



The Welsh Rugby Union Limited
Annual Report 2008
Adroddiad Blynyddol 2008
Undeb Rygbi Cymru Cyf





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

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

Defining Wales as a nation

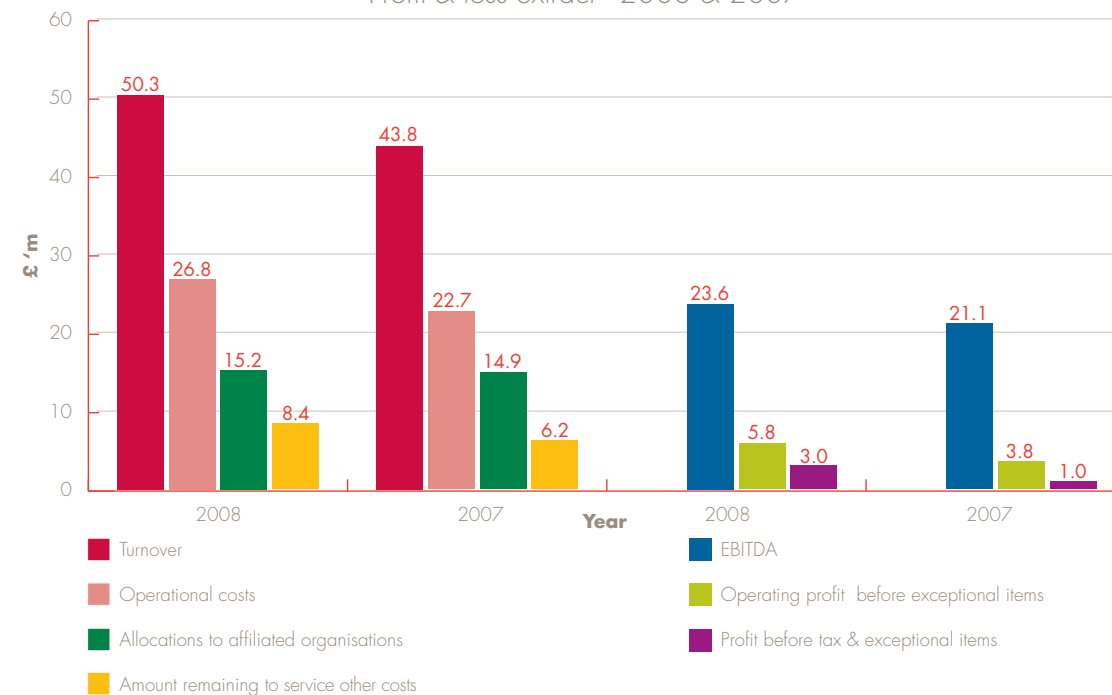
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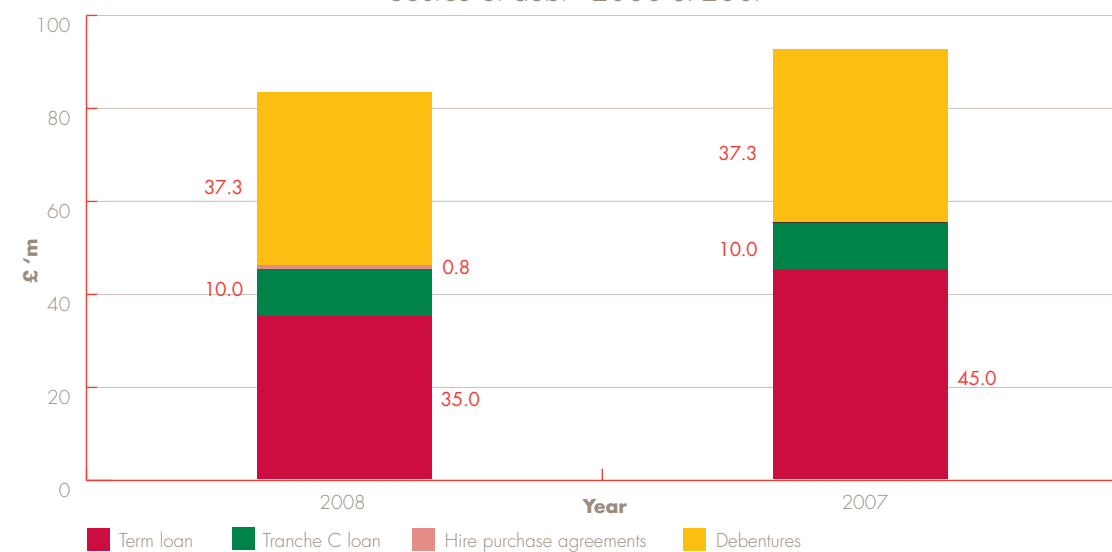
Financial highlights



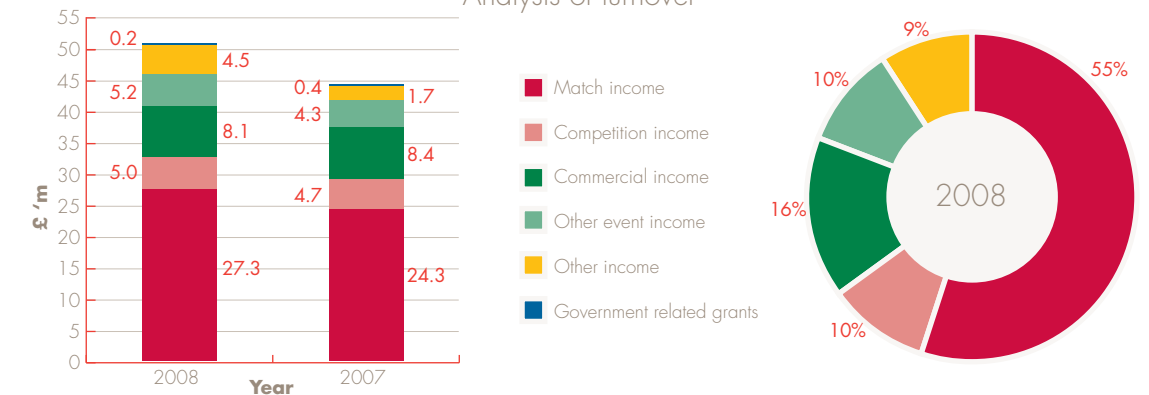
Profit & loss extract - 2008 & 2007



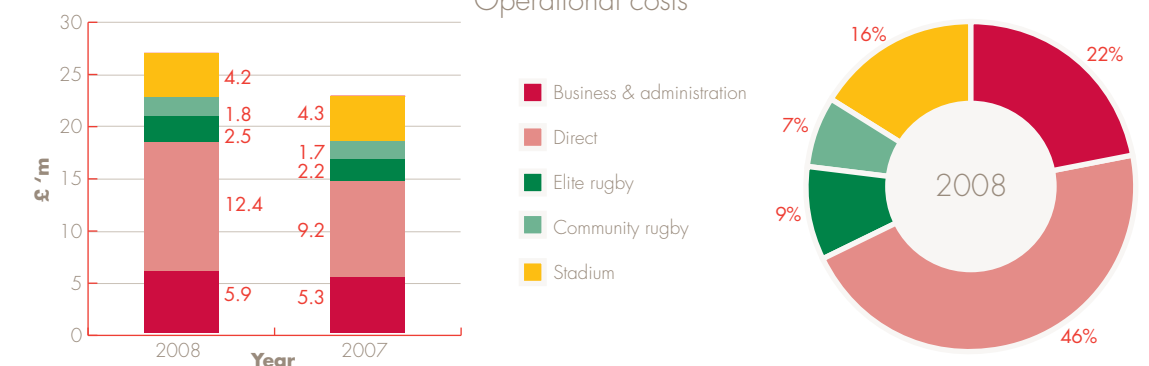
Source of debt - 2008 & 2007



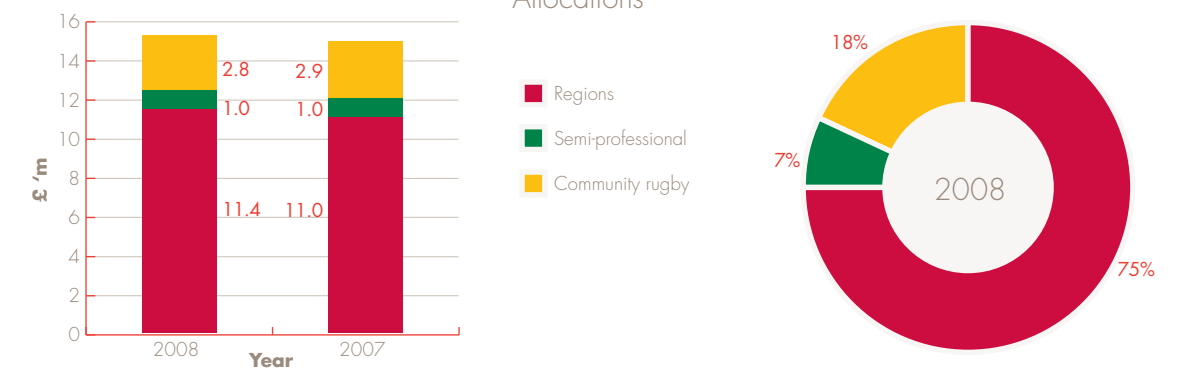
Analysis of turnover



Operational costs



Allocations



Chairman's statement

David Pickering

David Pickering
Chairman



Dennis Gethin and David Pickering

Headlines in the World Game

2007/08 has been a landmark year which has brought success and profit and seen Wales playing a lead in the game globally. It was a year we can reflect on with a great deal of pride. Welsh rugby, to its credit, has again lifted the greatest prize in the northern hemisphere by winning the RBS Six Nations Championship through our second Grand Slam in four years. Strong decision making by all in Welsh rugby played a major part in raising our performances on the national stage. Great credit must go to our Grand Slam winning senior international squad, the Board and our executive and coaching teams led by Roger Lewis and Warren Gatland, respectively.

Victory on the field has again been matched by success in the boardroom. Wales captured the prizes of staging part of Rugby World Cup 2007 ("RWC07"), the Heineken Cup Final and the inaugural IRB Junior World Championship; all of which helped preserve our proud status as leaders in the world game.

Financial

The financial performance of the Group was also pleasing, aided by the performance on the field, commercial success and sound financial stewardship. The Group generated earnings before interest, tax, depreciation, allocations to affiliated organisations and exceptional items of £23.6m; an increase of 12% on the prior year. This has allowed us to increase our

allocations to affiliated organisations (Regional, premiership and community organisations) from £14.9m to £15.2m, as well as being able to record a profit before tax of £2.0m, compared with a loss of £2.3m suffered in the prior year.

This financial performance has enabled us to reduce our net debt by £6.5m in the year. This, in turn, has allowed us to renegotiate our banking facilities to provide the Group with a more secure financial foundation to plan for the future.

Commercially our announcement of the new multi-million pound kit sponsorship deal with Under Armour has proved that Welsh rugby is a formidable force capable of attracting any company or organisation seeking to be associated with success.

The Millennium Stadium has had an outstanding year from staging a variety of popular events and managing to attract the best performers in the world as well as the best sporting events, such as RWC07. We look forward to welcoming back all three SANZAR rugby teams this autumn along with the world's leading players to grace the stage of the finest rugby stadium in the world.

Development of rugby

Development of our game is critical and I am pleased to see rugby go from strength to strength. We congratulate our age grade teams on their success at U16 and U18 level which shows that our young player development pathway is identifying and nurturing players of a calibre that has enabled us to finish fourth in the world at U19 and U20 IRB tournaments for two consecutive seasons. New grounds and stadia are being developed at our Regions with a new stadium at Llanelli and at Cardiff to match the Liberty Stadium in Swansea. These will be followed by a newly developed stadium at Rodney Parade. On the field, the Blues and the Ospreys reached the quarter finals of the Heineken Cup and the Ospreys won the EDF Energy Cup.

Three major reviews on elite rugby, the Premiership and the community game will result in further improvements to these key areas of our game and there was a welcome



Roger Lewis, Bernard Lapasset (IRB), David Pickering and Rick White (Invesco Perpetual) with the IRB Junior World Championship trophy

return of schools rugby being played at the Millennium Stadium, with two of the finals being won by Gowerton and Brynteg.

Our Board

We are delighted that Gerald Davies will manage the British and Irish Lions to South Africa in 2009 and I am honoured to represent Wales as Chairman for the next three years of the Six Nations Board and as an Executive Director of the IRB up to and including Rugby World Cup 2011.

At home, I want to congratulate Dennis Gethin on his election as our President and I am enjoying the opportunity this has offered us to work closely together. Finally, I would like to thank the Board for both their support and hard work, particularly my Vice-Chairman, Ken Hewitt, and the heads of our sub-committees, Alan Jones, Russell Howell and Martin Davies.

Conclusion

It would be inappropriate to conclude without recognising the sadness felt by myself and the whole of Welsh rugby for the loss of our friend Ray Gravell whose passing, during the year, was a loss both to our game, our nation and, of course, his friends around the world and his family. That sense of tragedy was compounded late in the season when an awful accident happened, which reminded us all how fragile our hold on life can be.

My thoughts of sympathy and condolence go to the family, friends and teammates of Gareth Jones, the Neath RFC scrum half who died after being seriously hurt in a game for his club against Cardiff RFC at the Arms Park.

Once again, this season has been a success with our reputation and standing enhanced, but I am determined that we keep our feet firmly on the ground. Next season promises to be tough year both on the field and equally challenging in financial terms. With only two home games in the RBS Six Nations, prudence and sound financial management remain at the heart of our game. Future generations will benefit from the key decisions we have taken to drive down the debt of the Group; down from over £70.0m to £45.0m in five years. We must and we will continue our sound fiscal stewardship of the Group, thereby ensuring that the game in Wales is secure for future generations to enjoy.

Thank you for your continuing support.

David Pickering
Chairman
The Welsh Rugby Union Limited

Group Chief Executive Overview



Roger Lewis welcomes Warren Gatland to Wales

Overview

I opened my overview in last year's annual report by stating that "our ambition is to create long-term sustainability for all of our activities both on and off the field, underpinned by sound financial management".

The positive results contained within this year's report indicate that we have assembled a group of people who possess the capability, attitude and integrity to deliver upon this ambition. I congratulate and thank everyone in the Welsh Rugby Union and Millennium Stadium for delivering such an outstanding year's results.

We can look back upon 2007/08 and draw great confidence for the future.

In the year ending 31 May 2008 we have:

- Achieved a Grand Slam
- Increased participation in the community game
- Staged a world-class, wide-ranging programme of events in our Millennium Stadium; the best in our history
- Produced a record turnover of £50.3m (up 15% on last year)
- Delivered a profit before interest, tax, depreciation, allocations to affiliated organisations and exceptional items of £23.6m (up 12% on last year)
- Allocated £15.2m to our affiliated organisations; an increase of £0.3m over last year

Roger Lewis
Group Chief Executive



- Generated a profit before tax of £2.0m (compared to the loss of £2.3m last year)
- Reduced our bank debt by £10.0m to £45.0m and reduced our net debt by £6.5m
- Renegotiated our arrangements with Barclays Bank PLC
- Ensured that the Group's financial position is stronger today than at any time previously since the Millennium Stadium opened in 1999

This financial performance was achieved during a Rugby World Cup year, not an ideal year for financial success, which is truly remarkable.

