esblygiad hwn i ffynnu. Gwneir llawer o waith o fewn URC i adnabod a sefydlu'r sianeli cymorth fydd yn caniatáu i hyn ddigwydd.

Ces bleser arbennig wrth nodi'r fenter grantiau a olygai bartneriaeth rhwng URC ac Ymddiriedolaeth Elusennol Stadiwm y Mileniwm i drosglwyddo gwerth £500,000 o gyllid i ryw 36 o glybiau rygbi drwy gyfrwng Cynllun Grantiau Cyfleusterau Undeb Rygbi Cymru. Trosglwyddir arian hanfodol i sicrhau bod ein clybiau'n ystyriol o deuluoedd ac yn gwahodd newydd-ddyfodiaid a'r cefnogwyr teyrngar. Drwy gyfrwng y fenter hon o ariannu gemau chwistrellwyd cyfanswm o £miliwn i mewn i rygbi cymunedol. Rydym ni gyd yn gwybod pa mor bwysig yw parhau i ddatblygu ac atgyfnerthu'n clybiau fel y gall rygbi ddal ei thir fel gêm genedlaethol y Cymry. Rwy'n edrych ymlaen at gynlluniau mwy blaengar a fydd yn gymorth i wireddu hyn.

Bu URC yn gyfrifol am fenter bellach pan gyhoeddwyd y Cynllun Pwyntiau Cyfranogi a chwistrellodd £miliwn i mewn i'r clybiau ar ffurf offer yr oedd angen dybryd amdanynt. Rwy'n edmygu gweithredu o'r fath ac yn fwy

na balch fod pwysigrwydd aruthrol y gêm gymunedol yn cael ei gwir gydnabod mewn gweithredoedd ac nid mewn geiriau yn unig. Fe wyddom ni gyd fod angen llawer mwy arnom a bod galw am ddiwallu'r angen hwnnw nawr ond rwy'n hyderus fod y URC yn llwybro yn y cyfeiriad iawn drwy'r amserau economaidd anodd a thra heriol hyn.

Roedd yn flwyddyn trysori'r eiliadau hynny pan roddwyd i mi'r anrhydedd o gyflwyno'u capiau cyntaf i rai o'n talentau addawol newydd ymhlith ein chwaraewyr rhyngwladol. Cododd pob un ohonynt o lwybr a'i gychwyniadau yng nghalon rygbi Cymru yng ngogledd, de, dwyrain a gorllewin ein cenedl.

Maent i gyd yn wŷr ifainc arbennig ond fe grybwyllaf Tavis Knoyle, gŵr ifanc hawddgar a phenderfynol a oedd flwyddyn yn unig cyn ei gêm ryngwladol gyntaf yn Seland Newydd yn dal wedi'i gofrestru'n ddeuol gyda'i glwb a chyda Glyn-nedd. Dyna brawf digamsyniol o gryfder ein gêm gymunedol, a bydded iddi barhau i dyfu a mynd o nerth i nerth. Rwy'n gwbl hyderus fod dyfodol disglair o'n blaenau.

Fodd bynnag, ni allaf feddwl am rygbi Cymru heb feddwl am waith Ymddiriedolaeth Elusennol Rygbi Cymru ac rwy'n diolch yn ddiwyll i'r sefydliad hwnnw am yr holl waith da mae'n dal i'w wneud er mwyn ceisio gwneud bywydau cyn-chwaraewyr sydd wedi dioddef anafiadau difrifol ychydig yn fwy dioddefadwy. Mae cwrdd â'r chwaraewyr hynny wastad yn ysbrydoledig; mae'u hysbryd a'u hymlyniad parhaus i'r gêm odidog hon yn peri gwyleidd-dra.

Hefyd, fel Llywydd, rwy'n llwyr ymwybodol o'r ymrwymiad ac o'r gwaith anhygoel o galed mae aelodau Bwrdd URC yn ei gyflawni fel gwirfoddolwyr.

Ac, wrth gwrs, rwyf eisiau diolch i bawb sydd ynghlwm wrth ein gêm genedlaethol am helpu i gyfoethogi'n bywydau, ein cenedl a'n gobeithion i'r dyfodol.

Dennis Gethin
Llywydd
Undeb Rygbi Cymru



President's message



Dennis Gethin, President



Rhys Gill gets his cap

Throughout the period I was delighted to again witness the strength and passion which will ensure that our national sport thrives and prospers in the years ahead.

That life force is rooted in our community game and it is what delivers the raw talent for Warren Gatland and his team to work with at the highest level.

It was particularly pleasing to see the Welsh Districts Rugby Union begin a process of absorption into the WRU which is a major step towards consolidating one game, one union and one family of clubs.

Many of those clubs again invited me to attend matches, functions and events which enriched the friendships I cherish within the game across Wales.

Whenever I visit these grassroots clubs I am constantly reminded of how important they are, not only to the game of rugby union, but to the communities of which they are such an integral part. Their success relies heavily upon the sheer hard work of the many volunteers who give so much time and energy to the rugby clubs of Wales. They are the unsung heroes.

The WRU, as the governing body, embraces this wonderful effort and I know the Board and the Executive are committed to enabling this evolution to flourish. Much work is being done within the WRU to identify and establish the channels of aid which will allow this to happen.

I took particular joy in noting the grant initiative involving a partnership of the WRU and the Millennium Stadium Charitable Trust to deliver £500,000 worth of funding to some 36 rugby clubs through the Welsh Rugby Union Facilities Grants Scheme. Vital money is delivered to ensure our clubs are family-friendly and inviting to newcomers and established fans. Through this match funding initiative more than £1.0m was pumped into grassroots rugby. We are all aware how important it is to continue developing and

strengthening our clubs so that rugby can remain the national sport of Wales. I look forward to more enterprising schemes to help achieve this.

A further initiative was delivered directly by the WRU with the announcement of the Participation Points Scheme which injected £1million into the clubs in the form of much needed equipment. I applaud such actions and take comfort that the colossal importance of the community game is truly being recognised with actions and not just words. We all know we need more and we need it now but I am confident that the WRU is heading in the right direction through these difficult and challenging economic times.

It was a period in which I treasured those moments when I came to present their first caps to some of our talented new crop of international players. Each of them emerged from a pathway which began at the heart of Welsh rugby in the north, south, east and west of our nation.

They are all outstanding young men, but I will mention Tavis Knoyle, a delightful and determined young man who just a year before his international debut in New Zealand was still dual registered as a player with Glynneath. That is surely proof of the strength of our community game, and long may it continue to grow in stature. I have every confidence that we have a bright future ahead.

However, I can never reflect on Welsh rugby without thinking of the work of the Welsh Rugby Charitable Trust and I sincerely thank that organisation for all the good work it continues to do to help try to make the lives of former players who have suffered catastrophic injuries a little more bearable. Meeting those players always proves to be truly inspirational; their spirit and their continued devotion to this wonderful game of ours is humbling.

Also, as President, I am fully aware of the incredible hard work and dedication that the members of the Board carry out in their voluntary capacity.

And, of course, I want to thank everyone involved in our national sport for helping to enrich our lives, our nation and our hopes for the future.

Dennis Gethin
President
Welsh Rugby Union



Chairman's statement



David Pickering, Chairman

I am now in my eighth year as Chairman of the Welsh Rugby Union and the one thing I can say about almost every single day over that time is that we have not stood still for a second. As it is, I can confidently say that I am Chairman of a vibrant, competitive company that has strong values, good business acumen and is making its mark on the world scene.

Since we all moved into the new Millennium we have possibly seen as many changes to the fabric of our game as we had in the previous 100 years. We have moved from nine clubs to four highly successful Regions at the top of our game. We have re-shaped the semi-professional level by bringing in innovative tournaments to add to the commercial viability and competitiveness and we have become world leaders in the provision of the best facilities for our national teams.

The Board and the Executive, now manage a business with a turnover of over £58.0m. Both the Board and our Group Chief Executive, Roger Lewis, have steered the WRU on a steady upward course that has not only seen our business grow, but also our influence and credibility within Wales. I also want to thank our dedicated Executive for their role in this progression.

The deal we struck in late June, 2010, with Barclays that reduced our term debt to a record low of £25.0m was just one example of how well we are managing our business in even the toughest of times.

When you consider that the new Wembley Stadium cost £700m+, and the new Aviva Stadium was around £400m, the progress we have made in the past decade in reducing our borrowings is remarkable and testament to the way in which Roger Lewis and his executive team are handling our affairs. Strong leadership takes you forward and I certainly believe the WRU is moving in the right direction.

The global recession has made many businesses contract dramatically, yet the Group has been able to expand into North Wales, maintain and enhance our financial commitments to the game at large and plan ahead confidently.

At international and professional level our product is strong and we are as competitive as ever. The Ospreys won the Magners League Grand Final in Dublin and Cardiff Blues took the Amlin Challenge Cup crown in Marseille with two gritty performances. That success showed just how far our Regions have come since they were born in 2003.



Speaking to former Internationals

It is great to see so many home grown products, developed through the Academies of the WRU, looking so comfortable on the biggest stages. The likes of James Hook, Jamie Roberts, Alun Wyn Jones, Leigh Halfpenny, Dan Biggar, Sam Warburton and Tom Prydie have all been given their chance to shine in the international arena at a very young age and each and every one of them has either developed into, or is developing into, a world class prospect.

We need to keep our best players in Wales and we need a stable and highly competitive local marketplace to ensure there is an unbroken conveyor belt of talent available to Warren Gatland and his coaching team. The national side had a tough year, and currently stand ninth in the IRB World Rankings, but with a Rugby World Cup to prepare for in October 2011, I firmly believe Warren will be able to take a team capable of making a major impact. Remember we have achieved two Grand Slams in four years and our 7s team are currently world champions.

The Heineken Cup Final is returning to Wales for a sixth time in 2011, another major coup for the Millennium Stadium, and the expansion of the Magners League to 12 teams, through the introduction of the two Italian franchises, Benetton Treviso and Aironi Rugby, will also be another big step forward on and off the field.

As Chairman of the Six Nations Committee I am delighted to see the Italian game being given the chance to grow and I was delighted that we were able over the past period to dramatically increase the return on the broadcasting



David Pickering at Ray Gravell media room opening with Mari, Manon and Gwenan Gravell

rights for the championship in that country. The game will grow in Italy and we will all feel the benefit.

Wales still has an influence at the biggest decision making tables in the game and we are always looking for ways and means to improve not only our lot, but also that of every other nation in the world of rugby. The cross-border competition, the British & Irish Cup, we helped create is a classic local example of that ethos.

The community game remains the cornerstone of our national sport and I am delighted that our funding in this area has increased in the period.

The wider economic downturn has had an affect on everyone in sport, but the Group and its constituent parts have been able to stand tall and proud.

Leadership for me is about making strategic decisions which are aimed at, where possible, making life easier for the people who have elected you.

As Chairman I would like to thank our President, Dennis Gethin, and my vice-chairman, Ken Hewitt, for their help

and support throughout the period. A vote of sincere thanks also goes to the Board of Directors, Roger Lewis, our Group Chief Executive, for his hard work and support and the chairmen of the sub-committees, Martin Davies in Finance, Mal Beynon of Regulatory and Alan Jones of Game Policy.

In the year ahead we will all need to push even harder as we support our national team in their RWC challenge. Wales always do well as a nation when we embrace unity and work together.

David Pickering

Chairman
The Welsh Rugby Union Limited



Group Chief Executive's summary



Roger Lewis



Official opening of the WRU National Centre of Excellence

Introduction

This is my fourth report to the members of the Welsh Rugby Union and since 2006, we have asserted that the creation of long term sustainability for all of our activities, both on and off the field, based upon sound financial management, must be our over arching strategy for both the Welsh Rugby Union and the Millennium Stadium. This has inevitably meant that we have had to make, on occasion, some difficult decisions.

However, I am pleased to report that following the outstanding results of 2008 and 2009 we have produced another record set of financial results this period. This is particularly encouraging given the very challenging and uncertain economic environment in which we all live and work.

The rolling five year financial and strategic plan, to which we now operate, is robust and is being managed with the right systems and structures in place, delivered by the right staff with the appropriate skills. This means that we are

capable of maintaining and enhancing our position and thereby creating long term sustainability for the Welsh Rugby Union Group.

I thank everyone at the Welsh Rugby Union and the Millennium Stadium for producing such another positive business performance. We are fortunate to have such an outstanding group of skilful, passionate and dedicated people working together to achieve such results.

Once more though, the challenges ahead of us all will be considerable and they must not be underestimated. There will be even more difficult decisions to make in the years to come. That said we can again look back over the past thirteen months and continue to draw confidence for the future.

Highlights

Over the course of the coming pages we review in great detail our financial and operational performances, including Elite Rugby, Community Rugby and our Millennium Stadium.



Winning a Friends Of The Forces Award

Below are the highlights for the 13 month period ended 30 June 2010;

In Financial and Commercial we:

- Delivered a record turnover of £58.5m, up 18% on last year;
- Allocated a record £20.0m to our affiliated organisations; an increase of 18% on last year;
- Increased our funding in the community game to a record £4.5m up 18% on last year;
- Renegotiated, positively once more, our arrangements with Barclays Bank plc;
- Reduced our net bank debt, before transacting in derivative instruments, by £3.0m to a record low of £26.7m;
- Established a clear pathway to be debt free by as early as 2021;
- Acquired the lease on the former Yates building, now named the Cardiff Arms, as part of our Westgate Plaza land development strategy which continued to evolve; and
- Negotiated and renegotiated key contracts and developed new relationships which include our broadcasters, BBC Network, BBC Wales and S4C; our jersey manufacturer, Under Armour; a new future jersey sponsor for the Wales national team, Admiral; the Principality Building Society, Seat, Cadburys and Wolfbliss.

In Community Rugby we:

- Announced the Community Rugby Participation Points Scheme which rewarded clubs who increased participation levels, with an additional £1.0m to be spent on equipment and facilities;
- Aligned our community strategies with the Welsh Assembly Government to secure £1.0m for Parc Eirias, central to delivering our North Wales rugby strategy which has been significantly enhanced in this period;
- Worked alongside the Millennium Stadium Charitable Trust to award £0.5m to 36 grass roots rugby clubs across Wales and added a further £0.5m in match funding from the WRU Facility Grants Scheme to a total of £1.0m, to improve facilities;
- Increased participation levels within the 7-10 age range (up 10% on the prior year), increased the number of youth teams registered (now 171, from 132 six years ago) and also rugby club coaches (up 3% on the prior year);
- Welcomed the Welsh Districts Rugby Union in to the WRU; and
- Reshaped the SWALEC Cup to maximise the involvement of junior clubs and showcase the finalists at our Millennium Stadium.

In Elite Rugby we:

- Signed a new Participation agreement with our four Regions which will reward them with £30m over the next 5 years for delivering a range of rugby protocols centred upon nurturing, developing and retaining Welsh players;
- Witnessed the Cardiff Blues bring home to Wales from Marseille our first European silverware and the Ospreys win the Magners League in the inaugural play off final against Leinster in Dublin;
- Agreed a new calendar of home international fixtures and planned the next nine years of international tours with the IRB up to and including 2019;
- Introduced a new summer home international fixture to our match calendar;
- Opened the world class Welsh Rugby Union National Centre of Excellence ("WRUNCE") for all of our



Group Chief Executive's summary

(continued)



WRU AGM 2009

international squad training needs supported by the Sports Council of Wales and the Vale Resort;

- Launched the WRU National Academy based at the WRUNCE; and
- Supported the introduction of Italian clubs into the Magners League in 2010/11 and play-offs at the end of the season.

In our Millennium Stadium we:

- Welcomed 1m paying visitors to enjoy a range of rugby, music, tours and other sporting and varied events;
- Presented live in concert U2, Oasis, Take That and Paul McCartney, in front of a total of 300,000 fans. The U2 concert attracted Wales' largest ever attendance at a music event;
- Received two British Legion Friends of the Forces Awards; and
- Invested more in the fabric and infrastructure of the Millennium Stadium than at any other time in its ten year history.

Our purpose, vision, mission and values remain constant.

The purpose of the WRU

The purpose of the WRU is to promote, foster, encourage, control and improve rugby football in Wales

The Group's vision

The Group's vision is three fold:

- Taking Wales to the world with our rugby
- Welcoming the world to Wales in our Stadium
- Defining Wales as a nation

The Group's mission

The Group's mission is based upon:

- Leading Welsh rugby to the forefront of the global game in performance and reputation
- Maximising participation and performance at all levels
- Developing grass roots rugby, supporting clubs, schools and colleges and bringing communities together
- Promoting the Millennium Stadium as a unique, must play, must visit venue.

Our Values

Our purpose, vision and mission are underpinned by values and beliefs which embrace integrity, excellence, success, courage, family and humour.

Outlook

Last year we forecast that, "the future promises to be very positive for the Welsh Rugby Union" – this continues to be the case for the year ahead.

Again I urge caution, whilst always encouraging us to continue to seize the moment when it arises.

The next twelve months will once more be challenging due to the uncertain financial environment in which we all live.

Our rolling five-year financial plan, as I mentioned last year and the year before, has identified the issues surrounding the cyclical and sometimes unpredictable nature of our business. This is supported by the rolling five year strategic plan launched last year, which recognises the business risks and opportunities which need to be managed. The plan contains specific objectives, actions, responsibilities and timelines for all aspects of our activities agreed by the Board of the Welsh Rugby Union.

We have developed a very clear strategy to take us forward. Once more, there are a number of major initiatives which we will continue to develop and which we have enhanced once more over the past period.

Our Five Year Strategic Plan objectives include:

- Improving our community rugby facilities and equipment and supporting the volunteers who are vital to the game;
- Maximising participation and fulfilling potential at all levels in the game based upon recruitment and retention;





Group Chief Executive's summary (continued)



Roger Lewis with Gareth Edwards

- Improving the health and well being of our communities in partnership with our rugby;
- Providing the right competitive environment for community rugby at all levels;
- Creating a new strategy for rugby with schools and colleges which has proved to be elusive;
- Developing further the North Wales Strategic Plan;
- Identifying and maximising the funding for the community game from public, private and charitable sources;
- Ensuring all of the above points are measured against past and present achievements and targets are set for the future;
- Delivering world class facilities, systems and practices to support the elite rugby performance pathways including our new National Academy, the possible return of a Wales "A" team and a new Sports Medicine strategy;
- Developing world class players, coaches and officials – the latter priority must be raised this year;
- Supporting further a national team of players, coaches and support staff focussed upon winning;
- Continuing the development of the womens' game

and understanding the opportunity that Olympic 7's rugby will provide;

- Ensuring the long term financial and physical sustainability of the Millennium Stadium and its digital technology facilities;
- Enhancing our sponsorship and inventory strategy and launch our new jersey sponsor, Admiral;
- Expanding the reach of the WRU and MS brands, particularly through new media;
- Increasing revenue opportunities through our licensing, broadcast and online platforms;
- Developing our strategy for the land to the east of the stadium and consider other opportunities;
- Consider launching a new debenture scheme; and
- Recruiting and retaining the right individuals with the right values and skills.