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 continues to be based upon its three pillars:

- Elite Rugby – leading Welsh rugby to the forefront of the global game in performance and reputation
- Community Rugby – developing grass roots rugby, increasing participation, supporting clubs and bringing communities together
- Stadium – promoting the Millennium Stadium as a unique, must play, must visit venue.

When we measure our performance over the past twelve months in the context of our vision and mission, I pay tribute to all of the people who have made these words real.

All of us throughout the Group pursue our values of integrity, excellence, success, courage, family and humour, working together to fulfil our purpose to promote, foster, encourage, control and improve rugby football in Wales.



Prince William talks to Jonathan Thomas

Key highlights

I would now like to highlight certain activities over the past twelve months:

Our Rugby:

At the elite level of the game the reputation and standing of Welsh rugby across the globe has been enhanced. Wales is now 6th in the IRB world rankings, having slipped to 10th, following our disappointing 2007 Rugby World Cup campaign.

November brought the inaugural Prince William Cup match between Wales and the defending World Champions, South Africa, with the trophy being presented by HRH Prince William, the Group's Vice-Patron.

Our current squad of international players is hugely talented and some have been rightly recognised as the most exciting players in the world game today.

The arrival of Warren Gatland into the Welsh Rugby Union has been a fundamental key success factor this year. He has brought with him a vision and an attitude to the game which will underpin our performance for years to come.

Alongside Warren, there has been assembled a hugely talented team of coaches and back-room staff who will take us to the 2011 Rugby World Cup and who will help shape the future of Welsh rugby.

Group Chief Executive

Overview (continued)



Roger Lewis greets new defence coach Shaun Edwards as head performance analyst Rhys Long looks on

Together, this group of people has delivered our 10th Grand Slam in 100 years.

The extraordinary success of the national team, in this year's RBS Six Nations tournament, has been complemented throughout Elite Rugby in Wales.

This year we delivered to the world of rugby the inaugural IRB Junior World Championship. We welcomed to Wales 16 of the finest U20 rugby teams in the world.

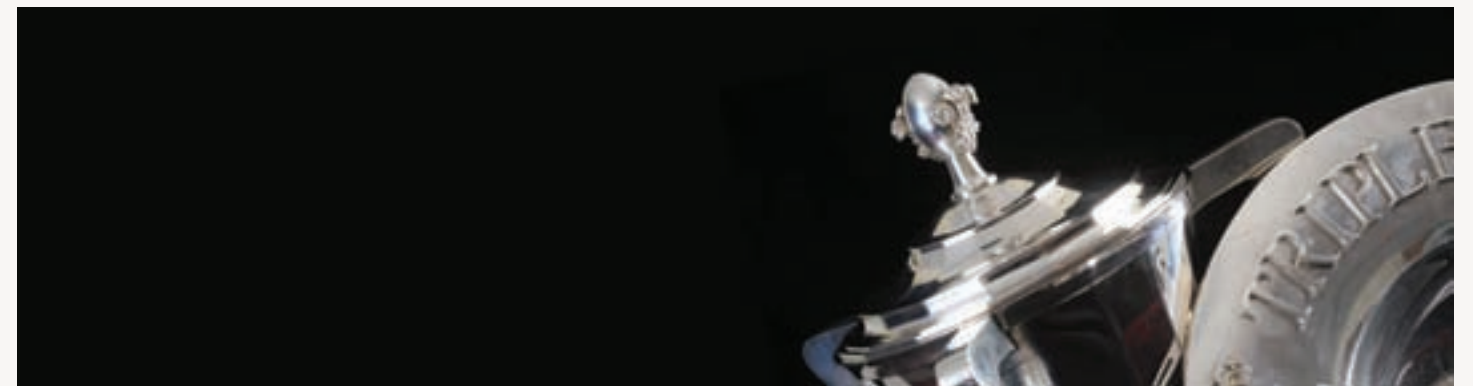
The tournament has been hailed an unequivocal success and I thank the IRB, the Welsh Assembly Government, UK Sport, Invesco Perpetual (the title sponsor) and the broadcasters, S4C and BBC Wales, for their support. I also pay tribute to all our staff who took on this challenge, in addition to their existing responsibilities.

Age grade rugby has continued to flourish this year. In particular the achievements this season of our U20s team should be celebrated and not be overshadowed by the events following the game against France in that tournament which we all deeply regret.

There are some very promising prospects for Welsh rugby in this current crop of players which is very encouraging indeed.

Likewise, our women's rugby team performed well in their Six Nations tournament and we are confident that, with their new full integration into the Welsh Rugby Union we can build upon the good work done to date.

Our four Welsh Regions can all look to the future with confidence. The Cardiff Blues led the way for Wales in the Magners League, finishing second and, along with the Ospreys, reached a quarter-final of the Heineken



Cup. The Ospreys won the day at Twickenham in the final of the EDF Energy Cup. Additional investment is being made by our Regions by further development of their facilities. The Dragons announced ambitious plans to redevelop Rodney Parade. This announcement, alongside the opening of Llanelli Scarlets' new stadium later this year and Cardiff Blues new ground to be opened in 2009, joining the excellent Liberty Stadium in Swansea, augers well for the game in Wales.

The current negotiations with our Regions to create a new long-term agreement is critical for the sustainability of regional rugby and we hope to conclude this to everyone's satisfaction. At the heart of this agreement must be a commitment to develop players who can represent Wales at the highest level.

The £11.4m allocated to our Regions this year was an all time high. This amount does not include the indirect financial support we provide to our Regions by way of match officials, insurance, the investment in our elite academies and other development of both elite players and coaches.

The Group continues to be the main pillar of support for the Welsh Rugby Charitable Trust, which assists players and their families who have been seriously injured whilst playing the game; this year we donated a further £57,000.

In last year's report, I outlined a number of initiatives for the game in Wales – commitments which we have delivered upon, including:

- The reviews of the elite game, the Premiership and the community game were completed; with recommendations now being actioned, but more work is required.
- The securing of funding for new training facilities for the National Squad from the Sports Council of Wales has happened, and we are well advanced in creating a National Centre of Excellence for Welsh rugby.
- The alignment of strategies at elite and grass roots level with the broader political strategies for

Wales is now active. Our relationship with the Welsh Assembly Government, in particular, is strong and is producing results, including funding for the IRB Junior World Championship, the Health Challenge Wales project, our Welsh language policy and further support for community rugby clubs.

Our review into the elite game enabled us to take a fresh perspective on the structures, systems and staff in this part of the organisation and we have now, post year end, taken up the full financial cost for the Regional academies.

We now look forward to identifying a Head of Rugby Development who will head up the new structure for Welsh rugby following the reviews we announced in last year's report.

We have learnt much over the past twelve months and we have the courage to change and move quickly if we believe we can create something better for the game in Wales.

The Principality Premiership continues to be a significant part of our strategy and we successfully concluded a review, agreed by all of the participants, which is now being implemented.

More work will be done this season coming and our confidence in the future of the Premiership is recognised by the return of SWALEC as the sponsor of the Welsh Cup competition, the strength of Principality's



Shane Williams talks about his Testimonial year

Group Chief Executive

Overview (continued)



Roger Lewis talks to the media

sponsorship and the commitment of S4C to broadcast even more Premiership games in the year ahead.

Rugby is, and must remain, our national sport. Accordingly, the grass roots game is the heart and soul of Welsh rugby.

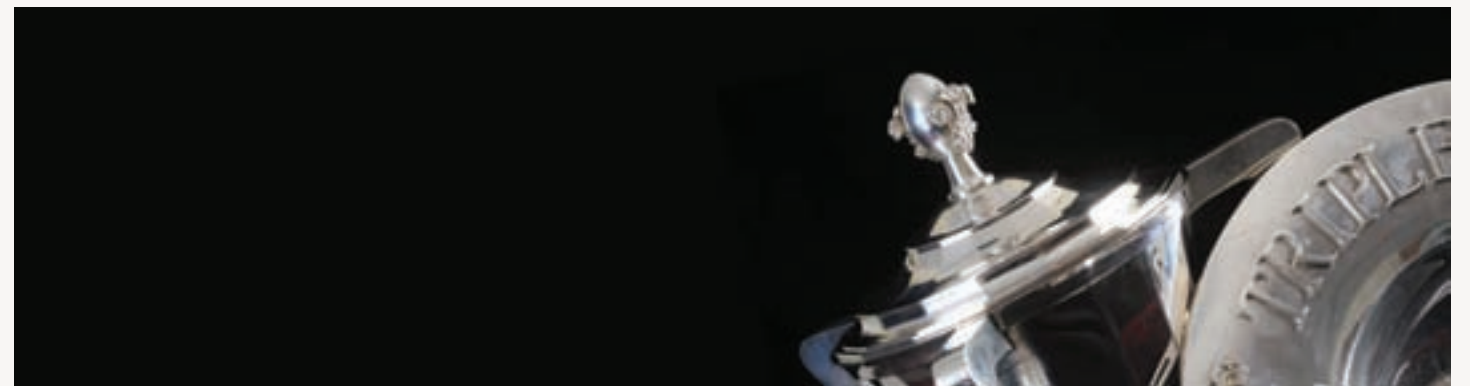
The past 12 months, for the community game, have been every bit as dynamic and rewarding as the elite game and this has been made evident by the increase in participation, especially at the junior levels. The significance of rugby in the community has been recognised by politicians and sponsors alike this past year and discussions are active on how we will together invest further in grass roots rugby.

The Community Rugby Review was completed this year and there will be a greater alignment of all aspects of the

game under the Head of Rugby Development. Furthermore, we intend to review the funding of the community game with a view to increasing resources in the short term.

The role of match officials at all levels in the game has not been underestimated this year – no referee, no game – and in the new rugby structure this has been recognised by the role of the Match Officials Manager alongside the Rugby, Coach and the Performance managers, all under the Head of Rugby Development.

In this past year we are proud of Nigel Owens who has established himself as a leading referee in the game, taking charge of a number of high profile matches including the Heineken Cup Final, the Rugby World Cup and Tri-Nations fixtures.



Our Stadium

The Millennium Stadium, owned and managed by the Welsh Rugby Union, has had an outstanding year in terms of the diversity, quality and number of world class events it has staged. The economic benefit we deliver to the business communities of Cardiff and Wales has been evaluated and recognised publicly. From 1999 to 2006, the economic impact of the Stadium topped £735m and amounted to some £105m a year; it is believed that this amount is now nearer to £1 billion. Some 85% of this money stays or is spent in the Cardiff area and spending at that level can support some 2,400 full time jobs a year.

This past year we were honoured to stage two of the most prestigious events in world rugby; Rugby World Cup 2007 and the 2008 Heineken Cup Final.

Positive images of Wales, projected by our Millennium Stadium events, are regularly seen around the world by countless millions on global television.

The success of the Millennium Stadium has been achieved by an outstanding team of people who have created a “can-do” culture, led by Stadium Manager Gerry Toms. They have taken full advantage of the retractable roof and the Stadium’s unique flexibility for staging a range of events.

In addition to the Rugby World Cup, the Heineken Cup Final, the EDF semi-finals, along with the best of Welsh rugby, the Millennium Stadium has presented an impressive list of sporting events, including Speedway, Monster Jam, Wales Rally GB, international soccer, rugby league, world championship boxing and a number of community sporting activities. From the world of rock and pop, artists have included Rod Stewart, the Police and a Grand Slam party including the Stereophonics and Feeder.

Quite simply, no other stadium in the world, owned and operated by a sporting governing body, can do what we do.

Our support teams

Behind the scenes much has been accomplished. As an organisation I believe we are more approachable, accountable and transparent.



Announcement that Wales will host Heineken Cup Final

The work of the finance department, led by our Group Finance Director, Steve Phillips, has been outstanding. In addition to the financial highlights at the opening of this overview, we have in place a rolling five-year business plan.

Our financial systems and reporting structures have been greatly enhanced and the appointment of PricewaterhouseCoopers as our auditors has been a significant factor in our improved performance.

We have invested in our Human Resources department and we have begun a review of our HR procedures and performance management system, led by Tim Burton.

Our Commercial and Marketing team, led by Gwyn Dolphin, has achieved remarkable success this year, including delivering an outstanding new partnership with US performance kit manufacturer Under Armour, a major new partnership with SWALEC, a renewed relationship with Brains, a new targeted stadium marketing plan and we have embarked upon a fundamental review of all our commercial partnerships.

The arrival of Mike Jefferies as Head of Legal Affairs has had a profound effect on the organisation. The reputation of the Group, in its external dealings with a range of parties, has been greatly enhanced along with our efficiency and effectiveness.

The Group is constantly under the scrutiny of the media in Wales. Our communications team, expertly and



First Minister Rhodri Morgan, Warren Gatland and Roger Lewis

sensitively led by John Williams, has not only been fleet of foot in its ability to react, but also mature and sophisticated in dealing with the challenging Welsh media environment.

Within our ticketing and compliance department, led by Julie Paterson, much has been achieved. We revised both the ticketing strategy and pricing in our Stadium, increasing the number of low priced seats as well as higher priced ones. We are adding value to debenture holders and we are taking strong action to address the issues surrounding the secondary and black markets.

This department also successfully delivered a range of funding from government and sporting bodies during the year, ensuring our compliance on receipt of public money. In addition, the auditing and assessment of our various member clubs was concluded satisfactorily.

This past 12 months has seen us focus upon the opportunities which surround our estate and we are well advanced in our development plans. I personally thank David Goldstone, our Special Advisor on Estates, for his invaluable help, advice and guidance.

A number of people have left the Group this year and we sincerely thank them for their considerable contribution.

Outlook

The future continues to be very positive for us all. However, the year ahead will be challenging. In our five-year planning we have identified the issues surrounding the cyclical and sometimes unpredictable nature of our

business and have planned accordingly, recognising the business risks which need to be managed.

We believe we have developed a very clear strategy going forward. Once more, there are a number of major initiatives which we continue to develop and which we have enhanced over the past year. When these initiatives are delivered they will have a significant positive long-term impact on the Group. These include:

- an alignment of coaching and management of all Welsh international teams
- continue to develop rugby in North Wales
- implement the three rugby reviews of the year
- complete the new long-term participation agreement with our four Regions
- a funding review of the community game with a view to increasing resource into it by targeting specific areas
- increased focus on rugby in schools
- a continued review of new events strategy for the Millennium Stadium which will review our deal structure and our approach to content creation and promoters
- continue our estate development around the Millennium Stadium
- conclude the new commercial arrangements for our hospitality and events in the Stadium

Group Chief Executive Overview (continued)

- the delivery of a range of new internal integrated financial, commercial and ticketing systems
- enhance our promotional media content
- a new agreement with our broadcast partners
- develop our Welsh Language Policy
- the creation of a brand strategy for the Welsh Rugby Union and the Millennium Stadium
- deliver new training facilities for our national squads
- succession planning across all of the Group



Watching the action at Cardiff Arms Park

In the first part of this financial year we have already achieved much. Events at the Stadium have included Bruce Springsteen, Neil Diamond, Speedway Grand Prix and Madonna. For the autumn of 2008, our international series of matches against the Tri-Nations and Canada have sold well in advance due to our new ticketing strategy. We will welcome back the Wales Rally GB and the Wales national soccer team before the end of 2008.

The 2009 RBS Six Nations tournament, when we welcome England and Ireland to the Millennium Stadium, promises to be very exciting indeed, when Wales will defend its title of Grand Slam Champions, a remarkable reflection on this past year.