Conclusion

In the first few months of this new financial year we have already achieved a lot. The Millennium Stadium has secured the return of Rugby League and another Heineken European Rugby Cup Final in 2011.

We also look forward to welcoming England play Wales in international football next year which will fill the Millennium Stadium for the FAW.

Furthermore we are now planning for the 2012 Olympic Games when we host a significant programme of Olympic soccer in the Stadium.

Our international team of players, so ably led by Warren Gatland and his outstanding coaching, conditioning and management staff may not have delivered all the results that they and we have wanted, but the style of rugby produced has been recognised around the world by fans and media alike as truly compelling and engaging. This must never be underestimated.

Womens' rugby in Wales is being developed by the remarkable endeavours of a committed group of players, coaches and managers who ensure that rugby is the national sport of Wales for all.

The next twelve months, as we head towards the 2011 Rugby World Cup in New Zealand, is going to be one of the most demanding international schedules in our 130 year history.



Roger Lewis and Warren Gatland in New Zealand

Our 2010 Autumn Test Series welcomes the best to Wales, with test matches against Australia, South Africa, Fiji and New Zealand. The 2011 RBS 6 Nations tournament, when we welcome England and Ireland to the Millennium Stadium, is eagerly awaited. We have also organised a tough schedule of 4 Rugby World Cup warm up games for next summer which includes a celebration of 130 years of the Welsh Rugby Union.

We have worked hard over recent months to ensure our national team, a proposed new "A" team, the U20's, U18's, U16's and 7's are strategically linked in their coaching and management.

This development is particularly exciting and we will be announcing more about this over the coming months.

The success of the WRU and the Millennium Stadium over the past twelve months has been delivered by many people: staff, players, former players, coaches, Regions, clubs, officials, volunteers, directors, sponsors, business partners, media and in particular the fans of the game.

It has been another period of outstanding business performance which benefits rugby at all levels and we should celebrate this as we look carefully to the future, taking nothing and no one for granted.

There are challenges ahead, not least of all for our communities across Wales at the grass roots of Welsh rugby, and we must be mindful of this. This year we must all keep close, share our concerns and address our problems together in a timely fashion. I am confident that we have the resources to carry us forward so long as they are wisely utilised ensuring that participation and enjoyment of the game is central to our decision making.

I personally thank the Executive Board for their continued endeavour and hard work. I sincerely thank David Goldstone, our Special Advisor on Estates for his wise counsel and his time generously given. We all deeply miss Mike Jefferies who so tragically passed away last year and so welcome Rhodri Lewis as our new Head of Legal Affairs along with Craig Maxwell as our new Commercial and Sponsorship Manager.

I once more thank the Board for their help and guidance and, in particular, I thank David Pickering, our Chairman, for his constant support of myself and the Executive team.

We all agree that rugby defines us as a nation, and unites us as a nation and as we enter our 130th year, I sincerely hope that the Welsh Rugby Union and all of its members, continues to be united around the goal of placing Wales at the forefront of world rugby, with passion, with pride and with dignity.

Diolch yn fawr iawn,

Roger Lewis

Group Chief Executive Officer
The Welsh Rugby Union Limited



Operating and financial review

Financial review



Steve Phillips, Group Finance Director

Group activities

The Welsh Rugby Union Limited's ("Company") principal activity is to promote, foster, encourage, control and improve the game of rugby football throughout Wales. The Company wholly owns the Millennium Stadium plc ("MS") and the WRU National Centre of Excellence Limited ("WRUNCE") and collectively they are referred to as the Group.

Dynamics of the business

The activities, both operational and financial, of the Company and MS are so intrinsically linked that there is little merit in assessing the performance of one without the other. Whilst they are two separate legal entities and are obliged to prepare separate financial statements, it is the Group's performance that is the only meaningful measure.

The Group must deliver on its commercial activities to allow re-investment in both elite and community rugby and to support financial allocations to affiliated organisations.

Accordingly, the Group's income generation is paramount to delivering on its stated objectives. The key economic income driver of the Group's business is the hosting of events at the Millennium Stadium; particularly, the hosting of international rugby events featuring the Welsh team and especially a winning Welsh team. The more matches that are played, the greater the Group's revenues and profits that are available for re-investment in Welsh rugby. The Group welcomed 531,000 (2009: 428,000) rugby spectators through its turnstiles for the Invesco Perpetual Autumn Series, the RBS 6 Nations Championship and the Principality Summer Test, analysed as follows:

	2010 No. of home matches	2010 '000	2009 No. of home matches	2009 '000
Autumn series	4	255	4	279
Six Nations	3	216	2	149
Summer test	1	60	-	-
	8	531	6	428

The average attendance per match was 66,000 (2009: 71,000) and equated to an average of 89% (2009: 96%) when expressed as a measure of capacity attendance.

The primary reasons that the overall attendance has increased in 2010 was due to:

- playing three Six Nations matches as compared to the two in 2009;
- the introduction of summer test rugby with the match against South Africa in June 2010; and
- a small reduction in the Autumn Series due to playing Argentina in the period ended June 2010 ("PE10") as opposed to South Africa in the year ended May 2009 ("YE09").

The average ticket income per attendee at matches held at the Millennium Stadium was £40 (2009: £39).

Commercial income, including sponsorship income, club & box seat income, programme income, stadium tours and hospitality income are also critical to the financial performance of the Group.

Within reason, our operational cost base is relatively fixed; albeit there are incremental costs if more Group controlled events are staged. As a consequence, incremental events should mean incremental profits which can be reinvested into the game across all levels.

Changes in the period to 30 June 2010

In respect of the financial performance of the Group for the thirteen month period, it is important to note the following when reviewing the PE10 and YE09:

- the current period is thirteen months in duration so much of the data, particularly costs, will be more than YE09. The current year end date was extended by one month as it was felt that more rugby was being extended into the June period; and
- the adoption of FRS 26 which, expressed simply, obliges the Group to reflect the market value of financial instruments on the balance sheet and any movement between balance sheet dates is expensed/credited through the profit & loss account. This is a change of accounting policy to the Group and has resulted in prior year adjustments. The Directors believe this policy better reflects the Group's exposure to financial instruments which are in place to manage the interest risk of the Group.



Rob Howley takes training session at Cefn Cribwr

Financial Performance

Overview of Performance

The Group generates income from its international matches (including sponsorship and broadcast rights) and incremental revenue from the use of the stadium. This income meets the operating costs of the Group to allow the majority of the surplus to be "invested" in "Welsh Rugby", as follows:

	2010 £'m	2009 £'m
Group income	58.5	49.4
Business and administration	(6.7)	(5.6)
Direct costs	(12.9)	(9.5)
Stadium costs	(5.4)	(4.6)
Surplus	33.5	29.7

The Group earned some £58.5m (2009: £49.4m) predominantly from international rugby matches staged at the Millennium Stadium. These matches generated 58% (2009: 52%) of the Group's overall income.

Commercial income at £10.9m contributes 19% (2009: 22%) of the Group's overall income and has remained in line with the prior year.

Two other income streams, not generated from staging international rugby matches, arise from:

- Competition income which represents the income from competitions including the Heineken Cup, the Magners League and previously the EDF Energy Cup; and
- Other events which represent events staged at the Millennium Stadium apart from rugby matches featuring the National Squad - including, in the two

periods indicated above, pop concerts, motorsport, equestrian and football.

These two forms of income amount to some 19% (2009: 25%) of the Group's income.

The remaining income arises from ancillary activities and various grant sources. The increase in PE10 is due to a contribution from the British & Irish Lions of £1.7m.

The business and administration costs represent the costs of managing the Group; the direct costs represent the costs of staging both international rugby matches and other events held at the stadium; the stadium costs represent the costs of managing the stadium other than those directly attributable to events.

The surplus of £33.5m (2009: £29.7m) made by the Group which is invested in "Welsh Rugby" can be analysed as follows:

	2010 £'m	2009 £'m
Operational costs		
- Elite rugby	3.8	3.1
- Community rugby	2.1	2.0
	5.9	5.1
Allocations to affiliates		
- Regions (Professional)	14.2	12.1
- Clubs (Semi - professional)	1.3	1.1
- Community rugby	4.5	3.8
	20.0	17.0
Total investment in "Welsh Rugby"	25.9	22.1
The balance is analysed as follows:		
Surplus	33.5	29.7
Total investment in "Welsh Rugby"	(25.9)	(22.1)
	7.6	7.6
Deprecation (net of grants)	3.2	2.8
Exceptional items (see Note 4)	0.3	0.5
Interest costs	3.1	2.5
Fair value losses on derivative financial instruments	1.8	4.2
Tax	(0.1)	(0.4)
Transferred to/(from) reserves	(0.7)	(2.0)
	7.6	7.6

The allocations to the four Regions have continued to increase by 18% (2009: 7%) to £14.2m (including the



Operating and financial review

Financial review (continued)



Tom Prydie's first try for Wales

competition income referred to above). These allocations cover all international player release and provide core financial support for the four Regions and reflect the new Participation Agreement signed in September 2009.

The allocation to the Group's semi-professional league has increased by some 16% on the previous year. The allocations to the Group's community clubs have increased by 18% to £4.5m; this increase will include the cash-back scheme to clubs for the Principality Summer Test against South Africa, the £1.0m allocated to the participation points scheme offset by the one off Foundation for Sport and the Arts Grant in YE09.

On a pre-exceptional basis, the Group generated an operating profit of £4.4m (2009: £4.7m) from which net debt service of £3.1m (2009: £2.5m) is deducted, the fair value losses on derivative instruments were £1.8m (2009: £4.2m) resulting in a loss before exceptional items and tax of £0.5m (2009: £2.0m). As indicated above, the Group did incur exceptional items in PE10 of £0.3m (2009: £0.5m) resulting in a loss before tax of £0.8m (2009: £2.5m).

Revenues

Revenues are analysed as follows:

	2010 £'m	2009 £'m
Match income	34.2	25.7
Competition income	9.2	10.1
Commercial income	10.9	10.6
Other event income	2.0	2.3
Other income	2.2	0.7
	58.5	49.4

Match income increased by £8.5m predominantly due to improved broadcasting revenues, an additional home

match in the Six Nations and the Principality Summer Test against South Africa. Match income can be further analysed as follows:

	2010 £'m	2009 £'m
Autumn series	11.8	12.3
Six Nations	20.5	13.4
Summer test	1.9	-
	34.2	25.7

Competition income decreased by 8% to £9.2m mainly as a result of the cessation of the EDF Energy Cup.

Commercial income increased by 3% to £10.9m due to increases in the sponsorship programme, improved royalties and increased one off hospitality sales.

Other event income decreased by 10% to £2.0m; mainly due to the non-recurrence of matches from the knock out stages of the Heineken Cup that were held in the stadium in YE09.

Operational costs

As shown in Note 2(b), recognising that PE10 is a thirteen month period, the Group's operational costs have increased by some 24% to £30.9m. Whilst there are generally increases across all elements of operational costs the increases are predominantly due to the increase in direct costs of £3.3m and the increase in business and administration of £1.1m. This overall increase includes an increase in staff costs of 9% to £7.8m.

Business and administration costs have increased by 19% to £6.7m as a result of:

- the effect of a thirteen month period which amount to c.£0.5m;
- an increased investment in marketing initiatives and media facilities;
- increased expenditure to improve the Group's IT environment; and
- an increase in legal costs as a consequence of outsourcing.

Direct costs are costs incurred directly in relation to attaining revenues and will include all National Squad costs and third party costs incurred in delivering events at the Millennium Stadium. These costs have increased by £3.3m which is mainly as a result of:

- increased costs associated with staging two additional international matches at the Millennium Stadium;
- additional insurance costs due to increased incidence of player injury whilst on international duty; and
- the effect of a thirteen month period.

The costs in respect of elite rugby have increased by 22% to £3.8m and include managing the age-grade structures, player development, referee costs, centre of excellence and insurance which collectively amount to some 65% (2009: 65%) of the total with the balance of the 35% (2009: 35%) comprising staff costs, including the staff costs of the academy structures. The primary increases arise from increased investment in the WRUNCE, running additional programmes in North Wales, increased coaching staff for the National Academy and implementing systems to capture and monitor data.

The costs in respect of community rugby have increased by 3% from last year to £2.1m and include coach development, referee costs and insurance which amount to some 42% (2009: 47%) of the total with the balance of the 58% (2009: 53%) comprising staff costs, including the district development officers.

Stadium costs have increased by some £0.8m to £5.4m; much of this increase arose due an accelerated preventative maintenance programme.

As shown in Note 5, staff costs have increased by £0.7m, which is largely due to the inclusion of the additional month. These staff costs are included within the cost categories shown above.

Exceptional costs

On a net basis, excluding exceptional depreciation, there were no exceptional costs during PE10. The Group's definition of exceptional includes the identification of significant non-recurring items which enable the "normal" financial performance of the Group to be better understood. However, as shown in Note 4, there were further reorganisation costs offset by a rates rebate in respect of the Millennium Stadium. The analysis of these costs is as follows:

	2010 £'m	2009 £'m
Litigation issues	0.1	(0.6)
Rates rebate	(0.2)	-
Millennium Stadium Charitable Trust	-	0.5
Increased provision for doubtful debts & similar adjustments	(0.1)	0.6
Reorganisation costs	0.2	-
	-	0.5

EBITDA and net result

One of the key measures of the Group is the earnings before interest, tax, depreciation, exceptional items and allocation to affiliates ("EBITDA"). This is a key measure as it is the best proxy for cash generated from the Group's operational activities. This provides the cash to fund the Group's strategic objectives.

The Group's EBITDA was £27.6m (2009: £24.5m) which financed the Group's funding of Welsh rugby. The Group's pre-exceptional loss before tax was £0.5m (2009: £2.0m); after exceptional items, a loss before tax of £0.8m (2009: £2.5m). This can be analysed as follows:

	2010 £'m	2009 £'m
Company	25.8	21.2
WRUNCE	0.1	-
MS	1.7	3.3
Group EBITDA	27.6	24.5
Allocations to affiliated organisations	(20.0)	(17.0)
Exceptional items	(0.3)	(0.5)
Depreciation (net of grant release)	(3.2)	(2.8)
Operating profit	4.1	4.2
Net interest	(3.1)	(2.5)
Fair value losses on derivative financial instruments	(1.8)	(4.2)
Loss before tax	(0.8)	(2.5)
Tax	0.1	0.5
Loss after tax	(0.7)	(2.0)



Operating and financial review

Financial review (continued)

Adoption of FRS 26

As mentioned above, the Group has adopted FRS 26 during PE10; however, if the Group had not adopted FRS 26 during PE10 the results of the Group for PE10 and YE09 would have been as follows:

	2010 £'m	2009 £'m
Operating profit (as above)	4.1	4.2
Net interest	(3.1)	(2.5)
Closure of derivative financial instruments	(5.0)	-
(Loss)/profit before tax	(4.0)	1.7
Tax @ 28%	1.0	(0.7)
(Loss)/profit after tax	(3.0)	1.0

Taxation

The Group has been in discussions with HM Revenue & Customs ("HMRC"), regarding the eligibility of certain expenditure on the Millennium Stadium for the purposes of capital allowances. If HMRC's challenge should prove successful, this would have a detrimental effect on the Group's tax position. These discussions have been ongoing for a number of years and the Directors have taken the advice of independent leading counsel. On the basis of this advice, the Directors believe the Group has meritorious arguments relating to HMRC's challenges.

These discussions with HMRC are ongoing, and negotiations are unlikely to be concluded in the short term. Although the outcome of these negotiations could impact on the future tax position of the Group, the Directors do not believe that it is necessary to reflect any further provisions in the financial statements in excess of those tax provisions already included.

Pension Funds

As shown in Note 21, the Group has a deficit of £308,000 on the defined benefit pension scheme which it operates; replacing the deficit in the previous year of £155,000. This change, net of deferred taxation, was charged to the Group's statement of total recognised gains and losses.

This defined pension scheme has been closed to new members for some time and the scheme is now also closed to future accrual.



Indoors at the WRUNCE

Cashflow and Net Debt

The Group's net cash inflows from operating activities were as follows:

	2010 £'m	2009 £'m
EBITDA	27.6	24.5
Allocations to affiliated organisations	(20.0)	(17.0)
Exceptional items	-	(0.5)
Working capital movements	2.0	(1.2)
Net cash inflows from operating activities	9.6	5.8

From this amount in PE10, the Group paid net interest costs of £2.9m, spent £5.0m in terminating the derivative instruments, paid £0.4m to acquire new derivative instruments, paid £2.8m in respect of fixed assets, repaid a grant to Letheby and Christopher of £1.1m, received a grant from the Sports Council of Wales in respect of the WRUNCE of £0.5m leaving a net cash decrease of £3.2m.

The Group paid some £0.2m in respect of hire purchase capital repayments and repaid, on a net basis, some £0.8m of its bank borrowings. Prior to the period end date, the Group drew £1.5m from its revolving credit facility to cover the position given that the Regions defaulted on a loan repayment of a similar amount. This loan will be recovered post the period end date.

Net debt, which is defined as bank loans, debenture loans and hire purchase agreements less cash balances, as at 30 June 2010 was £79.8m (2009: £77.5m).

Net bank debt, which is bank loans less cash balances, was £42.1m (2009: £39.7m). Included within these amounts is some £10.0m which is repayable only in the event of certain defined events occurring.

In order to properly understand the net bank debt position and the cashflow performance of the Group, the following, excluding the £10.0m debt referred to above, is relevant:

	2010 £'m	2009 £'m
Loans		
Term loan	31.6	33.9
Revolving credit facility ("RCF")	1.5	-
	33.1	33.9
Cash	(1.0)	(4.2)
Net bank debt	32.1	29.7
Adjustments:		
• Draw on RCF due to Regions' non payment	(1.5)	-
• Payment on derivative instruments	(5.4)	-
Adjusted net bank debt	25.2	29.7

Of course, whilst the position would have been further improved at 31 May 2010, during PE10 as adjusted above, the Group reduced net bank debt by £4.5m. This reduction was then utilised to pay for derivative instruments to re-model the Group's financing arrangements to provide an improved position on a go forward basis.

As set out in Note 13, as at 30 June 2010, the Group had unutilised facilities of £8.5m (2009: £10.0m).

As part of the banking agreements the Group has to comply with bank covenants which require the Group to, inter alia, meet certain levels of cashflows and surpluses. This enforces normal business practices on the Group, but limits the extent to which the Group can invest, make allocations to affiliated organisations and access the facilities above.

These bank covenants are typical of those applying to commercial businesses. It is in the Group's best interests to comply with these covenants as a breach would be a default of the loan agreements.

The Group's financial management and controls are structured so that the Group comply with these covenants.



Staff at work

Refinancing – post period end date

As explained in Note 26, the Group refinanced its arrangements with Barclays Bank on 2 July 2010; at that date the net bank debt position was as follows:

	30 June 2010 £'m	2 July 2010 £'m
Loans		
Term loan	31.6	25.0
Revolving credit facility ("RCF")	1.5	8.0
	33.1	33.0
Cash	(1.0)	(0.9)
Net bank debt	32.1	32.1

Capital expenditure

During PE10, the Group invested in some £2.3m of capital expenditure; the main categories of investment were as follows:

	£'m
Centre of Excellence	0.7
Cardiff Arms	0.7
Pitch pallets & other stadium related expenditure	0.5
Other capital expenditure	0.4
	2.3

In addition, the Group was entitled to receive a grant of £0.2m from the Sports Council for Wales towards the Centre of Excellence indicated above.

The amounts indicated above in respect of capital expenditure and grants received differ from the amounts quoted in the cashflow section above due to the timing of the cash payment/receipt respectively.

Balance sheet and reserves

The decrease in the Group's net assets from £6.5m (as reported in YE09) to £3.1m arises primarily from the adoption of FRS 26 and the termination of the derivative instruments amounting to, post tax, £3.6m and secondary due to the defined benefit scheme.

The fixed assets of the Group reduced by some £2.9m, reflecting the lower level of capital expenditure in PE10 than the level of depreciation charged in the period.

Operating working capital fluctuates from year to year depending upon the timing of events arising immediately prior to the year end.



Operating and financial review

Elite rugby



Wales sample a World Cup venue in Wellington, New Zealand

Overview

The WRU National Centre of Excellence ("WRUNCE") was completed and officially opened at the Vale Resort. It has taken elite Welsh rugby onto a new level in terms of identifying and nurturing its talent base. The WRUNCE has become the new home of all elite rugby-facing activity with every international pathway team and the senior squad based there. The facilities are world class with three outdoor pitches including one all weather surface along with a running track and dedicated skills training zones. Two of the pitches are floodlit and one boasts an international standard surface and is exactly the same size as the Millennium Stadium pitch. The indoor area has a new 3G artificial pitch along with a gym, changing rooms and two separate administrative blocks to house the senior national squad backroom team and the rugby performance and development and rugby logistics departments. By establishing the WRUNCE, the Group has delivered on a promise to ensure the international pathway teams are completely aligned to a succession plan which ends at Warren Gatland's door with selection for the senior

national team. The creation of the WRUNCE was achieved through a financial partnership involving the Group, the Vale Resort and the Sports Council for Wales. The WRUNCE is also the focal point for elite coaching and match official development which now aligns with the rugby pathway structure. During the period Nigel Owens was appointed to the new position of National Academy Referee Coach and will train, advise and assess referees being developed within the system.

In another key development crucial to the growth and evolution of the elite game in Wales, on September 7th 2009 the Group and the four Regions signed a historic new Participation Agreement which delivers a 'roadmap' for the top level of Welsh rugby for the next five years. It contains a renewed and substantially enhanced financial package for each of the Regions while securing an alignment of elite playing aims and objectives between the Group and all four Regions. The agreement is now monitored through monthly management meetings to ensure its agreed objectives are successfully delivered by all parties. The extensive document engages the Group

and the Regions on agreement over specific aims related to priorities such as the numbers of Welsh qualified players in squads, international player release and player welfare. This close liaison heralds a new era of alignment between the Group and the four Regions with the aim of developing their status commercially and in terms of rugby playing success.

Across the period the senior Wales team maintained an intense style of play which achieved statistical positives in attack and defence while falling short of delivering the desired results. A fourth place in the RBS 6 Nations was regarded as a disappointment, but the playing style and close results boded well for the year ahead. The team scored a record four tries against South Africa in June 2010 and with the build-up to RWC 2011 in train, Wales blooded the youngest ever Welsh rugby international in the RBS 6 Nations tournament when Ospreys wing, Tom Prydie, played against Italy while aged 18 years and 25 days.

In June 2010 the Principality Summer Test against South Africa at the Millennium Stadium saw the introduction of international rugby in June and an early June fixture at the Millennium Stadium before any Wales summer tour will now become a staple of the international match schedule.

The Group made significant strides towards the development of the core building blocks of the elite game within the Premiership and in North Wales.

Six Premiership teams from Wales entered the new British and Irish Cup which adds a dynamic new competitive edge to rugby at this level.

With the new Participation Agreement in place the four Regions maintained a focus on the playing front which helped deliver Amlin Challenge Cup glory for the Blues and the Magners League title for the Ospreys. Although Heineken Cup success eluded the Welsh teams, all four are in the tournament again next season with the Dragons celebrating their highest Magners League finish during 2009/10.

During the period it was also announced that Italy will be formally joining the Magners League which will herald a significant expansion of the core league tournament involving all four Welsh Regions.

The evolution of the Principality Premiership took strides forward through the period with work nearing conclusion on a participation agreement between them and the Group. This will embrace the importance of the semi-



Mike Phillips

professional game in the elite pathway of Welsh rugby going forward.

A move which will add greatly to the sustainability of top quality rugby in Wales was made when the Group announced an important new initiative for North Wales. In December 2009 a programme to develop representative rugby in the north through an enhanced RGC 1404 structure was unveiled. It involved a joint venture with Rugby Canada which involves up to ten international standard Canadian players being attached to the RGC 1404 squad for part of each season. The idea is for their presence to diminish in number as a new Academy system in North Wales begins to deliver players capable of replacing them in the team. The RGC 1404 set-up has also embraced Parc Eirias in Colwyn Bay as their new headquarters and secured important support and investment from Conwy County Borough Council. The new initiative involves the development of an associated business plan to help establish a sustainable representative team in the north. To this end the North Wales based road maintenance company, Enterprise, signed up as jersey sponsor for the first season. Throughout its first season RGC 1404 proved it has the strength to achieve sustainability and the will to develop and grow as a driving force for the game in the north. The Group is indebted to the North Wales Rugby Council for its close support and engagement with the new Community Initiative Company set up to oversee the project.



Operating and financial review

Elite rugby (continued)



Clive Griffiths appointed RGC 1404 Head Coach

The Group places a strong emphasis on the value of Sevens rugby in the player pathway and Paul John was appointed as a full-time member of the National Academy staff in September 2009, concentrating on Sevens coaching and providing additional skills coaching within the Academy set-up.

As part of the Participation Agreement between the Group and the Regions, eight players were handed core Sevens contracts which made them available, for all eight IRB Sevens World Series tournaments.

A landmark announcement for rugby development was made from a conference in Copenhagen in October 2009 when Sevens rugby was accepted as an Olympic sport. This was warmly welcomed by the Group as a key factor in helping to develop Sevens as a world game. Here in Wales the step had a particular resonance as it was a move originally championed by the late Vernon Pugh, a former Chairman of the WRU who went on to chair the International Rugby Board.

The Rugby Performance and Development department, continued to enhance the operational delivery structure of the unit. The unification of the activity at the WRUNCE attracted attention from rugby governing bodies in other nations interested in replicating the facility and its philosophy.

Commercial

The commercial activity of the Group throughout the period was underpinned by excellent attendances at sporting and non-sporting events held at the Millennium Stadium. In the Invesco Perpetual Series in November 2009, some 255,000 supporters attended the four games. The RBS 6 Nations continued to attract sell-out crowds in Cardiff and in June 2010 more than 60,000 fans watched Wales play the world champions, South Africa in the Principality Summer Test.

Broadcast partners S4C and BBC have, as always, been key in supporting the reach of the brand domestically and internationally, applying a solid foundation for the Group to build an ever growing media window for commercial partners.

The wider economic conditions remain challenging and although the indications are that support for international rugby is robust, the Group is continuing to be proactive in seeking to attract as many supporters as possible to all home games. For instance, the marketing campaign associated with the Springbok fixture was one of the most coordinated and energised in recent history.

Maximus became a new partner with the Group in a contract which includes product supply.

The partnership between the Group and the Principality Building Society remained a cornerstone of the semi professional game in Wales as the Group continues to work with the Premiership clubs to drive forward the standard of semi-professional rugby in Wales both on and off the field.

There was also a renewal over four years of a partnership with the Cre8 publishing company which designs and produces the international match programmes and other material for the Group.

Throughout the period within the elite game there was significant growth and a strengthening of the relationship with Under Armour, the Group's US based kit supplier. This activity included project work to research, develop and test jerseys which will be worn by the squad selected by head coach Warren Gatland to represent Wales in the 2011 Rugby World Cup in New Zealand.

Although the economic environment remains a profound challenge, international ticket sales remain strong and the commercial activity of the Group has again contributed to a record turnover figure for the period.



Shane Williams on the move

Professional - International

The Group's commitment to giving the national side the chance to test themselves against the best teams in the world continued in a period that saw the Welsh side play 12 Tests. They faced New Zealand three times, South Africa, Australia and Argentina, as well as the traditional Six Nations rivals.

It began and ended against the All Blacks – and with two highly creditable performances. The scores were tied at 6-6 at half-time in the Millennium Stadium at the start of the Invesco Perpetual Series 2009 and had Alun Wyn Jones found an extra yard of pace when he intercepted inside his own 22 metre line, a victory might have been possible. In the end, the second row was understandably outpaced by New Zealand wing Zac Guildford, who crowned his debut by saving the day with some brilliant cover defence and the All Blacks were able to leave with a 19-12 win under their belts.

Fast forward to the end of the period, and the second of two Tests in New Zealand, and Ryan Jones' side gave their coach Warren Gatland plenty to feel proud of in his home town of Hamilton as they battled to end in a 29-10 defeat. Jamie Roberts crashed over for a try late in the game and a cruel bounce of the ball allowed Aaron Cruden to notch a second home score in the last move of the match to give the scoreline an uneven look.

In between those two games were hard fought victories over Samoa and Argentina in an Invesco Perpetual Series

that ended with a poor defeat against the Wallabies. The RBS 6 Nations started with a disappointing 30-17 defeat against England at Twickenham, but reached a thrilling peak in the second round with a last gasp victory at home against the Scots. In a never-to-be-forgotten final play, with the visitors reduced to 13 men, Wales received the kick-off, kicked deep downfield, regained possession and worked Shane Williams over at the posts for a score that earned them a 31-24 victory. For Williams it was yet another great try in a collection that currently stands at 53 for Wales and the British & Irish Lions and 51 for Wales, a record 19 of which have come in the RBS 6 Nations.

Tournament history was made against France when the first home Friday night fixture at the Millennium Stadium was played, but Wales gifted their visitors two interception tries and found themselves 20-0 adrift at half-time. Another brave fight back turned the game into another epic, but the French took another step en route to the Grand Slam by winning 26-20 in the end.

There was no joy in Dublin where the Irish ran in three tries in a 27-12 victory that turned on another yellow card for Wales, but there was good news on the final weekend of the championship. With Ospreys wing Tom Prydie creating history by becoming the youngest player to represent Wales at 18 years and 25 days – he overtook Norman Biggs, who had been 18 years and 50 days old on his debut in 1888 – there were three tries to savour in a 33-10 victory against Italy that gave Wales fourth place.



Operating and financial review

Elite rugby (continued)

RBS 6 NATIONS CHAMPIONSHIP 2010

	P	W	D	L	F	A	PD	TF	Pts
France	5	5	0	0	135	69	66	13	10
Ireland	5	3	0	2	106	95	11	11	6
England	5	2	1	2	88	76	12	6	5
Wales	5	2	0	3	113	117	-4	10	4
Scotland	5	1	1	3	83	100	-17	3	3
Italy	5	1	0	4	69	137	-68	5	2

Prior to the two-Test summer tour of New Zealand the Group arranged a special fixture against South Africa to celebrate the tenth anniversary of the Millennium Stadium. Having led 16-14 at half-time the 60,000 crowd was hoping that history might repeat itself a decade on from the opening game at the stadium, when Rob Howley's side beat the Springboks for the first time.

But John Smit's side showed why they were the reigning world and Tri-Nations champions by fighting back to clinch a 34-31 victory. The squad then headed down under, where they lost the first Test against the All Blacks 42-9 in the last game played at Dunedin's world renowned Carisbrook stadium before heading for Hamilton where the All Blacks won a hard fought encounter by 29 – 10.

INVESCO PERPETUAL SERIES 2009

Wales 12 - 19 New Zealand

Wales 17 - 13 Samoa

Wales 33 - 16 Argentina

Wales 12 - 33 Australia

RBS 6 NATIONS 2010

England 30 - 17 Wales

Wales 31 - 24 Scotland

Wales 20 - 26 France

Ireland 27 - 12 Wales

Wales 33 - 10 Italy

SUMMER TESTS 2010

Wales 31 - 34 South Africa

New Zealand 42 - 9 Wales

New Zealand 29 - 10 Wales

The Regions

Magners League

The Magners League introduced a Play-Off system for the first time and the Ospreys led the Welsh charge by finishing in second place in the regular league table to clinch a home semi-final clash with Glasgow Warriors.

A comprehensive 20-5 victory at the Liberty Stadium set up a return to Dublin for the inaugural Magners League Grand Final, where they had been beaten the previous month 20-16, for a re-match with Leinster.

The home side won the right to host the game at the RDS having topped the league and went into the inaugural Magners League Grand Final as firm favourites having deposed the 2009 champions Munster in the other semi-final.

Leinster had been unbeaten at home in the Magners League since September 2008, but the Ospreys were full value for their 17-12 victory and became the first team to win the title three times.

Cardiff Blues just missed out on a place in the final four, while Newport Gwent Dragons finished 10 points clear of the Scarlets to end as the third placed Welsh region in seventh place.

That left the Scarlets relying on Cardiff Blues to earn them a ticket into the Heineken Cup by winning the Amlin Challenge Cup final against Toulon in Marseille.

Play-Offs

Ospreys 20 - 5 Glasgow Warriors

Leinster 16 - 6 Munster

Grand Final

Leinster 12 - 17 Ospreys



Ospreys - Magners League Champions

LV= Cup

The Anglo-Welsh Cup had a new sponsor in the insurance company LV= and, for the first time in its five year history, it failed to have a cross-border final. Cardiff Blues were the best of the Welsh regions, reaching the semi-finals in their bid to retain the title they had won so emphatically against Gloucester at Twickenham the previous year.

A new format saw every team play four matches and the Blues were the only region to top their Pool, thus earning them a home semi-final clash with Gloucester. Revenge was sweet for the west countrymen as James Simpson-Daniel ran in for a hat-trick of tries in a 29-18 victory that earned them a ticket to a second successive final.

The final was played at the Sixways Stadium, Worcester, and Northampton Saints took the title with a 30-24 triumph.

Heineken Cup, Amlin Challenge Cup

The Ospreys reached the knock-out stages of the Heineken Cup for the third successive season as runners-up in their Pool, but that meant a trip to Spain to face Biarritz Olympique. In an explosive quarter-final the Welsh side eventually went down 29-28, punished by a hat-trick of drop goals from Damien Traille and an 80 metre breakaway try from American wing Takudzwa Ngwenya.

The Scarlets did the double over London Irish in their Pool,

and won four of their six games to finish second to Leinster, but the Dragons could manage only one victory and finished bottom of Pool 2.

The Blues, who had reached the semi-finals the previous season, managed four wins, but found themselves behind eventual champions Toulouse and had to settle for a place in the quarter-finals of the Amlin Challenge Cup.

Following a change in format, the four best second placed teams after the two that qualified for the Heineken Cup quarter-finals joined the four Amlin Challenge Cup Pool winners in the last eight of that tournament.

The Blues had to travel to the north-east to meet Newcastle Falcons in the quarter-finals, where they turned on the style to run in seven tries in a 55-20 victory. London Wasps were accounted for 18-15 in the semi-final at Adams Park to set-up a final shoot-out against Jonny Wilkinson's Toulon side in Marseille.

In front of a tournament record crowd of 48,990, the Blues staged a magnificent second half fight back to over-turn a 13-6 interval deficit and take the title 28-21. Welsh internationals Jamie Roberts, Bradley Davies and Leigh Halfpenny crossed for the tries that brought Wales its first European crown.

Wales U20

There were six wins and a draw in 10 Test outings for the



Operating and financial review

Elite rugby (continued)

MAGNERS LEAGUE 2009-2010

	P	W	D	L	PF	PA	TF	TA	BP	Pts
Leinster	18	13	0	5	359	295	27	29	3	55
Ospreys	18	11	1	6	384	298	37	26	6	52
Warriors	18	11	2	5	390	321	31	24	3	51
Munster	18	9	0	9	319	282	33	20	9	45
Blues	18	10	0	8	349	315	33	28	4	44
Edinburgh	18	8	0	10	385	391	40	40	9	41
Dragons	18	8	1	9	333	378	32	37	5	39
Ulster	18	7	1	10	357	370	39	35	6	36
Scarlets	18	5	0	13	361	382	35	35	9	29
Connacht	18	5	1	12	254	459	20	53	4	26



Cardiff Blues v Toulon

Wales U20 side over a season that saw them finish third in the Six Nations table and seventh in the IRB Junior World Championship in Argentina.

Wales launched their 2010 campaign with a James Loxton try at Kingsholm that gave them an 8-6 interval lead over England. But in the second half the home side ran in five tries to secure a 41-14 victory.

Dragons prop Dan Watchurst's side recovered their poise to beat Scotland 20-12 at the Arms Park and they returned to the same venue to beat the French 43-8 in a game that featured a hat-trick from Ospreys wing Kristian Phillips.

Glamorgan Wanderers full back Dan Fish was among the try scorers in the 24-17 defeat to the Irish in Athlone, where he crossed twice, and he scored again in the 30-22 home win over Italy that brought the championship to a close.

Aberavon outside half Matthew Jarvis kicked 17 points in Wales' 22-13 opening victory over Samoa in the IRB Junior World Championship. He followed that up with 14 points in the 31-3 win over Fiji to set-up a winner-takes-all final Pool clash with reigning champions New Zealand.

The 'Baby Blacks' were too strong and scored for six tries in a 43-10 triumph in which hooker Rhys Williams crossed for the only Welsh try. The New Zealanders went on to retain their title, while defeat left Wales playing host nation Argentina in the fifth place semi-final. The game ended in a draw, 19-19, before the home side went through to meet France in the fifth place play-off final by winning the penalty shoot-out.



Wales canoe the Maori way in New Zealand

Wales then faced Fiji in the seventh place final and had 22 points from the boot of Jarvis, and two tries from Pontypool No 8 Morgan Allen, to thank for their 39-15 win.

WALES U20

SIX NATIONS

England 41 - 14 Wales

Wales 20 - 12 Scotland

Wales 43 - 8 France

Ireland 24 - 17 Wales

Wales 30 - 22 Italy

IRB JUNIOR WORLD CHAMPIONSHIP

Wales 22 - 13 Samoa

Wales 31 - 3 Fiji

New Zealand 43 - 10 Wales

Argentina 19 - 19 Wales

Wales 39 - 15 Fiji

Wales U18

A week after becoming Wales' youngest senior international, Tom Prydie played for Wales U18 against England at St Helen's, Swansea. Cardiff Blues coach Dai Young's son Tom had the honour of leading the home side and there was hope of a real upset when Wales led 16-7 just after half-time.

But England, who were on a run of 14 successive wins at this age level, powered back into the game and scored four tries in all. George Ford kicked 23 points for the visitors to seal a 43-22 win, while his opposite number, Ospreys outside half Matthew Morgan, notched 17.