Conclusion

So many people have contributed so much this year to create a platform from which we can build sustainability for the future of Welsh rugby and our Millennium Stadium. We have made significant progress and are better placed to face the challenges of the future. I thank the Board of Directors for their help and guidance over these past 12 months and, in particular, I thank David

Pickering, our Chairman, for his support and sound advice.

To everyone, staff, players, coaches, Regions, clubs, officials, volunteers, directors, sponsors, business partners, media and especially the fans, diolch yn fawr iawn.

Rugby does define us as a nation, it does unite us as a nation and the Welsh Rugby Union will continue to be united around the overriding goal of placing Wales at the forefront of world rugby, with passion, with pride and with dignity. Our ambition for the year ahead will be to continue to create long-term sustainability for all our activities both on and off the field always under-pinned by sound financial management.

Roger Lewis
Group Chief Executive Officer
The Welsh Rugby Union Limited



Ryan Jones leads from the front

Operating and financial review

The Group's business

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 collectively are referred to as the Group.



WRU staff at work

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 facilitate any allocations to affiliated organisations.

Accordingly, the Group's income generation is paramount to deliver 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 match revenues and, therefore, the Group's profits that are available to be allocated to affiliated organisations. These match revenues are derived mainly from ticket income and broadcasting income. Attendance at these matches is a key component and for the year ended 31 May 2008 ("YE08"), the Group welcomed 349,000 (2007:418,000) rugby spectators through its turnstiles for the Invesco Perpetual Summer Series, the unique international against South Africa and the RBS Six Nations Championship, analysed as follows:

	2008	2008	2007	2007
	No. of home matches	'000	No. of home matches	'000
Summer series	2	75	-	-
Autumn internationals	-	-	4	270
South Africa	1	53	-	-
Six Nations	3	221	2	148
	6	349	6	418

The average attendance per match was 58,000 (2007:70,000) and equated to an average 79% (2007:94%) when expressed as a measure of capacity attendance with this year's three (2007: two) home Six Nation matches effectively at 100% capacity. The primary reason that the average was down was due to the RWC07 dislodging the traditional autumn international programme - historically very popular. The Summer Series did not commercially replace the autumn programme, and the fact that fans would have watched Wales play in RWC07, both in Nantes and Cardiff, which are not reflected in these averages.

Commercial income, including sponsorship income, club and box seat income 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 re-invested into the game across all levels.

Operating and financial review

Performance

Financial Performance

Overview of Performance

The Group's business model is straightforward; 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:

	2008 £'m	2007 £'m
Group income	50.3	43.8
Business and administration	(5.9)	(5.3)
Direct costs	(12.4)	(9.2)
Stadium costs	(4.2)	(4.3)
Surplus	27.8	25.0

The Group earns some £50.3m (2007: £43.8m) predominantly from international rugby matches staged at the Group's Millennium Stadium. These matches drive the Group's match income and commercial income which collectively amount to 71% (2007: 74%) of the Group's overall income.

Two other income streams, not generated from staging international rugby matches, arise from competition income and other events. These represent the income from competitions including the Heineken Cup, the EDF Energy Cup and the Magners League and other events staged at the Millennium Stadium - ranging from RWC07 matches, pop concerts, motorsport, boxing and rugby league to football respectively. These two forms of income amount to some 20% (2007: 21%) of the Group's income.

The remaining income typically arises from ancillary activities and various grant sources and the significant increase in YE08 is due to a grant from the IRB Trust of £3.1m

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 and the Stadium costs represent the costs of managing the Stadium other than those directly attributable to events.

The surplus of £27.8 million (2007: £25.0 million) made by the Group which is invested in "Welsh Rugby" can be analysed as follows:

	2008 £'m	2007 £'m
Operational Costs		
- Elite Rugby	2.5	2.2
- Community Rugby	1.8	1.7
	4.3	3.9

Allocations to affiliates		
- Regions (Professional)	11.4	11.0
- Clubs (Semi-Professional)	1.0	1.0
- Community Rugby	2.8	2.9
	15.2	14.9

Total investment in "Welsh Rugby"	19.5	18.8
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The balance is analysed as follows:

Surplus	27.8	25.0
Total investment in "Welsh Rugby"	(19.5)	(18.8)
	8.3	6.2

Deprecation (net of grants)	2.6	2.4
Exceptional items (see Note 4)	1.0	3.3
Interest costs	2.8	2.8
Tax	0.9	(0.2)
Transferred to/(from) income	1.0	(2.1)
	8.3	6.2



WRU staff at the Stadium



John Union and Greer Hooper, Barclays Bank PLC, flanked by Roger Lewis and Steve Phillips

The allocations to the four Regions have continued to increase by 4% (2007:32%) to £11.4m which includes the competition income referred to above, covers all international player release and provides financial sustainability for the four Regions.

The allocations to the Group's semi-professional league have remained at £1.0m. The allocations to the Group's community clubs and similar organisations have marginally decreased mainly due to reduced allocations to certain affiliates and the transfer of WWRU into the Group.

On a pre-exceptional basis, the Group generated an operating profit of £5.8m (2007: £3.8m) from which debt service of £2.8m (2007:£2.8m) is deducted resulting in a profit before tax of £3.0m (2007:£1.0m). As indicated above, the Group did incur exceptional items in YE08 of £1.0m (2007: £3.3m) resulting in a profit before tax of £2.0m (2007: loss before tax of £2.3m).

Revenues

Revenues are analysed as follows:

	2008 £'m	2007 £'m
Match income	27.4	24.2
Competition income	5.0	4.7
Commercial income	8.2	8.4
Other event income	5.2	4.3
Other income	4.5	2.2
	50.3	43.8

Overall the Group's income increased by £6.5m in YE08 from last year. Match income increased by £3.2m predominantly as a result of staging three home Six Nations matches, the new ticketing strategy and the success achieved on the field. Match income can be further analysed as follows:

	2008 £'m	2007 £'m
Summer series	3.8	-
South Africa	2.2	-
Autumn internationals	-	8.6
Six Nations	16.9	11.1
Other fixed amounts	4.5	4.5
	27.4	24.2

Competition income increased by 6% to £5.0m as a result of the continued success of various competitions, particularly the Heineken Cup, in which the Group's four Regions participate. Commercial income decreased by 2% to £8.2m due, in the main, to reduced royalties from jersey sales given the end of the Reebok contract, reduced hospitality and catering sales given the lack of an autumn internationals programme, somewhat offset by increased sponsorship income. Other event income increased by 21% to £5.2m; this was mainly due to staging four RWC07 pool matches, offset by the loss of football events such as the Carling Cup Final.

Operational costs

The Group's operational costs have increased by some 18% to £26.8m with the largest increases arising in

Operating and financial review

Performance (continued)

business & administration and direct costs of £0.6m and £3.2m respectively. This overall increase includes an increase in pre-exceptional staff costs of 18% to £6.9m.

Business and administration costs have increased by 10% to £5.9m mainly as a result of a further investment in staff costs of £0.5m.

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 £3.2m which is mainly as a result of:

- a further investment in the National Squad management of £0.3m, and
- increased player costs of £2.2m due to participation in RWC07 and bonus payments related to the success in the Six Nations, and
- increased event delivery costs of £0.7m given the additional activity in the Millennium Stadium during the year as reflected in the increased turnover as shown in Note 2(a), and
- RWC07 participation costs of £0.3m, two training camps during the year of £0.1m offset by decreases in match costs of £0.4m

The costs in respect of elite rugby have increased by 10% to £2.5m and include managing the age-grade structures, player development, referee costs and elite womens' rugby for the first time which collectively amount to some 53% (2007:56%) of the total with the balance of the 47% (2007:44%) comprising staff costs, including the staff costs of the academy structures.

The costs in respect of community rugby are comparable to last year at £1.8m and include coach development and referee costs which amount to some 40% (2007:33%) of the total with the balance of the 60% (2007:67%) comprising staff costs, including the district development officers.

Stadium costs have reduced slightly to £4.2m and include nearly £0.9m and some £0.3m, in both years, for rates and insurance respectively.

As shown in Note 5, pre-exceptional staff costs have

increased by £1.0m. These staff costs are included within the cost categories shown above and the primary increases by cost category are as set out below and represent further investment in the categories shown:

	£'m
Business & administration	0.5
Direct	0.3
Elite	0.2
	<u>1.0</u>

Exceptional costs

The Group incurred some £1.0m of exceptional costs during YE08. The Group's definition of exceptional items is set out in the accounting policies on page 61. As shown in Note 4, there were re-organisation costs representing some roles within the Group becoming redundant with a new management team in place, there were litigation costs during the year and some items on the balance sheet that required further "cleaning up" which had been around for some time. The analysis of these costs is as follows:

	2008 £'m	2007 £'m
Reorganisation costs	0.3	0.4
Litigation costs	0.1	0.7
Increased provision for slow moving stock	-	0.1
Increased provision for doubtful debts & similar adjustments	0.6	1.8
	<u>1.0</u>	<u>3.0</u>

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 some £23.6m (2007: £21.1m) which allowed the Group's allocation policy to continue. Post EBITDA, after reflecting debt service and depreciation the Group's profit before tax is £3.0m (2007: £1.0m); after exceptional items, the Group has a



Joy for France and despair for the All Blacks in the RWC07 Cardiff quarter-final

profit before tax of £2.0m (2007: loss before tax of £2.3m). This can be analysed as follows:

	2008 £'m	2007 £'m
Company	20.3	18.0
MS	3.3	3.1
Group EBITDA	<u>23.6</u>	<u>21.1</u>
Allocations to affiliated organisations	(15.2)	(14.9)
Exceptional items	(1.0)	(3.3)
Depreciation (net of grant release)	(2.6)	(2.4)
Operating profit	<u>4.8</u>	<u>0.5</u>
Net interest	(2.8)	(2.8)
Profit/(loss) before tax	<u>2.0</u>	<u>(2.3)</u>
Tax	(0.9)	0.2
Profit/(loss) after tax	<u>1.1</u>	<u>(2.1)</u>

Taxation

The Group is in discussions with HM Revenue & Customs ("HMRC") regarding the treatment of certain matters for corporation tax purposes.

The Group is subject to a disallowance of certain of its expenditure, due to the corporate structure of the Company. This tax treatment has been applied for a number of years. However, this restriction of expenditure appears inappropriate, given the current ways in which the Company operates in relation to the clubs and affiliated bodies in a professional era. This treatment is fundamental to the basis on which the Group is taxed.

In addition, HMRC are challenging 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.

Operating and financial review

Performance (continued)

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.

Cashflow

The Group's EBITDA, post non-cash exceptional items, was £22.6m (2007: £18.1m) and as set out in Note 23, after working capital movements of £3.6m (2007: £1.9m) this resulted in cash generated from commercial activities of £26.2m (2007: £16.2m). From this, the Group funded the allocations to affiliated organisations of £15.2m (2007: £14.9m) leaving £11.0m (2007: £1.3m).

From this amount in YE08, the Group paid net interest costs of £3.3m, acquired fixed assets of £1.6m, received the final element of the original Millennium Commission grant of £0.4m leaving a net cash increase of £6.5m available for financing obligations.

The Group received some £0.8m net from the introduction of hire purchase agreements to finance the acquisition of fixed assets above and, as explained in more detail below, refinanced and repaid some £10.0m of its borrowings to its bankers.



Hook scores for Wales

Rugby World Cup

YE08 was a Rugby World Cup year. Whilst as a sporting spectacle the Rugby World Cup is undoubtedly the major event in the rugby calendar, it is normally commercially detrimental to the Group when compared to a non-Rugby World Cup year. The overall effect on contribution is outlined below:

	2008	2007
	£'m	£'m
Income		
Match income - summer series, unique match against South Africa in 2008 & autumn internationals in 2007	6.0	8.6
Impact of ticket prices	-	0.6
Grant from IRB Trust	3.1	-
Related commercial revenues	0.4	1.0
Staging fees for RWC07 matches	2.4	-
	11.9	10.2
Costs		
Directly related to above (excluding staging RWC07 matches)	(3.6)	(2.1)
In respect of staging RWC07 matches	(0.6)	-
	7.7	8.1
Contribution		

As the table shows, the Group's contribution was reduced by £0.4m but this was contained at this amount only as a result of the Group staging four RWC07 matches which contributed some £1.8m. If this had not occurred, as is normal in any Rugby World Cup year, the Group's contribution would have reduced by some £2.2m.

Balance sheet and reserves

Overall the improvement in financial performance has been reflected in an increase in the Group's net assets from £4.6m to £5.8m.

The fixed assets of the Group reduced by some £2.3m, reflecting the lower level of capital expenditure in YE08 than the level of depreciation charged in the year.

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



Winning the Triple Crown at Croke Park...



...eight days later, it's at Amman United

The major factor affecting the balance sheet has been the repayment of bank debt during the year; this is described in more detail below.

Net debt, which is defined as bank loans, debenture loans and hire purchase agreements less cash balances, as at 31 May 2008 was £80.0m (2007: £86.5m). The decrease arises due to financial performance of the Group in the year including improved working capital management.

Net bank debt, which is bank loans less cash balances, was £41.2m (2007: £49.2m). Included within these amounts is some £10.0m which is repayable only in the event of certain defined events occurring

Staff

During the year, the Group appointed Tim Moss and Steve Smith as Commercial Finance Manager – Millennium Stadium and Commercial Finance Manager – WRU respectively. These appointments have provided dividends to the Group with both Tim and Steve contributing significantly to the continual improvements in the financial operations of the Group.

Auditors

At the 2007 Annual General Meeting, PricewaterhouseCoopers ("PwC") were appointed as auditors of the Group. PwC have assisted the Group during the year with a number of issues and their advice has been invaluable.

Barclays Bank PLC

Prior to 31 May 2008, the Group completed a refinancing of the Group's debt facilities with Barclays Bank PLC after many months of discussion. The profile of the new financing package best reflects the business needs of the Group by offering both term and revolving facilities to reflect the cyclical business of the Group

Whilst the revolving facilities allow the Group to only borrow, and therefore accrue interest, when the requirement arises, the term loan has been put on corporate terms with a very clear repayment profile with a view to reducing this debt burden over the coming years. In addition, standard corporate covenants have been included which is testament to Barclays' confidence in the current management of the Group. The Group thank Barclays for granting the current arrangements to allow the Group to move forward to deliver its strategic objectives.

Operating and financial review

Elite rugby



Wales celebrate Grand Slam victory

Professional – International

Warren Gatland was appointed as Wales' 20th National Coach on 9 November 2007, following the word-wide search by David Pickering, Roger Lewis and Gerald Davies. Warren galvanised his team to an RBS Six Nations Grand Slam triumph nearly five months later. Wales' tenth Grand Slam closely followed the disappointing early Rugby World Cup exit and failure to make the quarter-final stages.