That defeat came after head coach Simon King had seen his side launch their season with a convincing 30-3 victory over Scotland at Melrose. Ospreys wing Eli Walker scored the first of three tries in that game and then helped himself to five in the 94-3 drubbing of Italy.

That game concluded the U18 Five Nations Festival, successfully staged at Llandovery, and followed a 24-18 triumph over Ireland that included two home tries for Scarlets centre George North.

Wales 6 - Australian Schools 10

Scotland 3 - Wales 30

Wales 22 - England 43

U18 FIVE NATIONS FESTIVAL (Llandovery)

Wales 24 - Ireland 18

Wales 94 - Italy 3

U16 FOUR NATIONS TOURNAMENT

After two undefeated seasons, the Welsh Schools side fell at the final hurdle in the Four Nations U16/17 Tournament staged in Italy. Despite becoming the only Welsh team to notch a 15-a-side victory over England during the season



George North Wales U18



Operating and financial review

Elite rugby (continued)

with an opening 28-27 win, they were pipped 20-18 by France U17 in their final game.

Ospreys outside half Sam Davies scored 18 points, including a match winning drop goal three minutes from time, to steer Wales to victory over England, while his replacement at No 10 for the game against Italy U17, Jordan Williams, kicked two penalties to add to a Ryan Evans try and a late penalty by Davies in a 14-8 triumph against the home side.

In their final game against the French U17s at the Stadio Flaminio, the Welsh side were 17-8 down at the break, but hit back to close the gap to two points. Evans scored two tries and Davies kicked eight points.

Wales back row forward Daniel Thomas was voted the Player of the Tournament by the four Head Coaches.

Sevens

Wales Sevens coach Paul John was encouraged that his side had scored 10 more points than the prior year, and moved up a place to ninth, on the IRB World Sevens circuit.

Their best results were in Adelaide, Las Vegas and Twickenham where they reached the Cup quarter-finals, while they brought home trophies from four other tournaments.

They won the Bowl in Dubai, beating Zimbabwe in the final, in George, where they overcame the Russians, Wellington, where they pipped France 7-5 and Edinburgh, where they defeated Kenya.



Coach Paul John with core Sevens players



James Loxton Wales U20

They also reached the Bowl final in Hong Kong, where they went down to Canada, and had the distinction of beating Fiji in the Pool stages in Adelaide.

John used 21 players over the eight events and former Wales U20 scrum half Lloyd Williams was joined by Ifan Evans and Jevon Groves in playing in all of them. Dragons wing Will Harries, previously a regular in the Wales Sevens squad, played in one tournament and crowned his season by winning a cap on the summer tour of New Zealand.

Wales' next assignment will be at the Commonwealth Games in Delhi, where they are drawn with South Africa, Tonga and India in the Pool stages.

IRB World Series Appearances: 8 Ifan Evans, Jevon Groves, Lloyd Williams; 6 Alex Cuthbert, Craig Hill, Rhys Jones, Lee Rees, Rhys Shellard, Justin Tipuric; 4 Aaron Bramwell, Darren Daniel, Gareth Davies, Chris Morgan, Alex Walker, Rhys Webb; 3 Chris Davies, Nicky Thomas; 2 Lee Beach, Ashley Beck; 1 Gavin Deacy, Will Harries.

IRB SEVENS WORLD SERIES

(Dubai, UAE)

Wales 14 - South Africa 28

Wales 7 - Australia 14

Wales 50 - Arabian Gulf 0

Bowl Competition

Q/final Wales 19 - Scotland 12



Dai Pattison British & Irish Cup

S/final Wales 33 - USA 12

Final Wales 38 - Zimbabwe 7

(George, South Africa)

Wales 15 - USA 12

Wales 10 - New Zealand 17

Wales 0 - Samoa 26

Bowl Competition

Q/final Wales 33 - Tunisia 0

S/final Wales 24 - Portugal 7

Final Wales 14 - Russia 5

(Wellington, New Zealand)

Wales 26 - Niue 12

Wales 5 - New Zealand 29

Wales 5 - South Africa 38

Bowl Competition

Q/final Wales 31 - Papua New Guinea 12

S/final Wales 17 - Argentina 12

Final Wales 7 - France 5

(Las Vegas, USA)

England 26 - Wales 10

Argentina 15 - Wales 21

Japan 5 - Wales 22

Q/final Wales 10 - Samoa 17

Plate Competition

S/final Wales 0 - Fiji 32

(Adelaide, Australia)

Wales 17 - Fiji 12

Wales 5 - Kenya 119

Wales 64 - Papua New Guinea 5

Q/final Wales 10 - USA 12

Plate Competition

S/final Wales 0 - South Africa 29

(Hong Kong)

Wales 12 - Japan 10

Wales 19 - Hong Kong 21

Wales 5 - England 26

Bowl Competition

Q/final Wales 17 - Argentina 12

S/final Wales 26 Scotland 7

Final Wales 19 - Canada 35



Operating and financial review

Elite rugby (continued)

PRINCIPALITY PREMIERSHIP 2009/10

	P	W	D	L	F	A	BP	PTS
1 NEATH	26	21	0	5	927	532	20	104
2 SWANSEA	26	19	1	6	780	527	18	96
3 NEWPORT	26	18	0	8	685	470	14	86
4 PONTYPRIDD	26	16	1	9	682	486	15	81
5 ABERAVON	26	14	4	8	709	617	13	77
6 LLANELLI	26	14	2	10	663	565	17	77
7 CARDIFF	26	15	2	9	612	507	11	75
8 LLANDOVERY	26	12	1	13	636	621	10	60
9 C'THEN Q	26	11	0	15	515	562	8	52
10 CROSS KEYS	26	9	1	16	502	550	9	47
11 BEDWAS	26	8	0	18	516	792	12	44
12 G. WANDS	26	7	0	19	461	657	12	40
13 PONTYPOOL	26	7	0	19	464	891	8	36
14 EBBW VALE	26	5	0	21	312	687	8	28

(London)

Wales 5 - New Zealand 43

Wales 22 - Kenya 17

Wales 14 - Portugal 12

Q/final Wales 14 - Argentina 27

Plate Competition

S/final Wales 10 - Fiji 22

(Edinburgh)

Wales 19 - USA 10

Wales 7 - Fiji 26

Wales 21 - Scotland 33

Bowl Competition

Q/final Wales 21 - Canada 14

S/final Wales 26 - France 12

Final Wales 26 - Kenya 10

Wales Women

Having clinched their first Triple Crown in 2009, including a first victory over England, the Welsh Women's slumped to the Wooden Spoon a year on, beating only Scotland 28-12.

Mel Berry's side started their campaign with a 31-0 defeat against England at Esher before looking impressive in a home win over the Scots in Bridgend. The French ran out 15-3 winners at the Brewery Field in the third round before a third defeat followed in Ireland, 18-3.

The championship ended with another home defeat, this time against the Italians, as Wales were beaten 19-15.

Wales Women U20, coached by Kylie Wilson, achieved the first Welsh victory over England at this level with a 12-7 win at Taffs Well. They lost the first of the two-match series 17-7 at Surrey Sports Park.

Friendly International

Wales 56 - Sweden 7

Six Nations 2010

England 31 - Wales 0



Mel Berry on the charge for Wales Women

WOMENS SIX NATIONS CHAMPIONSHIP 2010

	P	W	D	L	F	A	PD	TF	Pts
England	5	5	0	0	156	15	141	26	10
France	5	3	0	2	97	47	50	14	6
Ireland	5	3	0	2	69	52	17	9	6
Scotland	5	1	1	3	31	108	-77	4	3
Italy	5	1	1	3	44	129	-85	6	3
Wales	5	1	0	4	49	95	-46	6	2

Wales 28 - Scotland 12

Wales 3 - France 15

Ireland 18 - Wales 3

Wales 15 - Italy 19

Semi-Professional Game

It was a hectic and exciting season for the clubs in the Principality Premiership with the introduction of a Play-Off system to round off the season and the chance for the top six sides from the previous season to play on a broader front in the new British & Irish Cup.

The traditional Principality Premiership title went to a familiar home, The Gnoll, where coach Patrick Horgan's

side lost only five times as they scored 104 points to beat Swansea by eight points. Wales U20 wing Kristian Phillips ran in 22 tries for the champions to end the season as the league's top scorer, while Llandovery outside half Cerith Rees led the points charts with 261.

Phillips was beaten to the Principality Building Society Newcomer of the Year title by fellow U20 cap Toby Faletau, who made such an impact with Cross Keys that he had graduated into the Dragons' Magners League side by the end of the season.

Another player who forced his way into the Dragons back row, Newport skipper Andrew Coombs, carried off the Principality Building Society Player of the Year title after leading his team to third place in the league.



Operating and financial review

Elite rugby (continued)



Andrew Coombs, Principality Premiership Player of the Year

Swansea's teenage signing Hanno Dirksen made a major impact for the All Whites as he scored 14 regular league season tries and then added five in the Play-Offs as his team reached the final against Neath.

That game at the Arms Park ended 22-22, but Neath skipper Arwel Thomas was able to end his career on a high by clinching the 'double' thanks to a superior try count of 3-1. The one trophy that did find its way to St Helen's, however, was the Principality Building Society Coach of the Year award which was claimed by Richard Webster.

The Play-Offs sorted out the six teams who will play in the British & Irish Cup in the 2010/11 season – Neath will be

joined by Swansea, Llandovery, Llanelli, Newport and Pontypridd.

A Welshman managed to get his hands on the British & Irish Cup, but Bridgend-born Gavin Cattle was skipping the Cornish Pirates, who beat Munster 23-14 in the inaugural final at Camborne's Recreation Ground.

Newport were the pick of the Welsh sides in the first season, beating Leinster in Dublin and also the Exeter Chiefs, but none of the sides reached the semi-final stages by winning their Pools.

The Swalec Cup went 'West' again as Llanelli ended Carmarthen Quins' dream of winning the title for the first



Neath celebrate

time in their history. Llanelli made it a 14th triumph as they won 20-8, while Maesteg claimed the Swalec Plate with a 33-25 win over Kenfig Hill and Abercarn dominated Trebanos to win the Swalec Bowl 39-3 in the first of the three games on Swalec Finals day at the Millennium Stadium.

PRINCIPALITY PLAY-OFFS

Semi-finals

Neath 26 - Llandovery 18

Swansea 60 - Newport 19

Final

Neath 22 - Swansea 22
(Neath win 3-1 on try count)

SWALEC CUP 2010

Quarter-finals

Bedwas 24 - Cardiff 34

Glamorgan Wanderers 26 - Carmarthen Quins 31

Pontypridd 41 - Aberavon 16

Tonmawr 16 - Llanelli 26

Semi-finals

Carmarthen Quins 41 - Pontypridd 12

Llanelli 46 - Cardiff 25

Final

Carmarthen Quins 8 - Llanelli 20

REGIONAL AGE GRADE CHAMPIONSHIPS

After four years of dominance by the Ospreys, the Blues came up trumps in the U18 Championship, beating the Scarlets 11-6 in the final at the Brewery Field. Brecon prop Darren Harris scored the game's only try as the Blues came from behind in the second half to take the title.

The Ospreys turned the tables on their deadly rivals the Scarlets to clinch the U16 crown at St Helen's. Despite being beaten twice in the qualifying stages by the Scarlets, they hit back to beat them 29-28 in a thrilling final.



Llanelli win SWALEC Cup



Operating and financial review

Elite rugby (continued)



Ryan Jones

The Scarlets were ahead 16-14 at the interval, and then 28-17 moving into the final quarter. But then came the late rally from the Ospreys and a try by full back Rhys Thomas, converted by Sam Davies, son of Scarlets coach Nigel Davies, stole the lead.

Match Officials

Nigel Owens continues to lead the way for Welsh referees on the world stage, officiating at the Tri Nations last season, the 2009 autumn series, and in particular the memorable encounter between Grand Slam champions Ireland and world champions South Africa along with RBS 6 Nations matches. He achieved a Heineken Cup record after refereeing matches in 26 consecutive Heineken Cup rounds including the 2008 and 2009 finals and leading to the semi-final between Toulouse and Leinster in 2010. He also took charge of Australia v England in June and has since moved up to third on the all time list of Welsh international referees – behind Derek Bevan and Clive Norling and tied on 23 tier one international matches with Gwynne Walters.

James Jones officiated in the Heineken Cup this season, and finished the season by refereeing Japan v Scotland in an uncapped match.

Leighton Hodges established himself on the IRB Sevens World Series, officiating at four tournaments including the finals day at Murrayfield, and has been selected as one of the officials at the forthcoming Commonwealth Games in Delhi.

The most significant development in Welsh refereeing for some time has been establishment of the junior academy for Welsh referees in January 2010.

Nineteen referees who officiate at Premiership and SWALEC League level have been pinpointed as having the potential to rise quickly up the refereeing ladder providing they have the right attitude, hard work and dedication.

Eight of the group are under 24 and all have been given expert tuition on fitness, nutrition, and with the appointment of Owens as a referee coach within the academy structure, provides the young refs with a fantastic insight into what is required to reach the higher echelons of the game.

In addition, other referees are currently being observed to form a development group and their progress will be closely monitored over coming months.



Nigel Owens





Operating and financial review

Community rugby



Aurwel Morgan presents SWALEC League 4 South West trophy to Aberavon Green Stars

Overview

The sustainability and development of the community game are openly declared priorities of the Group. Along with elite rugby and the Millennium Stadium, the Community game is one of the three bedrocks of the sport in Wales. One of the primary objectives which reflect that status is the drive to ensure participation levels in the sport at the grassroots level remain strong and continue to develop in the years ahead. The Group wants to encourage more community rugby activity by improving facilities off-the-field and encouraging more volunteers to develop as coaches, match officials, first aiders and administrators to further improve the playing and administrative environment within club rugby. Throughout the period the Group concentrated much effort on identifying funding opportunities and helping clubs achieve their financial goals. The Group's rugby department also continued to develop the activities of its rugby development officers working in the field.

The community game in Wales became more unified during the period as clubs from the now disbanded Welsh Districts Rugby Union were taken under the umbrella of

the Welsh Rugby Union. This move was a key priority in the Group's strategy to unify the entire game in Wales. The arrangement is in its formative stages, but the clubs now have the chance to advance within the league structure and grow as entities within the communities where they are based. Although the Welsh District Rugby Union was formally disbanded, its district unions continue to function with direct administrative assistance from within the Group.

The Group continued to deliver on its aim of strengthening the sustainability of the community game with a focus through the period on helping to develop the facilities on offer.

As a result of working with the Millennium Stadium Charitable Trust ("MSCT"), £500,000 worth of grant funding was awarded to 36 rugby clubs across Wales via the WRU Facility Grants Scheme. Member clubs were eligible to apply for the grants and hundreds of applications were received. This is perceived as clear evidence of the ambition amongst clubs to play significant roles and achieve and maintain valuable status within their communities.



Participation Points Project launched

In public pronouncements about the projects, the Group expressed the opinion that grassroots clubs are the glue which hold our communities together. Most of the money distributed via the MSCT was generated from rugby matches held at the Millennium Stadium. The money helped clubs achieve a variety of projects from gymnasium or dressing room upgrades to pitch improvement and total refurbishment of club facilities.

Within the period the Group also identified £1.0m for clubs via a scheme called the Participation Points Project. Clubs were measured against the existing criteria and awarded points accordingly. These points can be claimed against items listed in the Participation Points Project project brochure. The Group used the buying power of the £1.0m to achieve meaningful discounts on an array of items from training resources such as tackle bags and bibs to post protectors, kit and laptops to maximise the value of the £1.0m investment. The scheme enables clubs to use their allocated points to buy specific items they may not have been able to consider purchasing in the economically challenged environment which persisted throughout the period.

Also, during the period, the Group maintained and developed its relationship with the Welsh Assembly Government to ensure the alignment of strategies which utilise rugby clubs as the hubs of their communities.

Centrally the Group is now utilising the database achieved through its criteria checks to monitor the progress of the

community game and develop strategies to help them improve facilities.

The continued growth of junior rugby from age 7 upwards is now a significant part of rugby activity within the club structure. Recent years have seen a 10% increase in participation levels within the 7 to 10 age range while there has also been a significant increase in the number of youth teams. Six years ago there were 132 youth teams registered by the Group while for season 2009/10 there were 171 with indications of a further rise for the season ahead.

These figures signify a confidence in the state of Welsh rugby amongst families who are introducing their children to the game. The introduction of Club Coach Coordinators, more qualified coaches and first aiders at the community level are all helping to boost this confidence amongst newcomers to the sport of rugby in Wales.

The improvement of club facilities is a strategy and project with significant work ahead with the focus on identifying funding streams where possible to assist the process.

The Group continued to expand the community focus and by the end of the financial period the post of WRU National Rugby Development Manager had been advertised to specifically focus on the community game across Wales. The new manager will immediately commit to key priorities such as the development of a modified rugby pathway and skills curriculum for junior players.



Operating and financial review

Community rugby (continued)



Committee members help refurbish Ynysddu clubhouse

The SWALEC Cup, Plate and Bowl tournaments were also reshaped to maximise the involvement of junior clubs across the competitions. A ring-fencing process ensured that the three different competitions featured clubs from across the divisions with all the finals held at the Millennium Stadium at the end of the season. This ensures that even the most junior clubs have a realistic prospect of achieving cup glory within the competition framework.

Some 25,000 individuals now play rugby across any average weekend in Wales which is clear evidence of the importance of the grassroots game in the fabric of Welsh community life.

This is reflected in the increase of junior participation through the clubs and the continuing work to expand the use of club facilities for purposes outside the game itself.

The Group's Child Protection Policy remained a fundamental element of the Group's operational governance with all individuals with important club roles involving the welfare of young people requiring specific checks and measures.

During the 2009/10 season foul weather played a role in disrupting the flow of fixtures. The severe winter led to at least one rugby free weekend and several with limited numbers of games being played.

Commercial

Commercial activity within the community game is built around a strong partnership with the energy provider SWALEC.

SWALEC's sponsorship ensures a strong foundation and helps provide valuable profile to the activities of clubs around Wales.

During the period the inaugural SWALEC Community Awards initiative was launched to recognise commitment towards participation levels, community engagement and energy efficiency by grassroots clubs across Wales. SWALEC linked up with training equipment provider Webb Ellis and the Group to offer rewards to clubs making an extra effort.

The community partnership with RAF Careers continued with the service sponsoring youth league rugby across Wales.

Across the season Welsh rugby again owed a debt of gratitude to the many small companies and organisations which sponsor local rugby clubs in the heart of the communities they serve.

SWALEC National Leagues

Tonmawr rose to the top tier of domestic rugby in Wales as they won the Swalec Division 1 title by a massive 29 points. They lost only two games all season, at home to Llangennech and away at Bridgend, but had the satisfaction of beating both teams in the Swalec Cup, a competition in which they reached the quarter-finals before falling to eventual winners Llanelli.

The students of UWIC won the Division 1 East crown for the first time as they lost only three games in 22 outings. They beat Llanharan to the title by a four point margin to make up for the disappointment of losing in the BUSA Cup final at Twickenham.