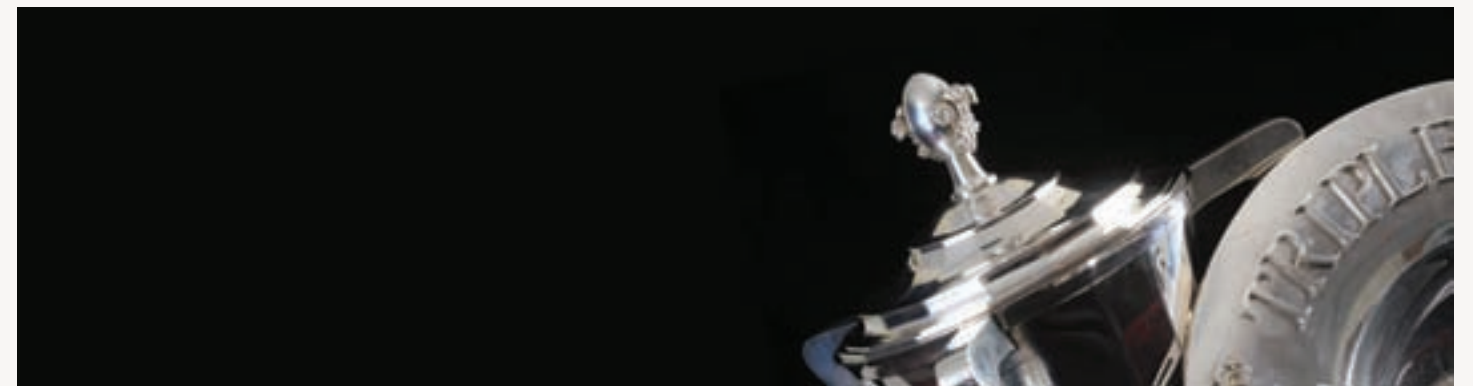
Gatland's Welsh coaching debut ended in a 26-19 victory over England, Wales' first at Twickenham since 1988, and was followed by back-to-back Millennium Stadium wins for captain Ryan Jones' team over Scotland and Italy. Victory over Ireland at Croke Park secured Wales the Triple Crown and on 15 March, 2008 – exactly 100 years after Wales had won their first Grand

Slam – the 10th was secured with a 29-12 victory over France that also witnessed Shane Williams become Wales' leading try scorer.

That 41st try took him ahead of Gareth Thomas' tally and a try in each of the summer tour Tests against world champions South Africa meant that Williams had scored 14 tries in his last 11 international appearances.

Throughout the RBS Six Nations tournament Wales conceded just two tries in 400 minutes of rugby as Gatland and his new coaching team of Shaun Edwards, Rob Howley, Robin McBryde and Neil Jenkins delivered a second Grand Slam in just four tournaments.

The RBS Six Nations tournament success surprised many in the world of rugby because of the defeats which preceded it months earlier. There had been little hint of what was to come when Wales lost two of their Rugby



World Cup warm-up matches, a 62-5 Twickenham beating by England and 34-7 home loss to France, with only a 27-20 win over Argentina to lift morale ahead of the World Cup. Wales' World Cup bid started and finished in Nantes, sandwiching matches at the Millennium Stadium, with Wales opening with a 42-17 win over Canada before returning to the Welsh capital where they lost 32-20 to Australia before beating Japan 72-18. Wales returned to Nantes for the match against Fiji which would decide who progressed in the tournament as both nations had won two from three with the winner guaranteed a quarter-final place. The match was lauded as potentially the most entertaining of the tournament as Wales outscored Fiji 5-4 in tries – but the South Sea Islanders emerged as victors by a 38-34 margin that signalled the end of coach Gareth Jenkins' 20 matches in charge.



Nigel Davies took over as caretaker coach for the inaugural Prince William Cup match against the new World Champions South Africa, the Springboks winning the Millennium Stadium encounter 34-12 despite Colin Charvis becoming the world's leading Test try-scoring forward with his 22nd international try.

After the euphoria of the Grand Slam some key players were unavailable for the summer tour of South Africa to take on the defending world champions, again, in a two test series. Both matches were hard fought which ended in defeat for Wales. The first test was a comprehensive defeat of 43-17. However, Welsh pride was restored in the second test with Wales earning the respect of their opponents having led the game until late in to the second half; eventually losing 37-21.

A landmark for the year was the selection of Ryan Jones, the Ospreys No. 8, as the 126th captain of Wales. His team won the Grand Slam and Ryan proved that he has the leadership qualities to match his playing talent.

Summer Series 2007

England 62 Wales 5

Wales 27 Argentina 20

Wales 7 France 34

Rugby World Cup 2007

Wales 42 Canada 17

Wales 20 Australia 32

Wales 72 Japan 18

Wales 34 Fiji 38

Prince William Cup

Wales 12 South Africa 34

RBS Six Nations 2008

England 19 Wales 26

Wales 30 Scotland 15

Wales 47 Italy 8

Ireland 12 Wales 16

Wales 29 France 12

South Africa tour 2008

South Africa 43 Wales 17

South Africa 37 Wales 21



The pain is evident as Wales exit RWC 07

Operating and financial review

Elite rugby (continued)

MAGNERS LEAGUE 2007/08								
	P	W	D	L	F	A	BP	Pts
Leinster	18	13	1	4	428	283	7	61
Cardiff Blues	18	12	0	6	395	315	8	56
Munster	18	10	1	7	330	258	6	48
Edinburgh	18	9	3	6	313	285	6	48
Glasgow Warriors	18	10	1	7	340	349	4	46
Llanelli Scarlets	18	7	0	11	403	362	11	39
Ospreys	18	6	1	11	321	255	11	37
Newport Gwent Dragons	18	7	1	10	282	394	4	34
Ulster Rugby	18	6	1	11	278	407	3	29
Connacht Rugby	18	5	1	12	214	396	2	24

Professional – the four Regions

Magners League

For the second successive season the Cardiff Blues flew the flag for Wales and again ended up as the Magners League runners-up. They pushed Leinster all the way, but in the end had to accept being second best.

A year after the Ospreys had beaten them by a point, this time Leinster took the title by five points as Cardiff Blues won two-thirds of their 18 matches. There were doubles for the Blues over Ulster Rugby, Connacht Rugby, Newport Gwent Dragons and, perhaps most significantly, Munster as they beat the Heineken Cup champions 19-17 at Musgrave Park and then 25-22 at the Arms Park.

The other three Welsh Regions all finished in the bottom half of the table – Llanelli Scarlets in sixth place, the Ospreys in seventh and Newport Gwent Dragons in eighth spot. The Ospreys could only manage six wins in defence of their title while the Scarlets and the Dragons each recorded seven wins.

EDF Energy Cup

The EDF Energy Cup was won by a Welsh Region for the first time when the Ospreys gained revenge for their defeat a year earlier in a repeat of the 2007 final. Twelve months after leaving Twickenham a well beaten team, Ryan Jones and his Ospreys denied Leicester Tigers back-to-back titles with a comprehensive 23-6 victory in front of a crowd of almost 66,000.

Tries in either half by Andrew Bishop and Alun-Wyn Jones sealed the win as then coach Lyn Jones saw his side become the first Welsh side to win the trophy. They were directed by the outstanding James Hook, who guided the Welsh region to victory by kicking 13 points.

The other three Regions failed to advance beyond the group stages – although Llanelli Scarlets went desperately close to joining the Ospreys in the last four only to finally lose out to the Saracens. The Ospreys beat London Irish, Worcester Warriors and Harlequins to top Pool C and then accounted for Saracens 30-3 in another hugely successful Millennium Stadium semi-finals double header. The Scarlets beat Leeds Carnegie and the Saracens in Pool D while the Blues also won twice, against Sale Sharks and Bath Rugby, but the Dragons finished with just a draw against London Wasps.



Ospreys lift the EDF Energy Cup

Heineken Cup

The Millennium Stadium was again the venue for the most high profile encounter of the Heineken Cup when the Welsh capital staged a fifth tournament final with Munster fans again helping to create a unique atmosphere as they sang, shouted and applauded their team to victory over Toulouse in another memorable Cardiff showpiece occasion.

But hopes that the 13th season of the tournament would see another Welsh finalist go alongside Cardiff's appearance in 1996 disappeared in the quarter-finals when both the Ospreys and Cardiff Blues went down to Saracens and Toulouse respectively.

The Ospreys in particular will have been disappointed not to go further after winning five of their Pool 2 games – including the double over Bourgoin and a home triumph against Gloucester – and being firm favourites to beat Saracens in the quarter-finals just two weeks after humbling the same side in the EDF Energy Cup semi-finals. But they lost 19-10 at Vicarage Road while the Blues, who had beaten Stade Français Paris at the Arms Park, went down 41-17 in Toulouse after topping Pool 3 with four wins and a draw.

Newport Gwent Dragons got just one Pool 1 win while Llanelli Scarlets had a disappointing European campaign, losing all six of their group games.

Semi-professional

Neath were once again the dominant force in the Principality Premiership, winning their fourth successive title, and this time managed to complete a clean sweep by adding the Konica Minolta Cup to their impressive list of trophies in the semi-professional game.

Rowland Phillips headed up the coaching team at The Gnoll and produced a side that lost only six of its 26 games and won the title by a clear 13 points from Cardiff. They beat Pontypridd 28-22 in the Konica Minolta Cup final at the Millennium Stadium.

Two of the Neath side, captain Lee Beach, who was named as the Principality Premiership Player of the Year, and James Merriman, both played regularly for the Wales Sevens side in the IRB World Series and some exciting youngsters were given their chance to step onto this important stage.

Neath's otherwise brilliant season was blighted at the end, following the tragic death of their scrum half Gareth Jones. The former Pontypridd player suffered a serious injury in an incident during the league defeat at the Arms Park and died two months later. The Neath players dedicated their Konica Minolta Cup victory to 'Snid', as Gareth was best known, and wore special T-Shirts bearing his nickname under their jerseys.

Last year's runners-up, Ebbw Vale, slipped to fifth and it was Cardiff, Pontypridd and Swansea who were the

Operating and financial review

Elite rugby (continued)

PRINCIPALITY PREMIERSHIP 2007/08								
	P	W	D	L	F	A	B	PTS
1 Neath	26	19	1	6	697	381	15	93
2 Cardiff	26	18	1	7	544	449	6	80
3 Pontypridd	26	16	1	9	523	411	11	77
4 Swansea	26	16	2	8	547	487	8	76
5 Ebbw Vale	26	15	2	9	499	430	10	74
6 Aberavon	26	15	1	10	591	571	10	72
7 Newport	26	12	0	14	441	462	12	60
8 Bedwas	26	11	2	13	499	474	12	60
9 Llanelli	26	10	4	12	527	468	12	60
10 The Wanderers	26	10	2	14	439	451	11	55
11 Cross Keys	26	10	1	15	430	475	9	51
12 Bridgend	26	9	1	16	397	515	9	47
13 Llandovery	26	7	0	19	384	684	5	33
14 Maesteg	26	4	2	20	415	675	6	26

closest challengers to the champions. Maesteg finished bottom of the table and were relegated to Division 1 West.

Pontypool, who won the Division 1 East title, were promoted back into the Premiership after a two year break.



Neath win the Konica Minolta Cup

Many of the players who helped Wales U20 finish fourth in the inaugural IRB Junior World Championship, hosted by Wales, figured in the Premiership. Skipper Sam Warburton had another fine season at Glamorgan Wanderers once he overcame his injury problems and lock Haydn Pugh (Llandovery), wing Leigh Halfpenny (Cardiff) and prop Scott Andrews (Glamorgan Wanderers) all picked up Principality Premiership Player of the Month awards.

Jamie Roberts, who had played for Cardiff throughout the previous season, became the latest Premiership graduate to win a full cap when he played on the wing for Wales against Scotland in the RBS Six Nations campaign. He then went on to play twice on the summer tour to South Africa.

In the second Test in South Africa he was joined in the Wales side by Alun-Wyn Jones, James Hook and Richard Hibbard, all of whom cut their teeth in the Premiership before achieving success at Regional and international level.



16 teams contested the inaugural IRB Junior World Championship in Wales

That proves the value of the Principality Premiership to the game in Wales and next season will no doubt see another wave of Regional and Test candidates emerge.

Sevens

It was an incredibly busy season for coach Gareth Baber and his Sevens squad as they took part in all eight of the IRB Sevens World Series tournaments and then three FIRA-AER European qualifying tournaments for Rugby World Cup Sevens 2009.

There were a number of high points throughout the year, culminating in qualifying for the World Cup in Dubai by reaching the final of the Euro qualifiers in Germany.

That final may well have ended in defeat to Portugal, but the Welsh side had already safely secured their passage to Dubai. They had beaten Ireland and the Ukraine to the title in their two previous Euro tournaments, but it wasn't to be third time lucky in Germany.

On the IRB circuit, the squad reached cup quarters twice, in Hong Kong and Edinburgh, and the semi-finals once, in Scotland. Only a 7-0 defeat to England stopped Wales from reaching their first cup final at Murrayfield in what was their best tournament result of the year. They did, however, have the satisfaction of beating England in the bowl final in George, 21-19, in what was the first of three bowl and shield victories in five finals throughout the season.

The Springboks beat Wales 19-12 in the plate final in Wellington, the host nation, USA, were pipped 21-19 in the bowl final in San Diego, Canada were beaten 12-7

in the shield final in Adelaide and Australia triumphed 19-12 in the bowl final in London.

England were beaten three times, Australia and Samoa once each and the performances against the kings of sevens, Fiji and New Zealand, in Hong Kong showed just how much of an improvement Wales are making on the world stage.

Baber blooded a number of talented youngsters, including the rising Ospreys star Gareth Owen, who flourished on the biggest of sevens stages. The Neath captain Lee Beach was another stalwart, as was the Llanelli scrum half Lee Williams and Jonny Edwards, the squad captain for the season.

International Age Grade

IRB Junior World Championship 2008

2008 was a successful year for obtaining support for Welsh rugby from external organisations. The major event for 2008 was the staging of the inaugural IRB Junior World Championship in Wales. The Championship saw Welsh rugby's first all-Wales bid to host such an event with 16 teams arriving from all over the world. Matches were staged in Cardiff, Newport, Swansea and Wrexham cumulatively attracting over 58,000 spectators across all four venues.

Funding for this Championship of some £2.4m was secured from the IRB, Welsh Assembly Government and UK Sport. In addition to this external funding, the Group's commercial team secured in excess of £0.5m in sponsorship revenues; all contributing to what has been

Operating and financial review

Elite rugby (continued)



Six Nations victory for Wales U20s against France

quoted as the most successful IRB age grade tournament staged to date.

U20

All the preparations made by coach Pat Horgan and his team were geared to peaking in the IRB Junior World Championship and they gave an excellent account of themselves. The build-up began early in the season with the clear identification of a highly competitive squad and the U20 Six Nations championship provided the perfect competition to prepare for the IRB event.

Although there was a disappointing start with a 28-15 defeat against England at Kingsholm, the size of margin of defeat was made far worse by a late interception try. Undeterred, Wales gathered momentum throughout the remainder of the tournament with home victories over Scotland and Italy paving the way for a narrow victory in atrocious conditions in Ireland.

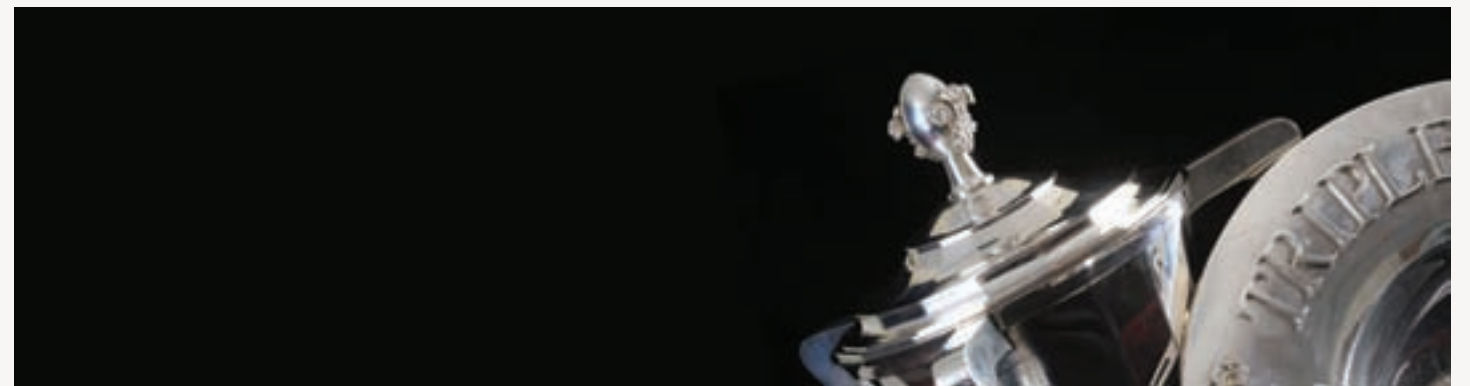
With the French in the same Pool as Wales in the IRB Junior World Championships later in the year, the meeting of the two nations at Rodney Parade in the final Six Nations fixture was vital. Wales just came out on top, 20-16, to give themselves a huge morale boost.

Italy, Japan and France joined Wales in their Pool in Swansea at the IRB Junior World Championships. Six Nations Grand Slam champions England were drawn with Fiji, Canada and Australia at Newport, Ireland joined New Zealand, Argentina and Tonga in Cardiff, while South Africa met Scotland, Samoa and the USA in Wrexham.

Glamorgan Wanderers No 8 Sam Warburton returned to fitness to lead Wales into the tournament. He had skippered the U19 team to fourth place in the IRB U19 competition in Belfast the previous year and did another fine job in helping his side finish fourth once again.

Opening wins over Italy and Japan paved the way for a vital clash with the French at the Liberty Stadium. Wales were losing as the game moved into injury time, but somehow conjured up a wonder try in the eighth minute of overtime to secure victory, 20-16.

There were some unfortunate scenes at the end of the game, and as a result both Wales and France received sanctions from the IRB. Victory over the French set-up a semi-final clash against the overwhelming favourites, New Zealand, at Rodney Parade. Wales could not avoid



slipping to a 31-6 defeat. With England beating South Africa in the other semi-final at Cardiff Arms Park, it meant Warburton's men had to face the young Springboks in the third/fourth play-off match. The South African's proved too strong, winning 43-18, while New Zealand followed up their win in the U19 tournament in Belfast the previous year with a 38-3 victory over England in the final.

Over the year, Wales won seven of their 10 matches at U20 level and finished as runners-up in the Six Nations championship and fourth in the IRB World Junior Championship. Only England, among the northern hemisphere nations, finished ahead of them in either tournament.

U18

England were the only team to get the better of the U18 team in another season of great promise. Coach Simon King's side managed to match their English hosts three tries each at Worcester, but fell to a 25-15 defeat in their opening international.

That defeat followed a similar loss in an uncapped game at Sardis Road as the side built towards their international campaign. But while the 25-7 defeat was disappointing, the 37-7 triumph over the French Academies gave a hint to the true potential in the squad. Wales met Ireland, Italy and France in Cork in the U18 Six Nations tournament and headed to southern Ireland having erased the memory of their 25-15 defeat to England by beating Scotland 24-0 in Aberavon. In Cork, the side got off to a great start by beating host nation Ireland 25-6 in the tournament. The Ospreys outside half Matthew Jarvis kicked 20 points in a game in which Rhys Downes grabbed the only try. There were seven tries in the 43-10 win against the Italians and then two vital second half strikes to help turn around a 13-0 deficit into a 25-13 win over the French. Whilst the French didn't win a game at the festival, Wales emerged with a 100% record. Underlining the talent within the U18 squad, Neath wing Kristian Phillips and Aberavon centre Ashley Beck became the youngest players to play for the Ospreys during the season and a number of others were blooded in the Principality Premiership.



Wales U18 captain Rhys Williams on the charge

Reebok Regional Championship

It was a case of déjà vu for the Blues as they retained their Reebok Regional Championship U20 title with a commanding 21-8 victory over the Ospreys in the final at Eugene Cross Park – a year after beating the same opposition to claim their first Reebok crown.

It also denied the Ospreys a clean sweep as they walked off as the winners of both the U18 and U16 finals for a second successive campaign.

They held onto the U18 honours by beating the Dragons 26-15 at Gowerton but needed a try seven minutes into second half injury time to see off the Blues North 14-7 in a tight contest at Sardis Road.

Player development

Significant changes took place throughout the year to redefine the rugby staffing structure aimed at sustaining and developing a robust player development pathway.

The newly agreed format has defined the Head of Rugby Development role as an Executive Board level appointment to oversee a reshaped player management system.

It was agreed that the new person appointed to the role will manage all rugby matters outside the senior national squad and its separate coaching and back-up structure.

Operating and financial review

Elite rugby (continued)

This role will directly instruct development managers of rugby, match officials, coaching and elite performance.

The roll-out of the new structure began early in the year following the move away from a system based around a stand alone Elite Performance Director.

This change in emphasis reflected work already taking place to enhance the developing focus on sevens rugby combined with age grade rugby at U20 and U18 level which meant there were no U19 age grade internationals.

One clear outcome of the rugby reviews initiated in the autumn of 2007 was a decision to enshrine the Premiership Division as a cornerstone of the player development structure in Welsh rugby. This will be expressed in closer and more clearly defined relationships with the four Regions in order to ensure that regional squad players not representing their Region get match experience at Premiership level.

The inaugural IRB Junior World Championship played a significant role in showcasing the development strands at work in Welsh rugby as many of the squad players had both Premiership and Regional experience.



Wales Sevens in Dubai

Within the year, a clear commitment was made to remind all Welsh qualified players that alignment to one of the four Regional teams will be viewed as a significant factor in senior national selection. This was made clear to avoid any ambiguity when players are planning their careers.

The player development focus was planned around the philosophy of a winning Wales team which generates interest and participation in the community game and international match ticket sales which increase the amount of money available within the Welsh game.

In that context the Grand Slam victory by the senior national team in 2008 delivered success and wider interest in rugby which, in turn, will benefit player development.

During the financial year the Group also directly allocated a record £11.4m to our four Regions with a remit to facilitate player development through the growth of elite Welsh rugby.

The academy structure continues to develop with players such as Jamie Roberts adding to his first cap against Scotland with selection for the end of season tour to South Africa.

The Wales Sevens squad enjoyed rejuvenated status as a core member of the IRB circuit and the squad featured players with Wales senior international, regional and Premiership Division playing experience.

Within the national squad coaching system, the appointment of Craig White alongside Mark Bennett as a conditioning coach meant that each of them could split responsibilities for two Regions each to help promote continuity and symmetry in techniques and measurement systems.



Rob Howley, Warren Gatland and Shaun Edwards celebrate Triple Crown victory

With all progress ultimately measured in a winning Wales the age grade, sevens and women's results through the season cemented Welsh rugby as a powerful world force.

Elite Coach Development

Nurturing elite coach development pathways that promote both player and game development remains a core priority of the Group.

During the year this focus on improving the best of the best continued with a series of workshops, programmes and training courses operating in tandem with a review of how the Group delivers elite coach development.

Elite coaches were again seconded to the senior national squad for all Wales' internationals to observe build-up preparations for the games. This is a fundamental building block in the development programme which promotes synergy and cooperation at the elite level and encourages reflective practice amongst the elite coaching cohort.

Coaches from Premiership clubs, the international age group teams and regional level all benefitted from these secondments for Rugby World Cup 2007, the Invesco Perpetual games and RBS Six Nations action.

A focal point for the elite development system is the levels four and five of the Group structure which aims to strengthen the number of Welsh coaches available for selection to work at international level. These courses are designed to further develop elite coaching process skills whilst allowing candidates to explore key coaching

science themes such as empowerment, assessing coach effectiveness, leadership, building mental toughness and creating high performance environments.

Monitoring the progress and development of Welsh coaches working at the top level outside Wales also continued throughout the year and a large amount of formative feedback was provided to key individuals.

The Newport Gwent Dragons Head Coach, Paul Turner joined the Wales Sevens squad in New Zealand as a tournament observer. This enabled him to study preparation systems and contribute from a Regional perspective. He was also able to feedback information to other Regional coaches in Wales on the importance of sevens rugby within the Welsh structure.

Another key element of the coach development environment is contact with other nations which was achieved through attendance by elite Welsh coaches at both the Six Nations Coaching Conference and the World Coaching Conference.

The review of coach development continued through the year as part of the rugby review which, it was decided, will now see management structures outside the national squad reporting to a Head of Rugby Development.

Player Welfare

The Group's Performance Lifestyle unit works to ensure that elite players' performance on the pitch is not affected by factors off the field.

A key element of the academy system is to ensure that players have another string to their bow should they not

Operating and financial review

Elite rugby (continued)



Nigel Owens referees the Heineken Cup Final

make it as a professional rugby player, if they become injured or simply in preparation for their life after rugby.

The Group's Performance Lifestyle Unit has this year continued to work with over 150 elite players, from academy members to Regional and senior international players, in order to create and maximise educational and vocational opportunities.

The Performance Lifestyle Unit helps players to align their rugby and career pathway, with examples of successful solutions including Scarlets outside half Rhys Priestland who completed an Economics degree at Swansea University, after completing his first two years at Bristol and Cardiff University, and Wales and Blues full back Jamie Roberts who completed his third year of medical studies while stepping up to Regional and international rugby.

A number of the Wales U20 players who finished fourth in the inaugural IRB Junior World Championship in June prepared for the tournament while studying for A level and degree courses.

International players coming to the end of their careers are also now utilising the service to a greater degree, with the Performance Lifestyle service able to open doors to potential future career pathways.

Referees

Once again this season proved to be an eventful one as far as the refereeing department was concerned and there is no doubt that the highlight was the selection of Nigel Owens to officiate at RWC07. In addition, Hugh Watkins was also present at the RWC07 in the role of touch judge. Nigel has continued the success he had in the RWC07 with a string of impressive performances in all competitions, which culminated in him being selected to officiate at the 2008 Heineken Cup Final between Toulouse and Munster. His final act of the season was to officiate the New Zealand v England match in Auckland in June 2008. There is no doubt that during this season he has established himself as one of the world's foremost referees.

Besides Nigel and Hugh, the younger element within the refereeing fraternity also made considerable progress during the past season with James Jones and Tim Hayes being selected as two of the ten referees who officiated at the IRB Junior World Championship which was held in Wales. In addition, David Bodilly and David Jones were selected as tournament touch judges. Representative matches came the way of David Bodilly, Leighton Hodges, Steve Edwards and Neil Ballard. Neil also officiated at the Konica Minolta Cup Final between Pontypridd and Neath.

Women's Rugby

There were further improvements in skill and conditioning shown by the Welsh Women's squad coached by Jason Lewis. Enhanced training programmes led to more competitive performances and some excellent results.



Clare Flowers takes on the Italians at Taffs Well

Operating and financial review

Elite rugby (continued)

For the second time in three seasons Wales were runners-up in the Women's Six Nations Championship, losing only to England, a nation they have yet to beat in 21 years. But there is strong evidence to suggest the gap is closing between Wales and one of the game's leading powers.

Having lost 55-0 to the English in their opening game in the Six Nations, Wales recovered to fall by only 12-6 against the same opposition in the final of the FIRA Women's European Championships a few months later.

It was the first time Wales had reached the final of the European event and they gave a great account of themselves in the showdown in Amsterdam. Two penalties gave them a 6-0 lead that they held until the 63rd minute when England levelled the scores.

Two penalties in the 74th and 79th minutes finally sealed the game for England, but they failed to score a try for the first time against Wales in an international. Wins over Scotland, 27-10, and France, 18-10, had led Mel Berry's team into the final in Holland giving them the double over both nations in the season.

It had been the Scots who had been Wales' first scalp in the Six Nations campaign. Two tries from Louise Rickard as she closed in on her landmark 100th cap set-up a 23-6 triumph at Taffs Well.

That was followed by a 27-5 victory over Italy at the same venue two weeks later before another Rickard try, her 32nd for her country, proved crucial in a 19-10 win over the Irish in Dublin.

Rickard was able to celebrate reaching her century of caps, in the same season as former Wales skipper Gareth Thomas, on home soil when France visited Taffs Well in the final round of the championship. In poor conditions it was a second half penalty from Michaela Reed that proved the difference between the two sides.

That 3-0 win gave Wales second place in the championship behind England and gave them the confidence to go to Amsterdam and challenge the English supremacy. The Wales U20 team travelled to Canada to play in the inaugural Nations Cup U20 tournament and once again proved that regular



Louise Rickard receives her 100th cap from Liza Burgess

exposure to the highest level of competition is helping them to improve.

They played England U20 three times during the season, losing the first two on UK soil by heavy margins. However, their clash in Canada saw England win by 14-3 in a hugely competitive match.

Three defeats in the tournament – Wales lost 14-13 to Canada A and 22-0 against the full Canadian U20 outfit – didn't look good in the final table, but the general picture at this age level is far brighter than results show.

The only negative in what was otherwise an excellent season for the women's game in Wales was the failure of an under strength side to qualify for the Rugby World Cup Sevens 2009. They lost their final Pool match in the European Qualifying tournament in Limoges to Italy and then went down 14-5 to Spain in the quarter-finals.

The French then beat them in the semi-finals of the Plate and that meant Wales finished one place outside the qualifying positions for the Rugby World Cup in seventh place.

WALES U20

SIX NATIONS

England 28 - 15 Wales

Wales 27 - 10 Scotland

Wales 33 - 13 Italy

Ireland 6 - 11 Wales

Wales 20 - 16 France

IRB JUNIOR WORLD CHAMPIONSHIP

Pool Matches

Wales 29 - 10 Italy

Wales 33 - 10 Japan

Wales 23 - 19 France

Semi-final

Wales 6 - 31 New Zealand

3rd/4th Play Off

Wales 18 - 43 South Africa

WALES U18

NON-CAPPED MATCHES

Wales XV 7 - 25 England XV

Wales XV 37 - 7 France Academie

INTERNATIONALS

England 25 - 15 Wales

Wales 24 - 0 Scotland

Ireland 6 - 25 Wales

Italy 43 - 10 Wales

France 13 - 25 Wales

WALES WOMEN

Wales 3 - 25 Canada

Six Nations

England 55 - 0 Wales

Wales 23 - 6 Scotland

Wales 27 - 5 Italy

Ireland 10 - 19 Wales

Wales 3 - 0 France

European Championships

Scotland 10 - 27 Wales

France 10 - 18 Wales

England 12 - 6 Wales

WELSH CLUBS XV

Wales Clubs XV 7 - 34 Scotland Clubs



Jonathan Davies in U20's action



Lee Williams in Wales Sevens action

Operating and financial review

Community rugby



Llanharan v Beddau

Structural review

The past twelve months have been an extremely busy period within the Community Rugby Department. Alongside the review into the community game, the department was involved in the wider rugby review into optimal structures and management responsibilities. This has resulted in a streamlined structure aimed at aligning development activity and delivering specific and specialist support throughout the game.