In the North, Nant Conwy took over from Caernarvon as champions after a nail biting season in which the title holders lost their crown by a mere point as both clubs ended with virtually identical playing records:



Ynysybwl v Gilfach Goch

SWALEC Leagues

2009-10

SWALEC NATIONAL LEAGUE CHAMPIONS 2009/10

Division One	East	UWIC
	West	Tonmawr
Division Two	East	Gilfach Goch
	West	Maesteg
Division Three	East	Fleur de Lys
	West	Newcastle Emlyn
	South East	Tylorstown
	South West	Skewen
Division Four	East	Risca
	West	Tumble
	South East	Dowlais
	South West	Aberavon Green Stars
Division Five	East	Oakdale
	West	Neyland
	South East	Barry
	South West	Birchgrove
	South Central	Bridgend Sports
Division Six	East	Beaufort
	West	Tregaron
	South East	Hafodyrnyys
	Central	Glyncoch

North

Division One Nant Conwy

Division Two Bethesda

SWALEC CUP 2010

Quarter-finals

Bedwas 24 - Cardiff 34

Glamorgan Wanderers 26 - Carmarthen Quins 31

Pontypridd 41 - Aberavon 16

Tonmawr 16 - Llanelli 26

Semi-finals

Carmarthen Quins 41 - Pontypridd 12

Llanelli 46 - Cardiff 25

Final

Carmarthen Quins 8 - Llanelli 20

Coach development

There has been growth in the number of coaches in the period, and 88% of coaches now have Level 1, 2 or 3 qualification, a figure that has risen from 84% in the prior period which shows that there are more coaches and importantly more 'qualified' coaches.

All coaches undertaking the Level 1 coaching course must now undertake the IRB approved Rugby Ready course which emphasises safety within rugby coaching at all levels. Over 1,500 coaches have now gone through the Rugby Ready system.



Operating and financial review

Community rugby (continued)



Tag Rugby

Youth winners:

RAF Careers Youth League Champions – Bridgend Athletic
Webb Ellis Youth Cup winners – Glamorgan Wanderers
Wynne Lloyd Districts Cup Champions – Bridgend District
Wynne Lloyd Districts Plate Winners – Caerphilly District

Welsh Schools Rugby Union

Senior Group:

Cup winners: Coleg Sir Gar
Saturday League Division One Champions: Coleg Sir Gar
Super Sixteen champions: Coleg Sir Gar
Urdd Sevens Champions: Coleg Sir Gar

Intermediate Group:

Dewar Shield winners – Swansea Schools
U14 and U16 Powerade Cup winners – Ysgol Y Cymer
District Sevens winners – Llanelli Schools

Junior Group:

DC Thomas / Western Mail Cup winners – Cardiff Schools
The Group received Sport Wales funding for coach development via the Sports Council for Wales, and further rugby modules were made available to Welsh coaches.

Womens' Rugby

Regional Girl's Rugby

The introduction of senior regional rugby this year is a massive step forward for Welsh Women's Rugby. It gives all aspiring club players something to aim for. The girls' programme has also seen players selected for an U18s Talent Development Group with some players now training with the senior squad. The Scarlets ruled supreme at both U15 and U18 level.

Recruitment, particularly in the north, is a concern and an area which needs to be addressed. A number of fixtures weren't played at U15s and U18s but on the plus side there are signs of development which includes the re-establishment of girls teams at Nant Conwy, Bro Ffestiniog and at Caernarfon.

Senior Club Rugby

The senior Club programme was much more successful. The majority of the fixtures in the Premiership, Division 1 East and Division 1 West took place with the league titles going to Cardiff Quins (Premiership), Dolgellau (Division 1 West) and Blaenau Gwent (Division 1 East).

There has also been a great deal of development in the senior women's game with a number of new teams forming a development league for 2010-11. New and re-established teams are Blackwood, Caernarfon, Treorchy, Barry, Croesyceiliog, Gorseinon, Pencoed and Trinity St Davids.

Referees

With the disbanding of the Welsh Districts Rugby Union, five regional officers have been appointed to select officials to all games below SWALEC national league level.

There has been a marked pick-up in the number of new referees into the game through level one courses delivered in the period. Many match officials have moved up to level two refereeing including an increased number of younger referees which is pleasing as it is vital to have a succession plan in place as no game can be played without a referee.





Operating and financial review

Stadium



Sir Paul McCartney at the Millennium Stadium

Overview

The iconic status the Stadium now enjoys was further enhanced during the period when a record crowd of more than 66,000 fans watched a concert by the band U2. It was the biggest concert crowd the Stadium has ever welcomed and helped encourage the group's lead singer, Bono, to a conclusion which he shared with all the fans when he described the venue as "fantastic."

Two concerts by Take That also drew thousands of fans into the capital as 120,000 people attended their shows across two nights. Big name bands continued to choose the Millennium Stadium with Oasis and Sir Paul McCartney following suit. The Stadium can now truly claim to be the first choice venue for the biggest stars in the music scene who require the largest venues for the biggest crowds.

Events such as these helped the Group announce that the presence and related activity of the building in the heart of Cardiff has helped generate a billion pounds into the wider South East Wales economy.

Speedway and the Monster Jam giant trucks events returned to the Stadium which have both helped to establish the Millennium as a truly multi-event stadium.

It has now become such a widely-known building that Google Earth chose to feature the Millennium Stadium on its street view project site.

Although rugby inevitably exists at the core of its event calendar, international Welsh soccer was also played again on the Stadium pitch with Wales taking on Russia in a FIFA World Cup home qualifier.

The versatility of the Millennium Stadium was epitomised when the eighth consecutive Watchtower Convention



Dr Who filming at the Millennium Stadium

attended by some ten thousand Jehovah's Witnesses took place. Another sign of that flexibility was the hosting of a Survival of the Fittest competition for Men's Health Magazine and its use as a film location for programmes such as Dr Who.

Its proudest claim is as the home of Welsh rugby and the newly formatted SWALEC Finals Day featured Abercarn v Trebanos in the Bowl Final, Kenfig Hill v Maesteg in the Plate competition and Carmarthen Quins against Llanelli in the SWALEC Cup Final. The Bowl and Plate games created great rugby atmospheres as well as splendid on-the-field action. After the final whistle, player after player spoke candidly about the great memories they will take away from their day at the Millennium Stadium.

At international level, the Invesco Perpetual Series attracted more than a quarter of a million fans into Cardiff to watch some vibrant top end rugby.

During the November games a decision was taken to lay an entire new turf between games after independent consultants examined the pitch and confirmed it was contaminated by Bibionidae fly infestation. A statement was issued explaining that the decision to replace the turf had been taken to avoid the possibility of a level of grass and root erosion which could diminish the quality of the ground for upcoming games. The swift and decisive action was a success with the newly laid turf made up of larger sections of grass to increase stability. The Stadium has now had more than 25 pitches since 1999 and the ability to remove the playing surface has proved a major attraction which facilitates non rugby events. The acquisition of the pitch lighting system to promote turf and grass growth has

proved to be particularly successful in reducing the requirement to replace the playing surfacing each year. For the first time in the Stadium's history the pitch surface was retained in the Stadium throughout the winter period and despite harsh spring weather conditions provided an excellent playing surface for the 2010 RBS 6 Nations competition.

The goodwill of Welsh rugby supporters was exemplified in November 2009 when the bucket collection at the Samoa international was dedicated to the Samoa Tsunami Relief Fund.

A video filmed by the ITV based Y Byd Ar Bedwar current



Millennium Stadium staff at work



Statue of Sir Tasker Watkins, unveiled by his daughter, Lady Mair Griffith-Williams

affairs programme was shown on the Stadium screens highlighting the aftermath of the tragedy in Samoa.

The Welsh Rugby Union was thanked by the government of Samoa for its efforts and contribution to the cause. The London based consul passed on the gratitude and asked the Group to ensure its fans were made aware of the gratitude the Samoan nation felt for the fund raising activity.

Behind the scenes work continued to help the evolution of the Stadium and make the most of its city centre location.

The Stadium welcomed the chairman of the Welsh Sports Hall of Fame, Lord Brooks of Tremorfa, to unveil part of the organisation's collection of memorabilia which is now displayed prominently.

Major figures from Welsh rugby were also recognised within the Stadium. A bronze statue of Sir Tasker Watkins was unveiled in a prominent position on the walkway from



Stewards at work

Gate 3 into the Stadium. It was unveiled by his daughter, Lady Mair Griffith-Williams at a ceremony attended by more than 150 VIPs from the worlds of politics, law and the military, and senior figures from the Welsh Rugby Union including the President, Dennis Gethin, Chairman David Pickering and Group Chief Executive, Roger Lewis. Sir Tasker gained prominence in the legal profession, as a serving soldier who won the Victoria Cross for valour and a key rugby administrator as President of the WRU for 11 years.

Another name synonymous with Welsh rugby was honoured with a permanent memorial within the Stadium. The press conference suite was refurbished as a permanent photographic memorial to the life of Ray Gravell. As a rugby player he gained prominence with the Scarlets, Wales and the British and Irish Lions before going on to forge a new career both as a broadcaster and actor.

In July 2009 the then Prime Minister, Gordon Brown, visited the Stadium to attend a conference during a day when his cabinet held a series of meetings in Wales.



PRINCIPALITY BUILDING SOCIETY - CYMRDITHAS ADEILADU

PRINCIPALITY BUILDING SOCIETY - CYMRDITHAS ADEILADU



Operating and financial review

Stadium (continued)



Take That

It was a period in which the Group was rewarded for its efforts to recognise worthy causes and individuals.

The Group won the Royal British Legion Friends of the Forces Regional and National Corporate Award for work which included a plethora of activity at the Millennium Stadium. Forces charities are welcomed to collect and fundraise during key matches and injured veterans and serving soldiers attended the Stadium as special guests at international matches. Amongst those guests were British soldiers injured in Afghanistan and currently having treatment at the Primary Care Rehabilitation facility in St Athan. The injured troops also met members of the Wales team at the WRU National Centre of Excellence in the days before their Stadium visit. Veterans of current and past wars were also invited to meet the WRU's Vice Patron,

HRH Prince William at the New Zealand international in November.

The acquisition by the Group of the lease of the former Yates' wine bar on Westgate Street significantly enhanced the infrastructure of the Millennium Stadium. This building is integral to access land surrounding the Stadium which is wholly owned by the Group. A major refurbishment project took place which led to the building being unveiled as the Cardiff Arms Café Bar and Store. It now houses the WRU merchandise outlet on the ground floor alongside the gathering point for the start of Millennium Stadium guided tours. On the first floor there is a licensed café bar which is also used for corporate events and serves as a hospitality facility for the Group on event or matchdays.



Speedway at Millennium Stadium

With the range of events at the Stadium continuing to embrace a wide variety of sporting and non sporting activity the infrastructure of the venue has been improved and upgraded.

An accelerated maintenance programme was undertaken to upgrade the internal infrastructure following the tenth anniversary of the building. This took place in tandem with a full schedule of regular maintenance throughout the period. Several specific projects were sanctioned to improve the Stadium and facilitate more engagement with the public at all levels of activity.

A section of the Stadium car park between entrances three and four was turned into a Supporters Village complete with a marquee, bar and giant screens on international match days. Fans with or without tickets for the games were welcomed free of charge into the facility.

Work has also been underway to upgrade the guided tours of the Millennium Stadium. A review of the tours has been undertaken and specific improvements were sanctioned to develop the tours which already attract more than 25,000 visitors each year.

The infrastructure of the Stadium is continually being monitored and upgraded where possible to enhance all visitor experiences.

During the period approval was also granted for an upgrade and work commenced to the Media Centre which caters for up to 450 journalists on major international match days.

During the period the Group Chief Executive gave evidence to a Welsh Assembly Government review on their major



Survival of the Fittest competition



Operating and financial review

Stadium (continued)



Millennium Stadium tour

event strategy for Wales. Roger Lewis emphasised the key role the Millennium Stadium plays as a visitor attraction which benefits the nation, and he called on the Welsh Assembly Government to engage with a centrally managed sport and events strategy to benefit the whole of Wales.

The Group later welcomed the findings of the review which called for a renewed effort to support major sporting events. The Group stated publicly that the broad impact of the full recommendations in the review document will serve to help support the Group's efforts to attract mass audience events into the Millennium Stadium.

The Millennium Stadium paid over more than £420,000 to the Millennium Stadium Charitable Trust in respect of the relevant financial period.

The MSCT is funded entirely through a ticket levy on all public events held at the Millennium Stadium.



Millennium Stadium operations meeting





Operating and financial review

Key performance indicators and business risks

The key performance indicators (KPIs) of the Group are:

Rugby performance

- Success of the National Squad;
- Performance of the Group's four Regions; and
- Performance of the Age-Grade teams

Participation in rugby

- Development of the elite player talent within Wales; and
- Participation levels in Community Rugby, including women and junior numbers

Financial performance

- Generation of sufficient earnings before interest, depreciation, allocations and exceptional items ("EBITDA"), over the medium term, to fulfil the Group's objectives and obligations;
- Number of and attendances at international rugby matches, featuring the National Squad, held at the Millennium Stadium;
- Utilisation of the Millennium Stadium for non-National Squad events; and
- Provision of consistent and affordable levels of funding to clubs and affiliated organisations to allow them to implement long term plans to fulfil their objectives

Business risk

The Group feels that the principal risks facing the business include:

- The performance of the National Squad;
- The identification, nurturing, development and retention of Welsh players;
- The identification, nurturing, development and retention of coaches and officials alongside appropriate elite systems and structures;
- The sustainability of the four Regions;
- The extent of involvement and enjoyment in recreational, grass roots, community rugby;
- The securing of non-National Squad related events and activities at the Millennium Stadium;
- The alignment of commercial strategies to deliver the rugby and stadium strategies;
- The provision of adequate banking facilities;
- The physical security and insurance of our main assets, primarily the Millennium Stadium; and
- The implementation of appropriate business systems and controls covering financial management, commercial operations and other key business areas

All the above risks are regularly assessed by the Executive Board and actions are taken to mitigate any issues that arise.



Ryan Jones meets an injured soldier



League winners Tonmawr



Directors' report

for the 13 month period ended 30 June 2010



Gareth Williams, Company Secretary

The Directors present their report and the Group's audited financial statements for the 13 month period ended 30 June 2010.

Principal activities and review of the business

The principal activity of the Group is to promote, foster, encourage, control and improve rugby football throughout Wales. This activity and the likely future development of the Group are reviewed in the Chairman's Statement, the Group Chief Executive's Review and the Operating and Financial Review.

Results for the period

The results for the period are set out in the consolidated profit and loss account on page 54 and show a loss before exceptional items and tax of £0.5m (2009: £2.0m) and a loss before tax of £0.8m (2009: £2.5m).

Financial risk factors

The Group is exposed to financial risks from interest bearing assets and liabilities and interests in overseas companies. These expose the Group to financial risks including foreign currency risk, interest rate risk, credit risk and liquidity risk.

- **Foreign exchange risk**

Where applicable, the Group mitigates foreign exchange risk with the use of forward contracts. As at 30 June 2010, the Group has no material foreign exchange risk (2009: nil).

- **Interest rate risk**

The Group has interest bearing liabilities. As shown in Note 14, the Group's policy is to hedge against any interest risk on liabilities by using derivative instruments to effectively hedge the interest rate risk. The Group has interest bearing assets which are invested at differing interest rates; these interest rates are fixed at the outset of the investment.

- **Credit risk**

The Group has no significant concentration of credit risk. The Group has implemented policies that require appropriate credit checks on potential credit customers before sales commence. Interest bearing assets are only invested with financial institutions that have excellent credit ratings.

- **Liquidity risk**

The Group maintains a balance between continuity of funding and flexibility. As at 30 June 2010, only 15% (2009: 12%) of the borrowings were due to expire within five years. On 2 July 2010 the Group restructured its debt facilities; details of the restructure are shown in Note 26.

Fixed assets

The Millennium Stadium, recorded at a carrying value in the financial statements of some £98m (2009: £101m) is a unique asset. The asset is recorded at historical cost and due to the unique nature of the asset an alternative use valuation is not considered appropriate. If the Millennium Stadium was valued at replacement cost the carrying value recorded in the financial statements would be in excess of £250m.

Directors

The Directors who held office during the period and up to the date of signing the financial statements are noted on page 80.

Donations

The Group's primary charitable donation was £114,000 (2009: £100,000) to the Welsh Rugby Charitable Trust. This trust, which is independent from the Group, was set up to provide support to players who were injured whilst playing rugby in Wales. There were no political donations (2009: £nil).

Policy on payment to creditors

The Group's policy, concerning the payment of the majority of its trade creditors, is to:

- set the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations.



Directors' report

for the 13 month period ended 30 June 2010 (continued)

Corporate social responsibility

The Group recognises its responsibility to the communities which are affected by its businesses and continually reviews its policies with regard to social, ethical and environmental matters. Any matters in any of these categories which may materially affect the business of the Group are reviewed periodically by the Board.

Employment of disabled persons

The Group's policy for the employment of disabled persons gives full and fair consideration to all applications for employment made by such persons, having regard to their aptitudes and abilities and to the Group's operational requirements. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities in line with the Group's operational requirements.

Employee involvement

During the period, regular consultations and briefings took place with employees to increase their knowledge and understanding of the Group's performance and the financial and economic factors which affect it, and to enable the Group to take into account the views of the employees when making decisions likely to affect employees' interests. The interests of employees in the defined benefit pension schemes were represented in the period by the trustees of those schemes.

Going concern

The Directors believe that the Company and the Group have 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.

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.



Referee training seminar

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK 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 Group and the Company and of the profit or loss of the Group 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; 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 and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Wales Women training at the WRUNCE

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.

Disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps necessary to make themselves aware of any relevant audit information and to convey that information to the Company's auditors.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to

reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Gareth Williams
Company Secretary
31 August 2010



Consolidated profit and loss account for the 13 month period ended 30 June 2010

		Pre-exceptional	Exceptional	Total	Restated 12 months to May 2009 £'000
	Note	2010 £'000	2010 £'000	2010 £'000	
Turnover	2 (a)	58,492	-	58,492	49,437
Administrative expenses	2 (b)	(54,089)	(284)	(54,373)	(45,216)
Operating profit before depreciation, exceptional items and allocations to affiliated organisations ("EBITDA")		27,641	-	27,641	24,505
Allocations to affiliated organisations	2 (d)	(19,964)	-	(19,964)	(16,993)
Exceptional items	4	-	(22)	(22)	(490)
Depreciation (net of grant release)	4	(3,274)	(262)	(3,536)	(2,801)
Operating profit		4,403	(284)	4,119	4,221
Financing Costs:					
- Interest payable and similar charges	3			(3,117)	(2,592)
- Interest receivable and similar income	3			1	87
- Fair value losses on derivative financial instruments	3			(1,762)	(4,235)
Loss on ordinary activities before tax				(759)	(2,519)
Tax on loss on ordinary activities	6			33	486
Loss for the financial period	18			(726)	(2,033)

The turnover and operating profit shown above are derived from continuing operations. There are no recognised gains and losses other than those shown above and the net actuarial loss on the pension scheme as disclosed in the consolidated statement of total recognised gains and losses below.