The Community Review was presented to the Board, with thirty two recommendations. The majority of these were accepted by the Board and are in the process of being implemented. Over the past three years much hard work and investment has gone into ensuring that the Group have enough referees, coaches and players to sustain both participation and performance pathways. The Group has seen an increase in each of these areas as a

direct result of planned and targeted initiatives driven by our Community Managers and Development Officers.

There are currently 323 active rugby clubs across Wales inclusive of all WRU, WDRU and university/college clubs. This is a relatively small base of clubs from which to develop the game. As a result of the initiatives of the last three years there has been a steady growth in the club game across Wales at a junior level. An analysis of team and volunteer data from 2005 to 2008 shows a 19% increase in teams from U8s to U11s; a 4% increase in teams from U12s to U16s and an increase of 23% in U19s teams. However, this is not mirrored at a senior level with the overall number of teams decreasing in the past three years. An area of specific concern has been the overall decrease in the number of clubs fielding a 2nd XV over the last three years, although 2008 has seen a slight increase in 2nd XV teams to 136. The focus will now be upon ensuring that the encouraging growth



in U19 teams and players is translated into more of these players remaining as active players and moving into the senior game at both 1st XV and 2nd XV level.

A core part of the review was a detailed audit of club facilities throughout Wales. The outputs are detailed below:

Region	Number of WRU clubs	Number of WDRU clubs	Total Number	% privately owned	% leased	% Unitary Authority owned	Number of senior pitches	Number of junior pitches
Dragons	49	27	76	11%	18%	71%	103	18
Blues	54	15	69	30%	4%	66%	118	17
Ospreys	68	9	77	45%	30%	25%	117	45
Scarlets	47	10	57	60%	21%	19%	89	16
North	22	22	44	50%	19%	31%	79	8
Total/Average %	240	83	323	39%	18%	42%	506	107

Region	% of clubs with junior pitches	% with training area	Average main pitch quality	% with floodlights	% with match standard floodlights	% with clubhouse at ground	Average no. of changing rooms	Average standard of changing rooms
Dragons	14%	72%	3.2	63%	39%	50%	2	3.1
Blues	19%	45%	3.5	81%	40%	48%	3	3.3
Ospreys	38%	56%	3.8	87%	49%	64%	3	3.3
Scarlets	26%	26%	3.9	86%	46%	45%	3	3.3
North	15%	53%	3.4	70%	23%	70%	3	3.1
Total/Average %	22%	50%	3.6	77%	39%	55%	2.8	3.2

Region	% with medical rooms	% with ability to hold functions	% with gym facilities	Average clubhouse quality	% with land for development	% with potential to develop clubhouse	% with club website
Dragons	50%	71%	13%	3.3	35%	50%	72%
Blues	60%	70%	13%	3.6	39%	45%	77%
Ospreys	71%	76%	42%	3.8	53%	76%	79%
Scarlets	58%	68%	29%	3.7	49%	74%	42%
North	43%	66%	18%	3.5	36%	64%	55%
Total/Average %	56%	70%	23%	3.6	42%	62%	65%

Operating and financial review

Community rugby (continued)

The audit indicates an average of 1.8 rugby pitches per club across Wales with 22% of clubs having a dedicated junior pitch and 50% of clubs with a separate training area. However, 24% of rugby clubs only have one pitch and no additional training area. The average quality of the pitch is 3.6, which equates to an average to good quality. This signifies that although pitch quality is adequate, there are often issues with over usage of the same surface and when coupled with poor weather conditions this can prove problematic.

The percentage of clubs with floodlights of a match standard is just 39% limiting playing opportunities and external match hire for many clubs. 77% of clubs have a level of floodlights which is suitable for training purposes.

In terms of land ownership, this varies greatly dependant on the region. For example only 11% of land is privately owned by clubs in the Dragons region as opposed to 60% in the Scarlets region. The Dragons and Blues Regions has a high percentage of Unitary Authority owned land at 71% and 66% respectively.

The average number of changing rooms approximately achieved the standard of 3 per club. However, 27% of clubs across Wales rate their changing rooms either poor or very poor. In terms of medical facilities only 56% of all clubs have a medical room, which is an area of immediate concern.



Bryan Davies (front left) from Bala and friends

The overall quality of clubhouses has been measured between average to good; however, only 55% of clubs have a clubhouse on their ground. This normally infers that a club uses pitches and changing rooms owned by the Unitary Authority and a local public house or social club for after-match purposes. Finally, an average of 65% of clubs have an active website.

Need for improvement

The audit has exposed the need for improvements and this is already being addressed through grants, loans and advice. The Group is aware that for rugby to continue to thrive as the national sport in Wales, adequate facilities have to be provided and participation in rugby will only flourish if adequate facilities are provided at all levels. A powerful rugby presence energising the communities across Wales is vital. It is encouraging that 42% of clubs have land available for development purposes and 62% have the potential to develop their clubhouse, so the opportunity is available with the appropriate funding structure.

From the audit, the areas that require specific attention are as follows:

- development of pitches/training areas on available land
- improvement of the quality of pitches where usage is very high and there is no land available
- increase the percentage of main pitches with match standard floodlights
- improvement of the quality and quantity of changing rooms
- ensure each club has a specific medical room
- increase the percentage of rugby clubs that have a clubhouse by their pitch
- increase the revenue potential of rugby clubs
- ensure all clubs have an active website

These areas will be focused upon in the next twelve months and beyond. To assist in the development of facilities a new Club Development team will be formed during 2008/09.



Brynteg School U16s celebrate cup victory

Increasing involvement in our communities

There has been continued investment in social inclusion projects during the last twelve months. The Group, in collaboration with Ospreys Rugby, South Wales Police and Community Safety Partnerships established a forum to use rugby to facilitate engagement with disadvantaged young people and enhance their prospects.

The UKCC Level 1 coach education course was delivered to over 80 Police Community Support Officers and Youth Workers to assist with this engagement. Using the knowledge and skills from the course, these officers have gone out into their communities and organised local initiatives that have assisted in keeping young people engaged in positive activity and allowed for greater trust and understanding to grow between officers and local children.

Groups of youngsters from Bridgend, Swansea and Afan Nedd have received team building training at Crickhowell Army Camp and some of these are now involved in community projects. Trained PCSOs and Youth Workers have established numerous schemes to involve these youngsters in healthy and controlled activities and feedback has been extremely positive.

An extension to the project is currently being developed with Parc Prison in Bridgend to work with young offenders and use rugby to assist with rehabilitation. The Group remain committed to building community partnerships throughout Wales and using the unique position of rugby clubs to aid social inclusion and justice.

NATIONAL LEAGUE CHAMPIONS 2007/08

Division 1	East West	Pontypool Tonmawr
Division 2	East West	Ystrad Rhondda Felinfoel
Division 3	East West South-East South-West	Brynmawr Ammanford Bedlinog BP Llandarcy
Division 4	East West South-East South-West North	Gwernyfed Morriston Llandaff North Glynneath Caernarfon
Division 5	East West South-East South-West North	Crumlin Burry Port Porth Quins Betws Pwllheli

Referees

During the year some 600 referees have been processed through the IRB Level 1 referee course and it is hoped that many of these will progress to the higher levels of the game. As part of the IRB Junior World Championship Legacy, some 15 young referees were given an insight into what is required at the top end of the game. There is no doubt that this experience will benefit their progress in their further development.

Operating and financial review

Community rugby (continued)



Newport High School Old Boys RFC

The referees department appointed officials to over 5,000 fixtures during the season. This is a massive exercise which is co-ordinated from within the Group, but it is largely reliant on the goodwill of those people who give up their free time willingly to control games and assess referees. The Group greatly appreciates this and offers its sincere thanks to referees and advisors at all levels who have given up their time to benefit the game in Wales.

Women's Rugby

The 2007/08 season saw women's rugby integrate fully into the Group with Nicola Smith assuming control of the community game as Women's Community Rugby

Manager and Sophie Bennett, the elite game, as Women's Elite Manager. Resources and expertise within the Group are beginning to be utilised more effectively to the benefit of the women's game.

The original women's Strategic Objectives remain key to the future development of the women's game; these are:

- to create an effective structure for women's rugby
- to increase participation and improve performance at community/club level
- to establish and maintain Wales Women in the top five of world rugby rankings
- to increase the number of women leaders at all levels and all capacities in rugby in Wales



The targets set for community rugby are pertinent to achieving the objectives. As they stand the targets are:

- the development of community based schemes aligned to Welsh Assembly Government strategic objectives.
- an increase in the playing base for women's and girls' rugby of 15%
- 33 senior, U17s and U14s teams across Wales by 2010
- age grade rugby restructured and developed
- an increase in coaches in the women's game of 15%
- an increase in qualified and active women referees of 15%

During 2007/08 the Group has moved significantly closer to achieving these targets with the inception of a number of new teams. These include U14s at Pentyrch, Cardiff Quins, Abergavenny, Penclawd, Furnace, Amman United, Crymych and Pwllheli, U17s at Abergavenny, Pwllheli, and Llangollen and seniors at University of Wales Newport, Blackwood, Cowbridge, Abercwmboi and Seven Sisters.

Many of these new teams, particularly at U14s and U17s have been the direct result of the Schools 10s and Tag rugby programmes which saw 42 primary and 114 secondary schools enter respectively. Tournaments were held across Wales facilitated by the invaluable rugby development officers, community coaches and volunteers. By the end of the season the total number of registered players was 842 women and 526 girls.

Competition structures were reviewed at both junior and senior levels and new systems implemented. The Tri Cymru competition was developed as a pathway into the elite game. South Division 1 was won by UWIC and South Division 2 by Neath in their debut league season. The North Merit League was won by Dolgellau and the National Cup retained by Cardiff Quins.

In the junior competitions East Wales won both the U14s and U17s regional competitions and went on to represent Wales at the RFUW regional tournament with

the U14s placed as runners-up in the cup and the U17s winning the bowl. Domestically, the South U17s league was won by Neath.

Moving forward, the biggest development for 2008/09 is the reorganisation of girls' regional rugby. U15s and U18s Scarlets, Ospreys, Blues, Dragons and Gogledd Cymru will compete for the regional titles and it is envisaged that a similar programme will develop for the seniors in the not too distant future. Other programmes will include continued professional development for coaches in fitness, nutrition and skills and female referee development.



Ryan Jones at a community event in Caerphilly



Cup winners Cardiff Quins

Operating and financial review

Stadium

Gerry Toms
Stadium Manager



Rod Stewart at the Millennium Stadium

An iconic Stadium

The Millennium Stadium is the jewel in the Group's crown and remains an iconic attraction around the world. Visitors from the USA, China, South Africa, Brazil, Australia and New Zealand - to name but a few - pose the question: "What makes the Millennium Stadium different?" The response focuses on three dimensions: the city centre location, its flexibility and versatility and the retractable roof.

The location of the Group's 74,500 seater stadium is unique and provides visitors with all the necessary services required to create that unforgettable experience for both performers and spectators. The availability of

local hotels, bars, restaurants, retail and sightseeing opportunities, all within walking distance of the stadium is unsurpassed by any other European venue.

The retractable roof enables the Stadium to combat the most severe climate conditions, giving event promoters the confidence that their event will take place regardless of the weather.

The Stadium has a reputation for its versatility. It can stage a diverse range of events because the playing surface can be removed to reveal a stable concrete stage upon which event organisers can hold a range of concerts, as well as business and motor sport events.



Operating and financial review

Stadium (continued)

A decade of experience

In 2009, the Stadium is set to enter its 10th year. With a decade of experience, the Stadium has attained an international reputation for its versatility and operational ability to deliver high profile quality events. Whilst the established events of international rugby, football, regular concerts and motor-sports provide a solid foundation for the future, the commercial and venue sales departments will continue to promote the unique strengths of the Millennium Stadium to secure new, quality events, adding value to the existing diverse portfolio.

The last year

International rugby featuring the National Squad has again dominated the Stadium events scene during the year and this activity is addressed in detail in the Elite rugby section of this Annual Report. The Stadium also hosted four Rugby World Cup 2007 games culminating in that epic quarter-final when, as in 1999, France ended New Zealand's hopes in that competition.

Other significant rugby events included the Worthington Cup Final, the DC Thomas and Konica Cup Finals, Shane Williams' testimonial match and the EDF semi-finals. The rugby year was to culminate with the Heineken Cup Final between Munster and Toulouse. The game was the fifth Cardiff final in the Heineken Cup's 13-year history and featured two of Europe's finest teams. It was a memorable encounter before a capacity crowd, with Munster being crowned champions for the second time in three years.

Non-rugby events

Supporting the rugby programme, the Welsh national football team played its qualifying games for the Euro 2008 competition against Germany, Ireland and the Czech Republic. During the early May Bank Holiday, the Rugby League brought its 12 Super League clubs to Cardiff for the second year of Millennium Magic, providing a spectacular event of six games over two days.

Cardiff and the Millennium Stadium remain the destination of choice for concert promoters around the



FIM British Speedway Grand Prix

world. YE08 saw performances by Rod Stewart and the Police and post year end, Neil Diamond, Bruce Springsteen and Madonna were all at the Stadium.

On the motorsport front, the stadium remains the home of the British Speedway Grand Prix and the GB Rally. To speedway enthusiasts, the Millennium Stadium is known as the "Monaco" of the European circuit. The 2007 event saw the British rider, Chris Bomber Harris, win the event on the final corner of the final lap.

The American promoters, Live Nation Motorsport brought a new event, Monster Jam, to the Stadium in November. Loud, giant motor vehicles racing around the stadium on a platform of 3,000 tons of dirt proved to be a winning family attraction. More than 44,000 people attended this event, making it the largest single audience for a show outside the USA. The event returned in June 2008 and resounding success means it will be back again in 2009.



Joe Calzaghe defeats Mikkel Kessler

Joe Calzaghe returned to the Stadium in November for a unification fight for two world championship titles. In a gruelling fight which went the distance, Calzaghe was declared the winner by an unanimous verdict.

During the year, 17 community event days were organised within the Stadium, ranging from childrens' sport to charity fund raising. Community days provide an ideal opportunity for all charitable and community groups to take advantage of the Stadium facilities to further and support their individual objectives. Applications for events in 2009 will be invited in September 2008.

This year, the Stadium was proud host to the 2nd Battalion of The Royal Welsh Regiment on their return from their six month operational tour of Iraq. Some 600 soldiers marched through the city to the Stadium where, before senior officers, families and members of the public, soldiers were awarded their service medals. In stark contrast, a dignified and moving service was held in memory of the five soldiers from the Battalion who were killed on active service during the tour.

Pitch quality

Over the years, much has been written about the pallated pitch system, previously criticised for its poor stability and grass cover. Pitch development has long been a priority for the Stadium management team. The

selection of grass types, root zone material and installation methods all have a bearing on pitch performance, enhanced this year by the use of pitch lighting rigs. These rigs, which supply additional light to the playing surface, have promoted strong root development, providing a stable playing surface and strong grass growth. The strong playing surface is evident with no fewer than eight games being played on the pitch in May alone. The impact of the Stadium pitch lighting system has meant that the pitch installed in January did not need to be re-turfed as was required in previous years. This is a tribute to the ground staff.



Actress Ruth Jones interviews the Wales captain

Operating and financial review

Commercial

Gwyn Dolphin
Head of Marketing



Blair Tripoli and Peter Mahrer of Under Armour at their WRU launch

Introduction

YE08 brought a mixture of challenges to the marketing and commercial aspects of the Group's business. The over-riding need to make fundamental changes to operating structures and practices within all aspects of the commercial operation started to bear fruit in the latter stages of the year. The consolidation of the Group's services covering sponsorship delivery, business development, event and concert procurement, hospitality and retail operations into a single business unit has created an improved client offer and established more-effective and joined-up internal operations.

Sponsorship

On the sponsorship front, a clearer strategy to build stronger relationships with investing partners was initiated. By reducing the overall size of the sponsor portfolio, the Group has focussed on better service and quality of partnerships, with subsequent increased level of investments. In addition, investment in major quantitative and qualitative research programmes has enabled the Group to understand the needs of its diverse

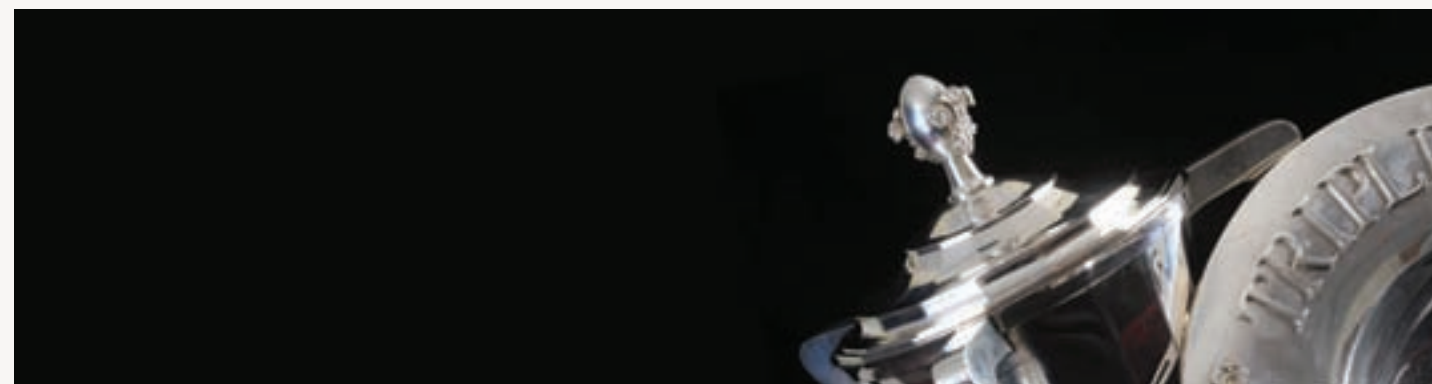
stakeholder base in a better way. As a result, the Group is now able to better tailor its offerings to partners.

The two key results of this philosophy have been achieved with the arrival of Under Armour as the Group's new apparel partner and SWALEC as a major new partner across the community levels of Welsh rugby. These key investments by two major brands into the Group underpins the approach of taking Wales to the world through rugby.

Furthermore sponsorship relationships with valuable partners such as Brains (team sponsor) and Invesco Perpetual (Autumn Series naming rights) were extended during the year. Activity in the community again benefitted from strong commercial support, with SWALEC joining the likes of valued, long-standing partners Principality, RAF, Coca Cola, Webb Ellis and Rhino with an investment in the grassroots of the sport.

Broadcasters

Strong broadcast partnerships lie at the heart of the commercial delivery programme and again, in YE08,



S4C and BBC Wales helped to extend the interest in all levels of Welsh rugby – including acting as host broadcasters for record levels of broadcast of the IRB Junior World Championship.

Millennium Stadium

Apart from the four RWC07 pool matches which contributed significantly to the Group's other event income, rugby events within the Millennium Stadium were dominated by the RBS Six Nations. The success of the Welsh team against England in the first game of the series helped to drive last-minute hospitality sales; however, the home games against Scotland and Italy were not as strong an offer as the Grand Slam winning game against France.

The staging of the Heineken Cup Final between Toulouse and Munster also provided another remarkable event for the stadium, city and country. As anticipated, RWC07 reduced the Group's traditional match income and hospitality revenues from the Autumn Series internationals - which were not fully replaced by the summer series against Argentina and France and the one-off Prince William Cup match against the new world champions South Africa.

The rugby merchandising programmes did suffer from the fact that the long-standing and fruitful partnership with Reebok came to a close in the summer of 2008, in preparation for the beginning of a four-year relationship with Under Armour. The impact of the Reebok stock run-down at retail level over the final 12 months offset the success from RBS Six Nations.

Conversely, the demand for stadium tours rose to superb levels, and the official licensee programme performed well with the officially endorsed Authentic Sports programme also growing. However, the success of the licensing projects will be reflected over the longer period of their agreements.

New structures and operating procedures came into play within the Millennium Stadium event procurement division as well. YE08 was the first year to reflect the full impact of the FA and Football League returning its matches to the new Wembley, and the non-qualification



Ryan Jones and Alan Williams of SWALEC

of the Welsh football team for Euro 2008 was manifested in poor crowds for the matches staged at the stadium.

A targeted marketing campaign within the events industry in early 2008 put the Millennium Stadium back into the forefront of event promoters' planning, at a time when the venue industry is at its most competitive. That initiative will be followed-up with continued marketing communications programmes ensuring the Millennium Stadium remains a must-play venue for high quality artists and events.

Summary

Overall, commercial revenues reduced by 2% to £8.2m. As explained above, this was predominantly as a result of reduced hospitality and catering revenues and reduced merchandise sales from the tail-off of the Reebok contract offset by increased sponsorship income in the period.

In the longer term, the Group now has in place more professional commercial and operational structures to meet the demands of both the rugby and non-rugby elements of the business, and which will be reflected in the growing business relationships at the core of the Group.

Operating and financial review

Ticketing and compliance



Wales v France, the Grand Slam game

Ticketing

Ticketing income remains the second largest income stream of the Group's business and therefore the objective to fill the stadium to its maximum capacity on each and every occasion, remains a primary goal.

During the year, the Ticketing Division undertook a complete review of the positioning and pricing of seats for rugby union events featuring the National Team at the Millennium Stadium and this was reflected in the innovative ticketing strategies adopted during the Invesco Perpetual Summer Series, the unique match against South Africa in November 2007 and the three home RBS Six Nations Championship matches. The re-categorisation of the seating plan saw a new platinum

seat grade implemented and also saw a number of seats re-graded to reflect their true position within the stadium.

October 2007 saw the RWC07 descend on the Millennium Stadium with a high demand for tickets especially for the unexpected quarter final between France and New Zealand. To adopt the ticketing policy and pricing strategy of this external promoter brought its unique problems which the Group were able to manage well given its experience. The attendances at these events and support for the visiting teams during the tournament was impressive.

Over the last 12 months the Millennium Stadium has seen 27 major events staged in both full stadium and arena mode, with over 1.1m tickets processed.

Debenture Division

During YE08 the Group continued its commitment to provide additional opportunities and facilities to its valued Debenture holders.

From the start of the season, the debenture holders were able to access the Group's websites to find updates and various offers such as the Official Debenture Exchange available to them directly.

The Group continued to secure access to purchase tickets for additional events staged at the Millennium Stadium. Debenture holders found themselves being offered the



Match tickets being printed



Julie Paterson
Head of Compliance



Sting at the Stadium

opportunity to see Rod Stewart, the Police, Monster Trucks, Speedway and of course RWC 2007; with preferred access to tickets for the events listed.

In addition, during the hugely successful RBS Six Nations campaign, hospitality facilities dedicated to loyal debenture holders were made available. These facilities took the form of preferential suite and marquee packages being made exclusively available to the Group's Debenture holders.

These new initiatives and facilities were welcomed and the Group is committed to improve in all areas of the services offered.

Compliance

This year was the final year of the first stage of the audit and assessment process. Over the three year term, the process has seen dramatic improvement in and

investment by both Premier Division clubs and a number of aspiring Division 1 clubs as they attempt to qualify to take the step up into semi-professional rugby.

The bar was raised again in relation to eligibility and requirements, with all 14 of the current Premier Division and Beddau RFC, Caerphilly RFC, Newbridge RFC and Pontypool RFC from Division 1 East all obtaining the standards required.

Pontypool RFC became champions of Division 1 East, and will now take their place in the Premier Division for the 2008/09 season.

In March 2008, a Criteria Review Panel was established by the Group, containing representation from Division 1, Premier Division and the Welsh Regions. The task of this panel is to evolve the criteria and to shape the process for future seasons.

Operating and financial review

Operations

Tim Burton
Head of Operations



WRU headquarters reception staff

Introduction

The Operations Department is responsible for the provision and delivery of core support functions across the Group. There are five strands to this support: Rugby Operations, Human Resources ("HR"), Information Technology ("IT"), International Department and Policy Development.

Rugby operations

The Rugby Operations team, well led by Peter Owens, is responsible for all domestic fixtures and competitions throughout the National Leagues, including player registrations and transfers. The Rugby Operations team, in collaboration with the IT department, has tested a new online registration system and this will now be implemented with training for club secretaries in how to fully utilise the system. Further developments of the

"MyWRU" system will be carried out during the remainder of 2008 to enhance communication with the Group's member clubs. As a result of the Community Rugby Review conducted during YE08, the Rugby Operations team will be strengthened in 2008 with the inception of a Club Development section.

Human Resources

The Group has further developed its HR procedures and policies during YE08. Julie Lindsay has been appointed HR Manager with a core part of her remit being to develop a performance management system across the Group. The Group has continued to hold regular staff briefings to ensure that all staff are kept up to date with relevant issues. The HR function has continued to manage recruitment and contract negotiations across the Group. As a result of the rugby reviews conducted by the Group, the HR function has been responsible for the



Headquarters staff at work

restructuring of the Rugby Department including a detailed review of all current job descriptions and management reporting lines. The Group continues to be extremely lean in all support functions with more than 50% of all staff costs attributable to rugby facing roles. The Group remains committed to ensuring that appropriately qualified staff are recruited, supported and retained within the business.

Information technology

The Group is currently assessing a number of proposals to upgrade its central IT systems capability. The IT department was heavily involved in the IRB Junior World Championship and provided core IT support at all venues.

Strategic partnerships

The Group has continued to develop strategic partnerships with the Welsh Assembly Government and key stakeholders. Senior management meetings have taken place on a quarterly basis with the aim of aligning core strategies and operational outputs. The Group has committed to the Green Dragon environmental standard, with the initial emphasis being upon Millennium Stadium operations and aims to deliver against the environmental standards within the scheme.

International Department

The Group has implemented an in-house travel service focused on improving service levels to all its teams and

employees and the Group is already benefiting from bespoke travel solutions combined with a cost saving over the previous outsourced arrangement. The travel team was integral to the successful staging of the IRB Junior World Championship and the summer tour to South Africa.

Charities

The Group has continued to support the the Welsh Rugby Charitable Trust and the Millennium Stadium Charitable Trust. A number of diverse charities have also benefited from bucket collections at home international matches. As a result of the review into charitable activity, the Group will be establishing the Welsh Rugby Foundation during the forthcoming year.



A Stadium guided tour after pitch removal

Operating and financial review

Communications



The media question Warren Gatland and Ryan Jones

Overview

It was a year dominated by change both internally within the communications team and externally through the events, initiatives and restructuring which created the headlines to tell the story of Welsh rugby in YE08.

A new President, a new Head Coach, new major sponsors announced and that famous Grand Slam victory were the cornerstones of a dynamic twelve months.

All these stories created a rich vein of news, comment and analysis which again confirmed Welsh rugby as the national sport of Wales: a sport which can dominate the front, back and several inside pages of Welsh newspapers whenever Wales play a senior rugby international.

The growing importance of the website

The media and our supporters have an increasing demand for up to the minute information. Accordingly, the Group expanded the flow of relevant information through more audio and video website reports on important announcements and news events.

These initial forays into the growing new media marketplace of information transfer form the basis of a strategy which will now be developed and expanded. This will keep the Group apace with the online focus of newspapers and broadcasters which is creating a new demand for this format of information.

So far, video content of Welsh rugby has been gathered through several sources but the pictures and audio material have been shared with major broadcasters and online news services to achieve maximum impact for

rugby news. This policy is continuing as the Group explores more ways of gathering relevant content and acquiring access to the new media broadcast skill-sets required.

During the year it was notable that the first broadcast interviews with Shaun Edwards, following his appointment to the Wales coaching team, appeared exclusively on the Group's website, before being distributed to the media. Major team announcements were also broadcast first by the Group's website in a move aimed at driving more users to its official web pages.

Developments

In terms of departmental changes the National Team Communications Manager role was taken in-house to create a permanent communications presence within the squad and the coaching and management set-up. Simon Rimmer fulfils the role within a flexible brief which incorporates close liaison with the four Regional teams. His arrival has been welcomed by the Group's media stakeholders as a major step towards maintaining and developing a solid media strategy and policy for the National Team.

A major communications initiative in the year involved securing a £50,000 grant from the Sports Council of Wales with Welsh Assembly Government support for a series of Welsh language projects.

The first of these to be rolled out was a fully bilingual version of the Tournament Guide and the final day programme of the inaugural IRB Junior World Championship held in Wales.

Projects also approved during the year involved the installation of more bilingual signage within the Millennium Stadium and the creation of a substantial volume of Welsh language content on the Group website.

Throughout the year a continuing feature of the communications focus was the review and restructuring of rugby departments. The arrival of Warren Gatland as the new National Team Head Coach proved the most high profile change of interest with the eventual Grand Slam victory establishing a massive high point in media coverage.

John Williams
Head of Communications



Assembly and Sports Council backing for the Welsh language

Elsewhere in the rugby department the change of personnel structure away from the Elite Performance Director module to a pyramid headed by the Head of Rugby Development dominated the headlines.

Through the year several meetings took place with broadcasters and relevant sports news journalists to ensure the developing Group strategy, policy and restructuring was explained.

Planning and preparation for the inaugural IRB Junior World Championship involved organising build-up and tournament media coverage of all 41 matches. There was also a requirement for close liaison with broadcasters as the TV coverage spread to 70 countries and a potential 300 million homes involving 323 hours of rugby coverage. A fundamental element of the media focus was the tournament legacy which involved some 14,000 young rugby fans with teams from the 16 competing nations and master-classes for more than 400 coaches in Wales.

Alongside a proactive approach to promotion of Group activities and initiatives, much of the communications department's focus involved reaction to and management of the massive volume of breaking news issues throughout the year. There were high points aplenty in particular over issues such as the Grand Slam victory, the appointment of the Group's Chairman, David Pickering, as chair of the Six Nations Committee, Gerald Davies' appointment as Manager of the Lions in 2009 and the launch of the Prince William Cup.

Operating and financial review

Key performance indicators and business risks

Key performance indicators ("KPIs")

The KPIs of the Group are the:

Rugby performance

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

Participation in rugby

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

Financial performance

- Generation of sufficient earnings before interest, depreciation and allocations ("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 sufficiently for non-National Squad rugby related events
- Provision of consistent levels of funding to clubs and affiliated organisations to allow them to implement long term plans to fulfil their objectives

The KPIs and the Group's performance are commented on throughout this Operating and financial review.

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 community rugby
- the securing of non-rugby related events and activities to the Millennium Stadium
- the alignment of commercial strategies to deliver the rugby and stadium strategies
- the physical security and insurance of the 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.