Details of the restatement of the 2009 numbers are given in Note 18.

Consolidated statement of total recognised gains and losses for the 13 month period ended 30 June 2010

	2010 £'000	Restated 12 months to May 2009 £'000
(Loss)/profit for the financial period as previously stated	(726)	1,016
Prior period adjustment in respect of FRS 26	-	(3,049)
Loss for the financial period as restated	(726)	(2,033)
Actuarial loss on pension scheme	(512)	(512)
Movement in deferred tax on pension scheme	147	160
Net effect of pension schemes	(365)	(352)
Total losses recognised in the period	(1,091)	(2,385)
Prior period adjustments (Note 18)	(2,355)	-
Total losses recognised since last annual report	(3,446)	-

Balance sheets

as at 30 June 2010

	Note	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
Fixed assets					
Tangible assets	8	141,421	144,349	38,819	38,952
Investments	9	-	-	60	60
		141,421	144,349	38,879	39,012
Current assets					
Stock	10	61	112	-	-
Financial Assets					
- Derivative financial asset	14	212	-	-	-
- Debtors	11	5,872	9,075	26,871	18,904
- Cash and cash equivalents	12	1,000	4,170	941	4,150
		7,145	13,357	27,812	23,054
Current liabilities					
Creditors – amounts falling due within one year	13	(21,430)	(20,385)	(12,800)	(11,887)
Net current (liabilities)/assets		(14,285)	(7,028)	15,012	11,167
Total assets less current liabilities		127,136	137,321	53,891	50,179
Creditors – amounts falling due after more than one year	13	(77,421)	(83,427)	(37,325)	(37,325)
Accruals and deferred income	15	(43,029)	(45,560)	-	-
Provisions for liabilities and charges	16	(3,323)	(4,073)	-	-
Net assets excluding pension liabilities		3,363	4,261	16,566	12,854
Pension liabilities	21	(308)	(115)	(308)	(115)
Net assets including pension liabilities		3,055	4,146	16,258	12,739
Capital and reserves					
Other reserves	18	2,314	2,314	2,610	2,610
Profit and loss account	18	741	1,832	13,648	10,129
Capital employed		3,055	4,146	16,258	12,739

These financial statements were approved by the Board of Directors on 31 August 2010 and signed on its behalf by:



David Pickering
Chairman

The notes on pages 57 to 78 form an integral part of these financial statements.

The Welsh Rugby Union Limited
Company Number 3419514



Roger Lewis
Group Chief Executive Officer



Consolidated cash flow statement

for the 13 month period ended 30 June 2010

	Note	2010 £'000	2010 £'000	12 months to May 2009 £'000	12 months to May 2009 £'000
Net cash inflow from operating activities	22		9,602		5,778
Returns on investments and servicing of finance					
Interest received		1		166	
Interest paid		(3,136)		(2,379)	
Realised loss on derivative financial instrument		(5,033)		-	
Payments to acquire new derivative instruments		(212)		-	
Interest element of hire purchase repayments		(46)		(47)	
Net cash outflow from returns on investments and servicing of finance			(8,426)		(2,260)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(2,768)		(1,954)	
Purchase of subsidiary company		-		(10)	
Grant repaid		(1,100)		-	
Grant received		539		894	
Net cash outflow for capital expenditure and financial investment			(3,329)		(1,070)
Financing					
Drawdown of bank loans		1,500		-	
Repayment of bank loans		(2,309)		(1,055)	
Capital element of hire purchase repayments		(208)		(311)	
Net cash outflow in respect of financing			(1,017)		(1,366)
(Decrease)/increase in net cash in the period	23		(3,170)		1,082

The notes on pages 57 to 78 form an integral part of these financial statements.

Notes to the financial statements

for the 13 month period ended 30 June 2010

1. Accounting policies

The Group's financial statements are prepared on the going concern basis, under the historical cost convention, excluding adjustments to historical cost attributable to fair value movements, in accordance with the Companies Act 2006 and applicable Financial Reporting Standards ("FRS"). The Group's accounting policies, which have been applied consistently, are as set out below, together with an explanation of where changes have been made to previous policies as follows.

FRS 26 'Financial Instruments: Recognition and Measurement'.

During the period, the Group has elected to adopt FRS 26 'Financial Instruments: Recognition and Measurement'. Whilst not obliged to adopt FRS 26, the Group feels that adoption gives a clearer view of the financial position of the Group. The main impact on the Group's accounts is that FRS 26 requires that derivatives are recognised initially and subsequently re-measured at fair value based on market price data from relevant counterparties.

Unless these derivatives qualify for hedge accounting under FRS 26, these instruments are carried at fair value with changes in fair value being recognised immediately in the profit and loss account.

The adoption of FRS 26 has been applied retrospectively and therefore a prior period adjustment has arisen; details of this adjustment are shown in Note 18.

The effect of the change in accounting policy to the current period results can be seen in Note 18.

a. Basis of consolidation

The consolidated financial statements incorporate the financial statements of The Welsh Rugby Union Limited and its subsidiaries, Millennium Stadium plc, WRU Supporters Club Limited and WRU National Centre of Excellence Limited, all of which are made up to 30 June 2010 and prepared using consistent accounting policies.

b. Turnover

Turnover represents amounts invoiced, excluding value added tax, in respect of the sale of goods and services. Ticket income, sale of hospitality packages, competition income and other event income are recognised as revenue when the related event is staged. Revenue determined by commercial contracts, which makes up the majority of broadcasting revenue, sponsorship and royalty revenue and lease of hospitality boxes is recognised based on the relevant contractual terms. Where consideration is received in kind, income and expenditure are grossed up on the basis of arms' length commercial rates.

c. Exceptional Items

In order to improve the understanding of the financial statements, the Directors have identified separately, on the face

of the profit and loss account, those items of income and charge which by their size, nature and/or incidence are exceptional to the financial statements for the period. These are shown as exceptional within the categories of expenditure to which they relate.

d. Tangible fixed assets

Tangible fixed assets are stated at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

The tangible fixed assets of the Group, excluding land, are depreciated on a straight line basis calculated to write down their cost to estimated residual values over their estimated useful economic lives as follows:

Buildings	Up to 50 years
Fixtures and fittings	Up to 5 years
Plant and machinery	Up to 10 years

During the period, the Group changed the estimated useful lives of certain assets classified under fixtures and fittings and plant and machinery as a result of a review of these assets, which demonstrated shorter useful lives for these classes of assets. This resulted in an accelerated depreciation charge of some £0.3m for the 13 month period ended 30 June 2010.

Leasehold buildings are depreciated over the lower of 50 years and the remaining life of the lease.

e. Investments in subsidiaries

Investments in subsidiaries are included at cost less any provision for impairment.

f. Trade investments

Trade investments are valued at cost less any provision for impairment.

g. Leased assets

Where the Group enters into a lease which entails taking substantially all the risks and rewards of an asset, the lease is treated as a "finance lease". The present value of the minimum lease payments is recorded in the balance sheet as a tangible fixed asset. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding finance lease liability.

All other leases are accounted for as "operating leases" and the rentals charged to the profit and loss account on a straight line basis over the life of the lease.



Notes to the financial statements

for the 13 month period ended 30 June 2010 (continued)

h. Stock

Stock is valued at the lower of cost and net realisable value and consists of finished goods purchased for resale. Where necessary, provision is made for obsolete, slow moving and defective stock.

i. Deferred tax

Deferred tax is provided in full on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

j. Pension costs

The Group operates defined contribution schemes and a defined benefit pension scheme.

The pension costs in respect of the defined contribution pension schemes comprise contributions payable in respect of the period.

The assets of the defined benefit scheme are measured using closing bid-market rates. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the defined benefit scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in net interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

k. Grants

Grants receivable in respect of tangible fixed assets are credited to the profit and loss account over the expected useful economic lives of the relevant assets to which they relate. Grants received but not yet released to the profit and loss account are included as deferred income in the balance sheet. Revenue grants are released to the profit and loss account in the same period as the related expense.

l. Capitalisation of interest

Interest is capitalised on major development projects and capital works in progress where appropriate. Capitalisation ceases when substantially all the activities necessary to get the asset ready for use are completed. Capitalised interest is amortised to the profit and loss account over the useful economic life of the asset to which it relates.

m. Financial instruments

The derivative instruments utilised by the Group are interest rate swaps and foreign currency forward contracts. Derivatives are initially accounted for and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value based on market price data from relevant counterparties. The gain or loss on re-measurement is taken to

the profit and loss account except where the derivative is a designated cash flow hedging instrument. Whilst the Directors are of the belief that these derivatives are commercially effective hedges, the Group's derivatives do not qualify for hedge accounting under FRS 26 in either 2010 or 2009. The instruments are carried at fair value with changes in fair value being recognised immediately in the profit and loss account.

n. Trade debtors

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. They are first assessed individually for impairment, or collectively where the debtors are not individually significant. Where there is no objective evidence of impairment for an individual debtor, it is included in a group of debtors with similar credit risk characteristics and these are assessed collectively for impairment based on their ageing. Movements in the provision for impairment are recorded in the profit and loss account.

o. Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

2. Segmental information

As set out in the Directors' report, the Group has only one business segment and all income is derived from activities within the UK. The information below is provided as additional information. During the period, the Directors have revisited the categories of Competition and Match income in (a) below and 2009 has been restated. These restatements do not have any effect on overall turnover, operational costs or profit/(loss) for the period.

Business analysis

(a) Turnover

	2010 £'000	2009 £'000
Turnover is analysed as follows:		
Match income	34,150	25,677
Competition income	9,240	10,078
Commercial income	10,914	10,633
Other event income	2,031	2,253
Other income	2,157	796
	58,492	49,437

Other event income represents amounts receivable in respect of staging fees and other similar income arising within the Millennium Stadium for events which are not promoted by the Company. Other income includes £0.1m (2009: £0.1m) of grants received from the Sports Council of Wales matched by expenditure included in community rugby costs and £1.7m (2009: £nil) from the British & Irish Lions.

(b) Total costs are as follows:

	2010 £'000	2009 £'000
Operational costs (see (c) below)	30,851	24,932
Exceptional costs	22	490
Depreciation – net of grant release	3,274	2,801
Accelerated depreciation (exceptional)	262	-
Allocations to affiliated organisations (see (d) below)	19,964	16,993
	54,373	45,216

(c) Operational costs:

	2010 £'000	2009 £'000
Business & administration	6,657	5,595
Direct	12,863	9,541
Elite rugby	3,847	3,146
Community rugby	2,081	2,017
Stadium	5,403	4,633
	30,851	24,932

(d) Allocations to affiliates

	2010 £'000	2009 £'000
These are analysed as follows:		
Regions – professional rugby	14,227	12,101
Clubs – semi-professional rugby	1,233	1,065
Clubs – community rugby & affiliates	4,504	3,827
	19,964	16,993



Notes to the financial statements

for the 13 month period ended 30 June 2010 (continued)

3. Financing Costs

	2010 £'000	2009 £'000
Interest payable and similar charges		
Interest payable on bank and similar loans	2,500	2,334
Amortisation of arrangement fees on bank loan	62	5
Interest on finance lease and hire purchase arrangements	46	46
Bank charges	210	207
Charges arising on re-financing and new derivative instruments	296	-
Other finance charges in respect of pensions (see Note 21)	3	-
Total	3,117	2,592
Interest receivable and similar income		
Short term deposits	1	58
Other finance income in respect of pensions (see Note 21)	-	29
Total	1	87
Fair value losses on derivative financial instruments		
Interest rate swaps	644	1,548
Interest rate cap	251	603
Interest rate floor	867	2,084
Total	1,762	4,235
Total net financing costs	4,878	6,740

Fair value losses on derivative financial instruments

Derivative financial instruments are held for economic hedging purposes although they do not qualify as accounting hedges under FRS 26. Consequently, the Group's derivative instruments are fair valued at each balance sheet date with the net loss or gain recognised in the profit and loss account. As set out in Note 14, the Group terminated derivative instruments on 30 June 2010 and subsequently purchased new instruments on the same date.

4. Loss on ordinary activities before tax

Loss on ordinary activities before tax is arrived at after charging/(crediting):

	2010 £'000	2009 £'000
Depreciation on owned assets	4,877	4,196
Depreciation on leased assets	100	126
Accelerated depreciation (exceptional)	262	-
Release of deferred income (grant release)	(1,703)	(1,521)
Net charge to the profit and loss account	3,536	2,801
Rental of land and buildings	238	140
Trade debtors impairment	275	323
Junior World Cup fine	-	30
Exceptional items		
Litigation costs/(recovery)	(a) 83	(600)
Millennium Stadium Charitable Trust	(b) -	540
Rebate from rates reassessment	(c) (154)	-
(Reduced)/increased provision for doubtful debts & similar adjustments	(d) (56)	550
Reorganisation costs	(e) 149	-
Total exceptional items	22	490

4. Loss on ordinary activities before tax (continued)

During the period, the Group has incurred charges/received income which due to their size and incidence are considered "exceptional". In order to assist in understanding the Group's results and, in view of the materiality of the exceptional items to the current period's results, the Directors believe that it is appropriate to show separately the operating profit of the Group before exceptional items on the face of the profit and loss account as additional information. Detailed commentary is shown below:

- (a) In 2009 the Group successfully recovered amounts in respect of a litigation claim (both to damages and costs) that was not found in favour of the Group in 2005/06. The litigation costs in 2010 arose from ongoing disputes or disputes settled in the period.
- (b) In 2009, without recognising liability, the Group satisfactorily settled, subject to certain conditions, a long standing difference with the Millennium Stadium Charitable Trust.
- (c) Following the 2005 rateable value assessment, the Group challenged the value ascribed to the Millennium Stadium. The Group received notification during the period that this challenge had been successful. The revised assessment resulted in lower rates charges for the period 2005 to 2010. Refunds that have been received in respect of overcharged rates for the period 2005 to 2009 have been treated as exceptional income.
- (d) In 2009 the Group performed a detailed review of accounts receivable and liabilities and concluded that, inter alia, further provisions were required as certain amounts were doubtful of recovery and certain liabilities were under accrued. During the period to June 2010 certain of these amounts considered doubtful in 2009 were recovered and the provisions have been reversed.
- (e) During the period to June 2010 the Group undertook a programme of restructuring. The costs for redundancies and compensation for loss of office have been identified as an exceptional cost.

During the period, the Group obtained the following services from the Group's auditor:

	2010 £'000	2009 £'000
Fees payable to Company auditor for the audit of the parent company and consolidated accounts	25	25
Fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries pursuant to legislation	20	20
Taxation services	51	47
Other services	53	64

5. Staff numbers and costs

Staff numbers	2010 Group	2009 Group	2010 Company	2009 Company
The average number of employees, including directors in a service contract, during the period was:				
Management and administration	53	50	32	29
Direct	23	26	16	16
Elite rugby	26	25	26	25
Community rugby (including district development officers)	38	37	36	37
Stadium	34	35	-	-
	174	173	110	107

The above staff numbers do not include any players representing national teams, stewards employed for events nor do they include the non-executive directors of the Company. However, the staff numbers include 4 (2009: 6) (full time equivalents) District Development Officers ("DDOs") who are employees of various local authorities.



Notes to the financial statements

for the 13 month period ended 30 June 2010 (continued)

5. Staff numbers and costs (continued)

Staff costs	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
The staff costs during the period were as follows:				
Wages and salaries	6,923	6,120	5,415	4,614
Social security costs	705	622	545	472
Pension (income)/costs – defined benefit schemes	(242)	77	(242)	77
Pension costs – defined contribution schemes	409	323	319	253
	7,795	7,142	6,037	5,416

Included in the above costs are contributions amounting to £0.1m (2009: £0.2m) towards the DDOs.

In addition to the above amounts, £1.5m (2009: £1.6m) is paid as remuneration to the players whilst representing the National Squad. These costs are included in Direct costs within Operational costs (see Note 2 (c)).

Directors' emoluments	2010 £'000	2009 £'000
The Directors' emoluments, during the period, were as follows:		
Aggregate emoluments	298	345
Benefits	8	15
Company contributions to defined contribution pension scheme	17	15
	323	375

The emoluments above include £38,000 (2009: £35,000) payable to the Chairman; in 2009 these amounts were payable to a company controlled by the Chairman. The Group received £17,000 (2009: £88,000) from third parties in respect of the above emoluments.

There is one Director (2009: one) accruing benefits under a defined contribution pension scheme.

Emoluments of the highest paid Director	2010 £'000	2009 £'000
The emoluments of the highest paid Director, during the period, were as follows:		
Aggregate emoluments	260	239
Benefits	8	15
Company contributions to defined contribution pension scheme	17	15
	285	269

6. Tax

(a) Analysis of charge in the period

	2010 £'000	2009 £'000
Current tax		
UK corporation tax on result for the period	69	563
Adjustment in respect of prior periods	581	-
Total current tax (Note 6(b))	650	563
Deferred tax		
Origination and reversal of timing differences	(750)	(1,049)
Pension contribution relief in excess of pension cost charge	67	-
Total deferred tax	(683)	(1,049)
Total tax credit on loss on ordinary activities	(33)	(486)

6. Tax (continued)

(b) Factors affecting the current tax charge for the period

The current tax assessed for the period is different from the standard rate of corporation tax in the UK of 28.0% (2009: 28.0%). The differences are explained below:

	2010 £'000	2009 £'000
Loss before tax	(759)	(2,519)
Loss multiplied by standard rate of corporation tax in the UK of 28.0% (2009: 28.0%)	(212)	(705)
Accelerated capital allowances and other timing differences	218	1,109
Permanent differences	130	159
Pension contribution relief in excess of pension cost charge	(67)	-
Adjustment in respect of prior periods	581	-
Current tax charge for period (Note 6(a))	650	563

The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28.0% to 27.0% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1.0% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements. The effect of the change now enacted in the Finance (No 2) Act 2010 which reduces the main corporation tax rate from 28.0% to 27.0% with effect from 1 April 2011 would be to reduce the deferred tax liability provided at 30 June 2010 by approximately £118k.

7. Profit of the Company

The Company has not presented its own profit and loss account, as permitted by section 480(1) (b) Companies Act 2006. The profit before and after tax for the financial period in respect of the Company was £5.4m and £3.9m (2009: £4.1m and £3.2m) respectively.

8. Tangible fixed assets

	Stadium	Centre of Excellence	Other buildings	Land	Other fixed assets	Group Total	Company Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 June 2009	134,963	1,722	1,797	37,629	4,687	180,798	40,414
Additions	1,192	689	9	-	421	2,311	92
Disposals	(1,003)	-	-	-	(61)	(1,064)	-
At 30 June 2010	135,152	2,411	1,806	37,629	5,047	182,045	40,506
Accumulated depreciation							
At 1 June 2009	33,686	18	596	-	2,149	36,449	1,462
Charge for the period	4,211	206	157	-	665	5,239	225
Disposals	(1,003)	-	-	-	(61)	(1,064)	-
At 30 June 2010	36,894	224	753	-	2,753	40,624	1,687
Net book value							
At 30 June 2010	98,258	2,187	1,053	37,629	2,294	141,421	38,819
At 31 May 2009	101,277	1,704	1,201	37,629	2,538	144,349	38,952

Included within the above depreciation charge is accelerated depreciation of £0.3m (2009: £nil) as set out in Note 4.

Included in the cost of the stadium are cumulative capitalised interest costs of £4.6m (2009: £4.6m). The depreciation charge includes an amount of £0.1m (2009: £0.1m) representing the depreciation of interest previously capitalised.



Notes to the financial statements

for the 13 month period ended 30 June 2010 (continued)

8. Tangible fixed assets (continued)

All the Land and Other buildings are held under a freehold interest. Elements of the Stadium are subject to a 999 year lease and the Centre of Excellence is subject to a 99 year lease.

The net book value of the Group's tangible fixed assets include £0.5m (2009: £0.8m) (Company: £nil (2009: £nil) in respect of assets held under hire purchase arrangements. The depreciation charge on these assets amounted to £0.1m (2009: £0.1m) (Company: £nil (2009: £nil).

Other fixed assets comprise plant and machinery and fixtures and fittings. The tangible fixed assets of the Company predominantly relate to land as shown above.

9. Investments

The Group holds no material investments.

The Company held a £50,000 equity investment in Millennium Stadium plc and a £10,000 equity investment in WRU National Centre of Excellence Limited at both 30 June 2010 and 31 May 2009. Both investments are held at historical cost.

Subsidiary and other investments held directly by the Company and in which the Company has a beneficial interest, as at 30 June 2010 and 31 May 2009 were:

Company	Principal activity	Country of incorporation	% holding of ordinary shares
Millennium Stadium plc	Stadia operation	United Kingdom	100%
WRU Supporters Club Limited	Marketing	United Kingdom	100%
WRU National Centre of Excellence Limited	Provision of training facilities	United Kingdom	100%
Six Nations Rugby Limited	Competition management	Republic of Ireland	17%
European Rugby Cup Limited	Competition management	Republic of Ireland	17%
Celtic Rugby Limited	Competition management	Republic of Ireland	33%
British and Irish Lions Limited	Overseas rugby tours	Republic of Ireland	25%

Given the disposition of the other shareholdings, the Group's inability to exercise significant influence over the investments above with less than 100% shareholdings and the immateriality of their net surpluses and net assets after receipt of income by the Group in the other investments above, the Directors do not believe that these investments fall to be treated as associate companies. Fixed assets investments are stated at the lower of cost and valuation.

Cardiff County Council ("CCC") own one share in Millennium Stadium plc; this share grants only certain rights and does not grant CCC any dividends nor any rights to amounts receivable upon winding up.

10. Stock

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Goods for resale	61	112	-	-

11. Debtors

Amounts due within one year:

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade debtors	2,703	5,596	1,313	3,262
Loans due from Regions	1,300	-	1,300	-
Loans due from clubs	613	549	613	549
Less: provision for impairment of receivables	(1,107)	(1,044)	(714)	(702)
	3,509	5,101	2,512	3,109
Prepayments and other debtors	2,341	3,930	840	572
	5,850	9,031	3,352	3,681

Amounts due after more than one year:

Amounts due from subsidiary undertakings	-	-	23,497	15,179
Loans due from clubs	22	44	22	44
	22	44	23,519	15,223
Total debtors	5,872	9,075	26,871	18,904

The amounts due from subsidiary undertakings are unsecured, non-interest bearing and have no fixed dates of repayment.

The carrying amount of debtors is a reasonable approximation of fair value.

As of 30 June 2010, trade debtors and loans due from clubs with a carrying value of £1.2m (2009: £1.1m) were impaired and provided for. The amount of the provision was £1.1m as of 30 June 2010 (2009: £1.0m). The ageing of these debtors is as follows:

	2010 £'000	2009 £'000
3 to 6 months past due	29	17
Over 6 months past due	1,175	1,111
	1,204	1,128

The debtors determined as individually impaired were amounts in excess of 3 months past due that were owed by various categories of customer. These debts have not been written off and the Group are pursuing these amounts due.

Trade debtors that are less than three months past their due date are not considered impaired. As of 30 June 2010, trade debtors of carrying value of £0.6m (2009: £1.3m) were past their due date but not impaired. These are balances from a number of independent customers and the credit risk on these customers is assessed as low. The ageing of trade debtors that are past due but not impaired is the following:

	2010 £'000	2009 £'000
Up to 3 months past due	326	345
3 to 6 months past due	182	236
Over 6 months past due	120	677
	628	1,258

The carrying amounts of the Group's debtors are all denominated in UK Sterling ("GBP").



Notes to the financial statements

for the 13 month period ended 30 June 2010 (continued)

11. Debtors (continued)

Movements on the provision for impairment of trade debtors are as follows:

	2010 £'000	2009 £'000
At start of period	(1,044)	(748)
Debtors written off during the period	212	27
New amounts charged to profit and loss	(275)	(323)
At end of period	(1,107)	(1,044)

12. Cash at bank and in hand

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Cash balance at bank	1,000	4,170	941	4,150

13. Creditors

Amounts falling due within one year:

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Bank loans	3,466	1,862	-	-
Amounts due under hire purchase arrangements	199	209	-	-
Amounts due to subsidiary undertakings	-	-	62	374
Trade creditors	3,797	5,436	1,204	2,073
Corporation tax	4,159	3,509	3,947	3,509
Other tax and social security	254	363	205	310
Other creditors	266	260	266	260
Accruals and deferred income	9,289	8,746	7,116	5,361
	21,430	20,385	12,800	11,887

The amounts due to subsidiary undertakings are unsecured, non interest bearing and have no fixed dates of repayment.

Amounts falling due after more than one year:

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Bank loans	39,670	42,021	-	-
Derivative financial liability (note 14)	-	3,271	-	-
Amounts due under hire purchase arrangements	100	298	-	-
Debentures	37,325	37,325	37,325	37,325
Deferred income	326	512	-	-
	77,421	83,427	37,325	37,325

13. Creditors (continued)

Maturity analysis:

Bank loans are due:	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Within one year	3,466	1,862	-	-
Between one and two years	2,014	1,849	-	-
Between two and five years	6,130	5,555	-	-
In more than five years	31,526	34,617	-	-
	43,136	43,883	-	-

On 2 July 2010 the Group restructured its debt facilities. Details of the restructure are shown in Note 26.

The Group's term loan is repayable by fixed amounts per quarter, inclusive of interest and capital. The maturity analysis above is based on an estimation of LIBOR by the Directors for the remaining term.

The Group has not, during the period, amended the agreed repayment profile but if the Directors' estimate above is incorrect then the maturity analysis will change accordingly.

The principal terms of these loans are set out below:

Bank loans	Interest and capital repayment terms	2010 £'000	2009 £'000
Revolving credit facility	LIBOR plus 1.50%, loan repayable on maturity date	1,500	-
Term loan	LIBOR plus 1.50%, loan repayment in instalments by 2033	31,636	33,945
Tranche C	Interest and capital is payable only in the event of default or certain other defined events	10,000	10,000
		43,136	43,945
Unamortised arrangement fees		-	(62)
		43,136	43,883

The principal terms of the bank loans shown above relate to the primary instrument and do not take account of derivative instruments.

Interest on amounts drawn on the revolving credit facility is referenced to the LIBOR rate applicable to the draw period. At 30 June 2010 the revolving credit facility was drawn for a period of 1 month.

Interest on the term loan is re-priced every 3 months and referenced to 3 month LIBOR.

The carrying amounts of the Group's borrowings approximate their value.

The carrying amounts of the Group's borrowings are all denominated in GBP.

Security provided on bank loans

Bank loans totalling £43.1m (2009: £43.9m) are secured by fixed and floating charges over the assets of the Company and certain of its subsidiaries.

Borrowing facilities

The Group has £8.5m (2009: £10.0m) of undrawn committed borrowing facilities available at 30 June 2010 in respect of which all conditions precedent had been met at that date. The Group's borrowing facilities were restructured shortly after the period end date (see Note 26).



Notes to the financial statements

for the 13 month period ended 30 June 2010 (continued)

13. Creditors (continued)

Obligations under hire purchase agreements are due:

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Within one year	214	237	-	-
Between one and two years	123	213	-	-
Between two and five years	-	123	-	-
	337	573	-	-
Less: finance charges allocated to future periods	(38)	(66)	-	-
	299	507	-	-

The hire purchase agreements above are secured on the assets for which this finance was used to acquire.

Debenture loans are repayable in:

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
2021	360	360	360	360
2024	24,587	24,587	24,587	24,587
2027	2,425	2,425	2,425	2,425
2028	350	350	350	350
2030	4,833	4,833	4,833	4,833
2035	1,795	1,795	1,795	1,795
2050	2,975	2,975	2,975	2,975
	37,325	37,325	37,325	37,325

All debenture loans are unsecured and bear no interest.

Bank and debenture loans repayable by instalments wholly or partly after 5 years

Bank loans, with a total value of £43.1m (2009: £43.9m), are repayable wholly or partly from the balance sheet date by instalments. Of these amounts, £31.5m (2009: £34.6m) is repayable after five years.

Debenture loans, with a total value of £37.3m (2009: £37.3m), are repayable wholly from the balance sheet date. Of these amounts, £37.3m (2009: 37.3m) is repayable after five years.

14. Borrowings and financial instruments

Treasury policy

Treasury activity is focused on monitoring working capital, managing external funding and managing interest rate risk. Treasury activity is not a profit centre and the Group neither enters into transactions of a speculative nature nor trades in financial instruments. Treasury risk management policies are summarised below:

- **Foreign exchange risk** – where applicable, the Group mitigates foreign exchange risk with the use of forward contracts. As at 30 June 2010 the Group had no material foreign exchange risk (2009: nil).
- **Interest rate risk** – operations are financed through a mixture of bank borrowings, debenture loans and hire purchase arrangements. The Group currently borrows in floating rates of interest and also uses derivative financial instruments to generate the desired interest profile and to manage exposure to interest rate fluctuations. At 30 June 2010 some 54% (2009: 100%) of bank borrowing was subject to hedging arrangements. This is a lower proportion than normal policy but is a short term consequence of the termination of previous instruments (as described below) and refinancing post the balance sheet date (see Note 26).
- **Liquidity risk** – the Group's policy is to maintain a balance between continuity of funding and flexibility. As at 30 June 2010, 15% (2009: 12%) of borrowings were due to mature within five years, some 70% (2009: 28%) were due to mature between five years and fifteen years and some 15% (2009: 60%) were due to mature after fifteen years. On 2 July 2010 the Group restructured its debt facilities; details of the restructure are shown in Note 26.

Financial instruments

At 31 May 2009 the average notional principal amounts of derivatives relating to interest rate swap and cap and collar agreements were £35.5m and are analysed as follows:

Instrument	Principal £'000	Fair market value £'000	Gain/(loss) £'000	Maturity date
Interest rate swap 5.39%	12,000	13,433	(1,433)	31 December 2018
Interest rate cap 5.20%	25,000	24,138	862	31 March 2017
Interest rate floor 4.75%	22,000	24,700	(2,700)	31 March 2017

On 30 June 2010 the Group terminated the derivative financial instruments above at a cost of £5.0m. Of this, £3.2m had previously been recognised through the profit and loss account, being the movement on the fair value of the derivative instruments at 31 May 2009. The remaining charge of £1.8m has been recognised within financing costs in 2010 (Note 3) as the fair value movement applicable to the current period.

Immediately after closing the instruments above, the Group entered in to new derivative instruments as detailed below.

Instrument	Principal £'000	Fair market value £'000	Gain/(loss) £'000	Maturity date
Interest rate cap 3.00% (effective from 30 June 2010)	18,000	17,981	19	30 June 2012
Interest rate cap 3.75% (effective from 30 June 2012)	15,200	14,837	363	30 June 2018
Interest rate floor 2.10% (effective from 30 June 2012)	15,200	15,370	(170)	30 June 2018



Notes to the financial statements

for the 13 month period ended 30 June 2010 (continued)

14. Borrowings and financial instruments (continued)

During the period to 30 June 2010, none of the Group's derivatives qualified for hedge accounting under FRS 26 (2009: £nil). These instruments are carried at fair value as analysed below:

	2010 £'000	2009 £'000
Interest rate swap	-	(1,433)
Interest rate cap	382	862
Interest rate floor	(170)	(2,700)
Derivative financial asset/(liability)	212	(3,271)

In accordance with FRS 26, 'Financial instruments: Recognition and measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. The Group has no such embedded derivatives as per FRS 26.

The Company has no derivative financial instruments or embedded derivatives.

15. Deferred income

Grants	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
At start of period	45,560	45,920	-	-
Grant received	272	1,161	-	-
Amounts repaid	(1,100)	-	-	-
Released to the profit and loss account	(1,703)	(1,521)	-	-
As at end of period	43,029	45,560	-	-

During the period some £1.7m (2009: £1.5m) was released to the profit and loss account from the grant amount shown above.

Included within the grants amounts above is an amount received from the Big Lottery Fund (formerly the Millennium Commission) amounting to £33.1m (2009: £34.4m). This grant will be released to the profit and loss account as follows:

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Within one year	1,196	1,196	-	-
Between one and two years	1,196	1,196	-	-
Between two and five years	3,588	3,588	-	-
In more than five years	27,163	28,459	-	-
	33,143	34,439	-	-

In certain circumstances, the above grant can become repayable if the Group fails to meet the monitoring requirements of the grant. The Group is currently in full compliance with the monitoring requirements such that no monies are repayable under the terms of the grant.

16. Provisions for liabilities and charges

Deferred tax

The movement on deferred tax is as follows:

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Balance at start of period as previously stated	4,989	4,852	-	-
Adjustment in respect of adoption of FRS 26	(916)	270	-	-
Balance at start of period as restated	4,073	5,122	-	-
Released to the profit and loss account	(750)	(1,049)	-	-
At end of period	3,323	4,073	-	-

Deferred tax provided/(recognised) is made up as follows:

Accelerated capital allowances	4,265	5,514	-	-
Tax losses carried forward	-	(523)	-	-
Other timing differences	(942)	(918)	-	-
	3,323	4,073	-	-

The Group is currently in discussions with HM Revenue & Customs regarding the extent to which the expenditure on the Millennium Stadium qualifies for tax relief. When these discussions are concluded, it is possible that an adjustment will be required to the provisions for corporation tax and deferred tax but it is not possible to quantify the likely amount and direction of this adjustment at this time. The Directors believe, based on external opinion, that the Group has meritorious arguments as regards the treatment adopted and that no significant further liability is expected from that already reflected in the financial statements.

17. Company limited by guarantee

The liability of the members is limited. Every member of the Company undertakes to contribute such amounts as may be required (not exceeding £1) to the Company's assets if it should be wound up while the member is a member, or within one year after a member ceases to be a member, for payment of the Company's liabilities contracted before a member ceased to be a member. The number of members is 241 (2009: 241).



Notes to the financial statements

for the 13 month period ended 30 June 2010 (continued)

18. Reserves

	Profit and loss account £'000	Other reserves £'000	Total £'000
Group			
At 1 June 2008 as previously stated	3,523	2,314	5,837
Prior period adjustment	694	-	694
At 1 June 2009 as restated	4,217	2,314	6,531
Profit for the period ended 31 May 2009	1,016	-	1,016
Actuarial loss on pension fund	(512)	-	(512)
Movement in deferred tax on pension fund	160	-	160
Prior period adjustment	(3,049)	-	(3,049)
At 1 June 2009 as restated	1,832	2,314	4,146
Retained loss for the period ended 30 June 2010	(726)	-	(726)
Actuarial loss on pension fund	(512)	-	(512)
Deferred tax movement on pension schemes	147	-	147
At 30 June 2010 – including pension liabilities	741	2,314	3,055
Pension liabilities	308	-	308
At 30 June 2010 – excluding pension liabilities	1,049	2,314	3,363

Adoption of FRS 26

The adoption of FRS 26 gives rise to a prior period adjustment. This adjustment, which has an impact on net assets, is analysed below, together with the effect of the adoption on current period results.

	Impact on periods prior to 2009 £'000	Impact on 2009 £'000	Total £'000	Impact on 2010 £'000
Changes in accounting policy (see Note 1)				
- Adoption of FRS 26	964	(4,235)	(3,271)	3,271
- Deferred tax arising from adoption of FRS 26	(270)	1,186	916	(916)
Total	694	(3,049)	(2,355)	2,355

During the period to 30 June 2010, the Group closed derivative financial instruments resulting in a realised loss of £5.0m. The adoption of FRS 26 requires derivative financial instruments to be held at fair value. Consequently, pre-deferred tax, £3.2m of this realised loss is carried back to periods prior to 2010. Had FRS 26 not been adopted the full £5.0m realised loss on closure of the derivative financial instruments would be recognised in the current period.

	Profit and loss account £'000	Other reserves £'000	Total £'000
Company			
At 1 June 2009	10,129	2,610	12,739
Retained profit for the period	3,884	-	3,884
Actuarial loss on pension schemes	(512)	-	(512)
Deferred tax movement on pension schemes	147	-	147
At 30 June 2010 – including pension liabilities	13,648	2,610	16,258
Pension liabilities	308	-	308
At 30 June 2010 – excluding pension liabilities	13,956	2,610	16,566

Company - retained profit for the period is analysed as follows:

	2010 £'000
Profit before tax	5,446
Tax charge	(1,562)
	3,884

19. Contingent liabilities

Group

The Group had the following contingent liabilities as at 30 June 2010:

- The Group has guaranteed the performance of some member clubs in respect of loans that the member clubs have received from Barclays Bank plc. The amounts due are £1.4m (2009: £1.5m).

Company

The Company had the following contingent liabilities as at 30 June 2010:

- The Company has guaranteed the performance of one of its subsidiaries under the terms of banking arrangements and grant arrangements amounting to £43.1m (2009: £43.9m) and £43.0m (2009: £45.6m) respectively.
- The Company has guaranteed the performance of some member clubs in respect of loans that member clubs have received from Barclays Bank plc. The current balance is £1.4m (2009: £1.5m).

The Group and Company are dealing with a small number of legal claims. The Directors have reviewed all of these claims and, on the basis of legal advice received, believe that no provision is necessary. Consequently no provision for these claims has been included in these financial statements.

20. Commitments

Capital commitments of the Group:

	2010 £'000	2009 £'000
Authorised and contracted:	2,984	812

The Company has no capital commitments (2009: £nil)

Operating lease commitments:

At the balance sheet date, the Group had the following annual commitments, under non-cancellable operating leases:

	2010 £'000	2009 £'000
Land and buildings		
Expiring after five years	316	220

21. Pension costs

The assets of the defined contribution pension schemes are held separately from those of the Group, under independent administration. The pension cost charge for these schemes represents contributions payable by the Group to the schemes in the period amounting to some £0.4m (2009: £0.3m). There are no material amounts included in creditors in respect of these pension costs in 2010 or 2009.

The Group operates a defined benefit pension scheme as follows:

The Welsh Rugby Union Limited Senior Employees' Pension Scheme ("WRUSEPS")

WRUSEPS is a defined benefit scheme which is closed to new entrants and to future accrual. The WRUSEPS assets are held in separate trustee administered funds. Contributions to WRUSEPS are assessed in accordance with the advice of an independent qualified actuary on the basis of triennial valuations.

The latest valuation of WRUSEPS, prepared as at 1 May 2007, was based on the Projected Unit Method of Valuation and the market value of its assets at that date was some £1.6m. The contribution rates of the Group were 0% of pensionable pay from 1 June 2009. The Group's contributions for the period amounted to £nil (2009: £nil). No material amounts at 30 June 2010 or 31 May 2009 were included in creditors, being contributions collected from the employees and the Company at the period end not yet paid over to the WRUSEPS.



Notes to the financial statements

for the 13 month period ended 30 June 2010 (continued)

21. Pension costs (continued)

The Group has elected to account for defined benefit pension schemes in accordance with FRS 17 which prescribes the basis for valuing defined benefit scheme assets and liabilities. The prescribed basis for valuing the schemes' liabilities differs from the basis used by the schemes' actuaries in producing periodic valuations of the schemes.

The main financial assumptions used in the valuation of the pension schemes under FRS 17 are:

	2010 %	2009 %	2008 %
Assumptions			
Inflation	3.4	3.4	3.8
Rate of increase in salaries	0.0	5.4	5.8
Rate of increase of pensions in payment	3.4	3.4	3.8
Rate of increase of pensions in deferment	3.4	3.4	3.8
Discount rate	4.1	5.4	6.3
	Years	Years	Years
Life expectancy of a 65 year old woman at end of period	90	90	90
Life expectancy of a 65 year old man at end of period	87	87	87

Life expectancy assumptions are based on those in published actuarial tables PNMA00 and PNFA00, projected to calendar years 2040 (with a one year deduction) and 2015 for 2010 and 2009 respectively.

WRUSEPS has a number of purchased annuities in respect of past retirements. These are understood to match fully the associated liabilities and so have been excluded from both the assets and liabilities. In addition, WRUSEPS has additional voluntary contributions invested; these are also understood to match fully the associated liabilities and so have been excluded from both the assets and liabilities.

	Expected rate of return %	2010 £'000	Expected rate of return %	2009 £'000
Assets				
Group pension contract	4.7	1,296	5.2	1,686
Cash	4.1	3	-	-
		1,299		1,686

The following amounts at end of period have been measured in accordance with the requirements of FRS 17:

	2010 £'000	2009 £'000
Fair market value of assets	1,299	1,686
Actuarial value of liabilities	(1,727)	(1,841)
Excess of liabilities over assets	(428)	(155)
Related deferred tax asset	120	40
Net pension liability	(308)	(115)

21. Pension costs (continued)

The amounts recognised in the financial statements are as follows:

	2010 £'000	2009 £'000
Operating profit		
Current service costs	20	77
Cost of settlements and curtailments	(262)	-
	(242)	77
Other finance income		
Expected return on pension scheme assets	86	114
Interest on pension scheme liabilities	(89)	(85)
Net return	(3)	29

	2010 £'000	2009 £'000
Statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	(147)	(123)
Experience gains/(losses) arising on the scheme liabilities	63	(214)
Changes in assumptions underlying the present value of the scheme liabilities	(428)	(175)
Actuarial loss recognised in the consolidated statement of total recognised gains and losses	(512)	(512)

	2010 £'000	2009 £'000
Reconciliation of present value of scheme liabilities		
At beginning of the period	1,841	1,404
Movement in period:		
Current service cost	20	77
Interest cost	89	85
Member contributions	3	11
Benefits paid	(329)	(125)
Settlements and curtailments	(262)	-
Actuarial loss	365	389
Present value of scheme liabilities at end of the period	1,727	1,841

	2010 £'000	2009 £'000
Reconciliation of fair value of scheme assets		
At beginning of the period	1,686	1,815
Movement in period:		
Expected return on scheme assets	86	114
Employer contributions	-	(6)
Member contributions	3	11
Benefits paid	(329)	(125)
Actuarial loss	(147)	(123)
Fair value of scheme assets at end of the period	1,299	1,686

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the period was £(61,000) (2009: £(9,000)).



Notes to the financial statements

for the 13 month period ended 30 June 2010 (continued)

21. Pension costs (continued)

Movement in liability during the period	2010 £'000	2009 £'000
(Liability)/surplus at beginning of the period	(155)	411
Movement in period:		
Current service cost	(20)	(77)
Contributions	-	(6)
Settlements and curtailments	262	-
Other finance (cost)/income	(3)	29
Actuarial loss	(512)	(512)
Pension scheme liability at end of the period	(428)	(155)

Amounts for current period and previous four periods

	2010	2009	2008	2007	2006
Defined benefit obligation (£'000)	(1,727)	(1,841)	(1,404)	(1,573)	(1,435)
Plan assets (£'000)	1,299	1,686	1,815	1,855	1,601
(Deficit)/surplus (£'000)	(428)	(155)	411	282	166
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	(147)	(123)	(219)	77	106
Percentage of scheme assets	(11)%	(7)%	(12)%	4%	7%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	63	(214)	365	15	(12)
Percentage of the present value of the scheme liabilities	4%	(12)%	26%	1%	(1)%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	(428)	(175)	(26)	42	(128)
Percentage of the present value of the scheme liabilities	(25)%	(10)%	(2)%	3%	(9)%

22. Reconciliation of operating profit to net cash inflow from operating activities

	Pre-exceptional 2010 £'000	Exceptional 2010 £'000	Total 2010 £'000	2009 £'000
EBITDA	27,641	-	27,641	24,505
Allocations to affiliated organisations	(19,964)	-	(19,964)	(16,993)
Exceptional items	-	(22)	(22)	(490)
Depreciation	(4,977)	(262)	(5,239)	(4,322)
Release of deferred income	1,703	-	1,703	1,521
Operating profit	4,403	(284)	4,119	4,221
Non-cash items:				
Depreciation	4,977	262	5,239	4,322
Release of deferred income	(1,703)	-	(1,703)	(1,521)
	3,274	262	3,536	2,801
Working capital adjustments:				
Decrease / (increase) in stock	51	-	51	(37)
Decrease / (increase) in debtors	2,937	-	2,937	(3,673)
(Decrease) / increase in creditors	(1,041)	-	(1,041)	2,466
	1,947	-	1,947	(1,244)
Net cash inflow from operating activities	9,624	(22)	9,602	5,778

The amount of £(22k) (2009: £600k) shown above as exceptional cash (outflow)/inflow represents payments made in respect of the reorganisation and litigation issues, net of receipts from the rates reassessment and debts previously provided for (see Note 4).

23. Reconciliation of net cash flow to movement in net debt

	2010 £'000	2009 £'000
(Decrease)/increase in cash in the period	(3,170)	1,082
Cash outflow from movement in debt and hire purchase arrangements	1,017	1,366
Non-cash changes	(62)	(5)
(Increase)/decrease in net debt during the period	(2,215)	2,443
Net debt at the beginning of the period	(77,545)	(79,988)
Net debt at the end of the period	(79,760)	(77,545)



Notes to the financial statements

for the 13 month period ended 30 June 2010 (continued)

24. Analysis of net debt

	Cash	Bank debt due within one year	Bank debt due after one year	Hire purchase arrangements	Debentures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 May 2009	4,170	(1,862)	(42,021)	(507)	(37,325)	(77,545)
Cashflow	(3,170)	1,869	(1,060)	208	-	(2,153)
Non-cash changes	-	(3,473)	3,411	-	-	(62)
At 30 June 2010	1,000	(3,466)	(39,670)	(299)	(37,325)	(79,760)
At 31 May 2008	3,088	(503)	(44,430)	(818)	(37,325)	(79,988)
Cashflow	1,082	510	545	311	-	2,448
Non-cash changes	-	(1,869)	1,864	-	-	(5)
At 31 May 2009	4,170	(1,862)	(42,021)	(507)	(37,325)	(77,545)

25. Related party transactions

In accordance with the exemption afforded by FRS 8, 'related party transactions', there is no disclosure in these financial statements of transactions with entities that are part of the Group.

26. Post balance sheet events

On 2 July 2010 the Group replaced its existing loan facilities with a revised arrangement. The £31.6m term loan was repaid and immediately replaced with a new £25.0m facility.

The Group also amended its revolving credit facility. The previous £10.0m facility was replaced with a new £15.0m. The Group drew £8.0m of this facility immediately on 2 July 2010.



Independent auditors' report to the members of The Welsh Rugby Union Limited

We have audited the group and parent company financial statements (the "financial statements") of The Welsh Rugby Union Limited for the 13 month period ended 30 June 2010 which comprise the Consolidated Profit and Loss Account, the Group and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 52 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

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 parent 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.

Opinion on financial statements

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 2010 and of the group's loss and cash flows for the 13 month period 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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.

Mark Ellis (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

31 August 2010



Welsh Rugby Union governance

for the 13 month period ended 30 June 2010

Patron and Office Bearers:

Patron

Her Majesty Queen Elizabeth II

Vice Patron

His Royal Highness Prince William

President

Dennis Gethin

Governance of Welsh Rugby

The principal activity of the Group is to promote, foster, encourage, control and improve the game of rugby throughout Wales. The Board of The Welsh Rugby Union Limited ("Board") is responsible for ensuring that the principal activity is managed which it does through the Welsh Rugby Group Executive Board. The Board comprises a non-executive chairman, sixteen non-executive directors and one executive director.

The Board of The Welsh Rugby Union Limited

Non-executive chairman:

David Pickering

Executive:

Roger Lewis (Group Chief Executive)

Non-executive members:

Kenneth Hewitt (vice non-executive chairman)

Mal Beynon

Gerald Davies CBE, DL

Martin Davies

Geraint Edwards

Humphrey Evans

Brian Fowler

Roy Giddings

Russell Howell

Stuart Gallacher (appointed on 1 June 2009)

Peredur Jenkins

Anthony John

Alan Jones

John Jones

Aurwel Morgan

Ray Wilton

Company secretary

Mike Jefferies (resigned on 30 August 2009)

Steve Phillips (appointed as joint company secretary on 27 August 2009 and resigned on 4 March 2010)

Gareth Williams (appointed on 4 March 2010)

Welsh Rugby Group – Executive Board

Chairman: Roger Lewis (Group Chief Executive)

Executive:

Tim Burton Head of Operations

Gwyn Dolphin Head of Marketing (resigned on 9 October 2009)

Mike Jefferies Head of Legal Services (resigned on 30 August 2009)

Rhodri Lewis Head of Legal Affairs (appointed on 2 August 2010)

Joe Lydon Head of Rugby Performance & Development

Julie Paterson Head of Compliance

Steve Phillips Group Finance Director

Gerry Toms Stadium Manager

John Williams Head of Communications



Bridget Hall, Welsh PA of the Year





Welsh Rugby Union governance for the 13 month period ended 30 June 2010 (continued)



Cardiff Arms prepares for match day



Roy Giddings watches a match

Board Committees

During the period, the Board operated three principal sub-committees to assist in its business. The role and membership of the sub committees were as follows:

The Finance Committee, chaired by Martin Davies comprised David Pickering, Kenneth Hewitt, Roger Lewis, Humphrey Evans, John Jones and Steve Phillips. It is responsible for all financial matters of the Group other than dealing with the Group's auditors.

The Regulatory Committee, chaired by Mal Beynon, included Russell Howell, Geraint Edwards, Brian Fowler, Ray Wilton and Aurwel Morgan. It is responsible for disciplinary matters and the management of all leagues and cup competitions in operation.

The Game Policy Committee, chaired by Alan Jones, included Roy Giddings, Stuart Gallacher, Gerald Davies, Joe Lydon, Peredur Jenkins and Anthony John. Non-Board members included David Matthews, Ian Parker, Sophie Bennett and Martyn Ryan (who replaced Rolph James who sadly passed away during the period). It is responsible for the development of the game at all levels, including age groups, coaching and referees.

Development of Corporate Governance

Both the Board and the Executive Board remain committed

to the continuing development of governance structures, in order to meet the evolving needs of the game of rugby union.

The Board & Executive Board acknowledge the value of the principles of good governance as set out in the combined code. The Group are committed to adopting the principles of best practice in corporate governance. Where applicable, all Board members have undergone training in the role of the non-executive director, delivered by the Institute of Directors. The Group are committed to further training and development of the Board.

Board and Executive Board

There is a clear division of responsibility between the role of non-executive Chairman and Group Chief Executive. There is a detailed limit of authority protocol in place for both the Board and the Executive Board. All Executive Board members have detailed job descriptions in addition to limits of authority.

The Board meets on a monthly basis and considers all matters under its terms of reference which include the development and monitoring of the Group's strategic plan, allocation of financial resources, reviewing the performance of the Group Chief Executive and Executive Board and approval of annual budgets.

In addition, the Board considers the recommendations of the Board's standing committees, whose responsibilities relate to Finance, Regulatory and Game Policy as shown above.

Appointments and Remuneration Panel

The Appointments and Remuneration Panel advises the Board on the remuneration and terms and conditions of employment of the Group Chief Executive and the Executive Board. The panel consists of the Chairman of the Board, the Vice-Chairman of the Board, the three heads of standing sub-committees: Finance, Game Policy and Regulatory and Alun Thomas (FCA) as a Non-Board member.



Brian Fowler and Mal Beynon



Roger Lewis and Stuart Gallacher

The Audit Panel

The Audit Panel, chaired by Martin Davies, included John Jones and also David Hammond as a non-Board member. It is responsible for assisting the Board discharge its responsibilities for accounting policies, financial reporting, internal control and risk management and liaising with the Group's auditors.

Remuneration and benefits of the Board

Under the Group's remuneration policy, no fees are payable to non-executive Board members, other than the non-executive chairman who receives an annual fee of £35,000.

In addition, the Board are represented on other rugby bodies including The International Rugby Board ("IRB"), Six Nations Rugby Limited, European Rugby Cup Limited and Celtic Rugby Limited all of whom have a policy of financially compensating the representatives serving on these bodies.

The Board of Millennium Stadium plc

Non-executive chairman: David Pickering

Executive: Roger Lewis
Group Chief Executive)

Non-executive members:

Councillor Nigel Howells (vice non-executive chairman)

Mal Beynon

David Collins

Martin Davies

Geraint Edwards

Byron Davies (resigned 22 January 2010)

Ken Hewitt

Tom Morgan (appointed 22 January 2010)

Joanne Stanford

Roy Thomas

Company Secretary

Mike Jefferies (resigned on 30 August 2009)

Steve Phillips (appointed as joint company secretary on 27 August 2009)



Welsh Rugby Union governance for the 13 month period ended 30 June 2010 (continued)



North Wales Academy



AGM 2009



Staff at work

Registered office and advisers

Registered office

Millennium Stadium
Westgate Street
Cardiff
CF10 1NS

Independent auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Principal solicitors

Hugh James
Hodge House
114 - 116 St. Mary Street
Cardiff
CF10 1DY

Bankers

Barclays Bank PLC
3rd Floor
Windsor Court
3 Windsor Place
Cardiff CF10 3ZL

The Welsh Rugby Union Limited & Millennium Stadium plc
Millennium Stadium, Westgate Street, Cardiff CF10 1NS
Tel: + 44 (0)870 013 8600
Email: info@wru.co.uk
www.wru.co.uk
www.millenniumstadium.com





Obituaries

Gwyn Rowlands

Born: 19 December, 1928

Died: 29 April, 2010

Gwyn Rowlands' enjoyed the distinction of being among the six players who played on two winning sides against the 1953 All Blacks in the space of four weeks. First up was the 8-3 triumph for Cardiff on 21 November, followed the next month by a 13-8 triumph with Wales on 19 December. He had raced 30 metres to score a vital try in the Cardiff victory and helped set-up the other for Sid Judd with a well placed cross kick. He also added a conversion, giving him 12 points in the two victories over the tourists.

Although Rowlands was born and raised in Berkhamsted, he was eligible for Wales through residency when he was doing his national service at RAF St Athan and through his Welsh mother, Eleanor Evans. His father, John Jenkin Rowlands, had been born in London, but went to school in Towyn. Gwyn would follow his father into the medical world, taking over from him at their General Practice in Berkhamsted, where he worked for 41 years.

While based at St Athan, Gwyn joined Cardiff rugby club and he went on to play 99 games over six seasons for them. Prior to joining Cardiff, and winning his four Welsh caps, he played in two England trials in the 1948/49 season while a medical student in London. England's loss certainly became Wales' gain.

George Parsons

Born: 21 April, 1926

Died: 24 November, 2009

Newport lock George Parsons became the youngest second row to play for Wales when he made his debut against England at the Arms Park in 1947 at the age of 20 as one of 13 new caps in the first post war championship match. He was dropped for the game against Scotland, but then selected again to face France in Paris.

He boarded the Paddington Express with the team as they headed for London and then the cross-Channel ferry, but found himself confronted with an allegation he had been negotiating with a rugby league club.

Even though Parsons strenuously denied the charge, the WRU made him leave the train, suspended him for six weeks and never picked him again.

Parsons had been called up in 1944 and served with Royal Welsh Fusiliers. He played for Cardiff, Newport and Abertillery and also played for Combined Abertillery/Cross Keys XV against 1947 Australians. He switched codes on 21 January, 1948, leaving Abertillery for St Helens. He won the Challenge Cup in 1956 and won 12 Welsh RL caps and also played for Great Britain in a non-Test game against France.

David Horace Phillips

Born: 28 August, 1928

Died: 12 December, 2009

Horace Phillips is one of just three Welsh international players who won their sole appearance in a Wales Grand Slam decider.

Horace enjoyed his moment of glory on home turf at St Helen's in 1952. John Gwilliam's side had already won the Triple Crown and only the French stood between them and a second Grand Slam in three seasons. Horace was drafted into the side when Cliff Morgan withdrew through injury earlier in the week. A back line reshuffle saw Horace get his chance on the left wing.

The 9-5 victory was to be Horace's only game in a Welsh jersey, but he faced both the Springboks and the All Blacks for the All Whites, helping his side notch a 6-6 draw with Bob Stuart's 1953 New Zealand tourists.

Born in Birchgrove and educated at Dynevor Grammar School he went on to play 179 times for Swansea, scoring 53 tries. He did National Service in the RAF before making his debut for the All Whites in the 1950/51 season and stood in temporarily as captain during the 1955/56 season for the injured Billy Williams.

A teacher, he worked at Martin Street School in Morriston before serving as head teacher at Waunarlwydd Primary School between 1973 and 1982. He served Swansea RFC long after he hung up his boots and was a key figure in the Former Player's Association when it was first started in the club's centenary season of 1973/74.





Commercial partners

TITLE SPONSOR



BROADCAST PARTNERS



PRINCIPAL PARTNERS



COMMUNITY PARTNERS



SPONSORS/SUPPLIERS