2nd Battalion Royal Welsh Regiment home from Iraq

Directors' report

for the year ended 31 May 2008



Mike Jefferies
Head of Legal Affairs

The Directors present their report and the Group's audited financial statements for the year ended 31 May 2008.

Principal activities and business review

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 Overview and the Operating and Financial Review.

Results for the year

The results for the year are set out in the consolidated profit and loss account on page 58 and show a profit before exceptional items and tax of £3.0m (2007: profit - £1.0m) and a profit before tax of £2.0m (2007: loss - £2.3m).

Financial risk factors

The Group is exposed to financial risks from interest bearing assets and liabilities and an interest 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

The Group has no material foreign exchange risk.

• Interest rate risk

The Group has interest bearing liabilities. As shown in Note 1.5, the Group's policy is to hedge against an interest risk on liabilities by using derivative instruments. 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 31 May 2008, only 5% of the borrowings were due to expire within five years.

Fixed assets

The Millennium Stadium, recorded at a carrying value in the financial statements of some £105m 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 increase to some £250m.

Directors

The Directors who held office during the year are noted on pages 84 and 85.

Donations

The Group's primary charitable donation was £57,000 (2007: £83,000) 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.

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
- pay in accordance with its contractual and other legal obligations

Directors' report

(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 year, 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



Rob Howley at Heidedal township in Bloemfontein

when making decisions likely to affect employees' interests. The interests of employees in the defined benefit pension schemes were represented in the year 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.

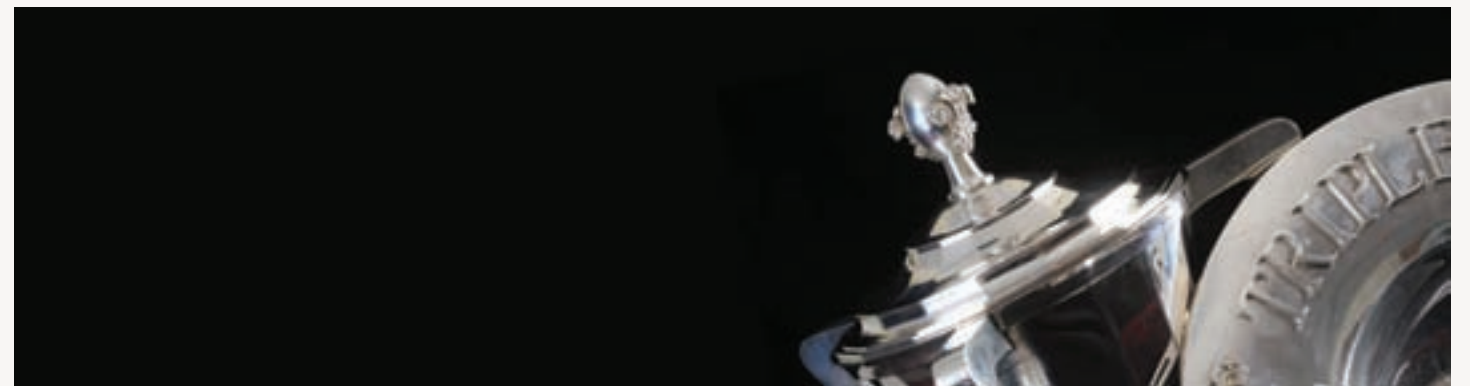
Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary



The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Audit information statement

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.

Auditors

In accordance with best practice of corporate governance, a review of the Group's auditors was completed during 2007. The Directors proposed PricewaterhouseCoopers LLP be appointed as auditors and a resolution to appoint them was passed at the Annual General Meeting held on 28 October 2007. This resulted in PricewaterhouseCoopers LLP being appointed as the Group's auditors with effect from that date.

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

M Jefferies
Company Secretary

28 August 2008



Shane Williams with daughter Georgie

Consolidated profit and loss account

for the year ended 31 May 2008

		Pre-exceptional	Exceptional	Total	
	Notes	2008 £'000	2008 £'000	2008 £'000	2007 £'000
Turnover	2(a)	50,313	-	50,313	43,778
Costs	2(b)	(44,474)	(957)	(45,431)	(43,288)
Operating profit before depreciation, exceptional items and allocations to affiliated organisations ("EBITDA")		23,558	-	23,558	21,097
Allocations to affiliated organisations	2(d)	(15,162)	-	(15,162)	(14,941)
Exceptional items	4	-	(957)	(957)	(3,296)
Depreciation (net of grant release)	4	(2,557)	-	(2,557)	(2,370)
Operating profit		5,839	(957)	4,882	490
Net interest payable	3			(2,833)	(2,825)
Profit/(loss) on ordinary activities before tax				2,049	(2,335)
Tax on profit/(loss) on ordinary activities	6			(856)	245
Retained profit/(loss) for the financial year	19			1,193	(2,090)

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 gain on the pension scheme as disclosed in the consolidated statement of total recognised gains and losses below.

Consolidated statement of total recognised gains and losses for the year ended 31 May 2008

	2008 £'000	2007 £'000
Profit/(loss) for the financial year	1,193	(2,090)
Actuarial gain on pension scheme	120	134
Movement in deferred tax on pension scheme	(40)	(30)
Net effect of pension schemes	80	104
Total gains/(losses) recognised in the year	1,273	(1,986)

The notes on pages 61 to 82 form an integral part of these financial statements.

Balance sheets

31 May 2008

	Notes	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Fixed assets					
Tangible assets	8	146,291	148,612	39,026	39,112
Investments	9	-	-	50	50
		146,291	148,612	39,076	39,162
Current assets					
Stock	10	75	270	75	270
Debtors	11	5,173	9,311	13,075	5,967
Cash at bank and in hand	13	3,088	5,832	2,986	5,923
		8,336	15,413	16,136	12,160
Current liabilities					
Creditors – amounts falling due within one year	14	(15,313)	(14,186)	(8,298)	(7,201)
Net current (liabilities)/assets		(6,977)	1,227	7,838	4,959
Total assets less current liabilities		139,314	149,839	46,914	44,121
Creditors – amounts falling due after more than one year	14	(82,996)	(93,320)	(37,325)	(37,325)
Accruals and deferred income	16	(45,920)	(47,300)	-	-
Provisions for liabilities and charges	17	(4,852)	(4,857)	-	-
Net assets excluding pension assets		5,546	4,362	9,589	6,796
Pension assets	12	291	202	291	202
Net assets including pension assets		5,837	4,564	9,880	6,998
Capital and reserves					
Other reserves	19	2,314	2,314	2,610	2,610
Profit and loss account	19	3,523	2,250	7,270	4,388
Capital employed		5,837	4,564	9,880	6,998

These financial statements were approved by the Board of Directors on 28 August 2008 and signed on its behalf by:



David Pickering
Chairman



Roger Lewis
Group Chief Executive Officer

The notes on pages 61 to 82 form an integral part of these financial statements.

Consolidated cash flow statement

for the year ended 31 May 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Net cash inflow from operating activities	23		11,058		1,294
Returns on investments and servicing of finance					
Interest received		295		140	
Interest paid		(3,598)		(2,906)	
Interest element of hire purchase repayments		(29)		-	
Net cash outflow from returns on investments and servicing of finance			(3,332)		(2,766)
Taxation			-		(225)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(1,579)		(284)	
Grant received		360		699	
Net cash (outflow) / inflow for capital expenditure and financial investment			(1,219)		415
Financing					
Debentures issued		-		1,401	
Drawdown of bank loans		45,000		170	
Repayment of bank loans		(55,002)		(209)	
Arrangement fees paid		(67)		-	
Drawdown of hire purchase agreements		1,000		-	
Capital element of hire purchase repayments		(182)		-	
Net cash (outflow) / inflow in respect of financing			(9,251)		1,362
(Decrease) / increase in net cash in the year	24		(2,744)		80

The notes on pages 61 to 82 form an integral part of these financial statements.

Notes to the financial statements

31 May 2008

1. Accounting policies

The Group's financial statements have been prepared under the historical cost convention in accordance with the Companies Act 1985 and applicable Financial Reporting Standards ("FRS"). The Group's accounting policies, which have been applied consistently except where new accounting standards have been adopted as described below, are as follows:

Change in accounting policy

The Group has, as required by the relevant standards, adopted the amendment to FRS 17 'Retirement benefits'. The adoption of this amendment represents a change in accounting policy.

The change in accounting policy to adopt the amendment to FRS 17 did not have an impact on the balance sheet or profit and loss account for the current year nor on the comparatives provided for the prior year and hence restatements have not been made in these financial statements to the balance sheet or profit and loss account. The additional disclosure requirements contained in the amendment to FRS 17 have been set out in Note 22.

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Welsh Rugby Union Limited and its subsidiaries, Millennium Stadium plc and WRU Supporters Club Limited, all of which are made up to 31 May 2008 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 year. These are shown as exceptional within the categories of expenditure to which they relate.

d) Depreciation

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

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

Notes to the financial statements

(continued)

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 are charged to the profit and loss account on a straight line basis over the life of the lease.

h) Stock

Stock is valued at the lower of cost and net realisable value.

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 year.

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

A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an existing underlying exposure of the Group. The derivative instruments utilised by the Group are interest rate swaps. Interest differentials on interest rate swaps are recognised by adjusting the net interest charge.

2. Segmental information

As set out in the Directors' report, the Group has only one business segment but the information below is provided as additional information.

Business analysis

(a) Turnover

	2008 £'000	2007 £'000
Turnover is analysed as follows:		
Match income	27,367	24,189
Competition income	4,973	4,696
Commercial income	8,164	8,417
Other event income	5,162	4,295
Other income	4,497	1,745
Government related grants	150	436
	50,313	43,778

Other event income represents amounts receivable in respect of staging fees and other similar income arising within the Millennium Stadium which are not promoted by the Company. Other income includes £3.1m (2007: £nil) in respect of a grant from the International Rugby Board Trust and £0.1m (2007: £0.1m) of grants received from the Sports Council of Wales matched by expenditure included in community rugby costs. Government related grants are in respect of Objective 1 funding received from the Welsh European Funding Office in respect of the Regional Age-Grade Academies as shown in Note 5.

(b) Total costs:	£'000	£'000
Operational costs (see (c) below)	26,755	22,681
Exceptional costs	957	2,966
Depreciation – net of grant release	2,557	2,370
Accelerated depreciation (exceptional)	-	330
Allocations to affiliated organisations (see (d) below)	15,162	14,941
	45,431	43,288

(c) Operational costs:	£'000	£'000
Business and administration	5,869	5,324
Direct (primarily national squad and all event costs)	12,409	9,181
Elite rugby	2,461	2,228
Community rugby	1,780	1,635
Stadium	4,236	4,313
	26,755	22,681

(d) Allocations to affiliates	£'000	£'000
These are analysed as follows:		
Regions – professional rugby	11,357	11,025
Clubs – semi-professional rugby	1,026	1,000
Clubs – community rugby and similar affiliates	2,779	2,916
	15,162	14,941

Notes to the financial statements

(continued)

3. Net interest payable

	2008 £'000	2007 £'000
Interest payable and similar charges		
Interest payable on bank and similar loans	3,004	2,901
Interest on finance lease and hire purchase arrangements	29	-
Bank charges	134	107
Total	3,167	3,008
Interest receivable and similar income		
Short term deposits	319	173
Other finance income in respect of pensions (see Note 22)	15	10
Total	334	183
Net interest payable	2,833	2,825

4. Profit/(loss) on ordinary activities before tax

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

	2008 £'000	2007 £'000
Depreciation on owned assets	3,813	3,622
Depreciation on leased assets	124	-
Accelerated depreciation (exceptional)	-	330
Release of deferred income (grant release)	(1,380)	(1,252)
Net charge to the profit and loss account	2,557	2,700
Rental of land and buildings	80	70
Exceptional items (excluding depreciation)	Notes	
Reorganisation costs	(a) 307	330
Litigation costs	(b) 85	710
Increased provision for slow moving stock	(c) -	100
Increased provision for doubtful debts & similar adjustments	(d) 565	1,826
Total exceptional items	957	2,966

4. Profit/(loss) on ordinary activities before tax (continued)

During the year, the Group has suffered charges 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 year'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:

- Following a change in management, a programme of restructuring was undertaken in 2008 and 2007. The costs of redundancies and compensation for loss of office have been identified as an exceptional cost in the year.
- These litigation costs arise from ongoing disputes or disputes settled in each of the respective years.
- In 2007, management performed a review of stock and concluded that some stock items were slow moving and provided against these amounts accordingly. This item is shown as exceptional as the stock had been held for some years and did not relate to the trading of 2007.
- In 2008 management 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. A similar exercise was undertaken in 2007.

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

	2008 £'000	2007 £'000
Fees payable to Company auditor for the audit of the parent company and consolidated accounts	25	40
Non-audit services; fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries pursuant to legislation	15	30
Taxation services	46	2
Other services	20	-

In addition to the above services, the Group's auditor in 2007, Walter Hunter & Co. Limited, acted as auditor to The Welsh Rugby Union Limited Senior Employees' Pension Scheme. The appointment of auditors to the Group's pension schemes and the fees paid in respect of those audits are agreed by the Trustees of each scheme, who act independently from the management of the Group. The aggregate fees paid to the Group's auditor for audit services to the pension schemes during 2007 was £2,500.

Notes to the financial statements

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5. Staff numbers and costs

Staff numbers	2008 Group	2007 Group	2008 Company	2007 Company
The average number of employees during the year was:				
Management and administration	54	50	31	34
Direct	28	23	17	16
Elite rugby	27	25	27	25
Community rugby (including district development officers)	33	35	33	35
Stadium	33	35	-	-
	175	168	108	110

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 8 (2007: 9) (full time equivalents) District Development Officers ("DDOs") who are employees of various local authorities.

Staff costs	2008 Group	2007 Group	2008 Company	2007 Company
The staff costs during the year were as follows:	£'000	£'000	£'000	£'000
Wages and salaries	6,062	5,099	4,590	3,526
Social security costs	576	528	439	375
Pension costs – defined benefit schemes	71	120	75	120
Pension costs – defined contribution schemes	224	147	155	73
	6,933	5,894	5,259	4,094
Reorganisation costs (Note 4)	307	330	307	140
	7,240	6,224	5,566	4,234

Included in the above costs are some 17 (2007:16) employees for which the Group receives Objective 1 funding from the Welsh European Funding Office in respect of the Regional Age-Grade Academies. The above costs are shown without deduction of the Objective 1 funding which is included in other income within turnover (see Note 2).

Also included in the above costs are contributions amounting to £0.2m (2007: £0.3m) towards the DDOs.

In addition to the above amounts, £3.0m (2007: £0.8m) 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

	2008 £'000	2007 £'000
The directors' emoluments, during the year were, as follows:		
Wages and salaries	328	221
Pension costs	15	8
	343	229

The emoluments above include £25,000 (2007: £25,000) payable to a company controlled by the Chairman. The Group received £89,000 (2007:£69,000) from third parties in respect of the above emoluments.

No Directors were members of the Group's defined benefit pension scheme. The pension costs relate to payments made to defined contribution schemes.

6. Tax

	2008 £'000	2007 £'000
(a) Analysis of charge/(credit) in the year		
Current tax		
UK corporation tax on profits for the year	1,361	-
Adjustments in respect of prior years	(500)	-
Total current tax (Note 6(b))	861	-
Deferred tax		
Origination and reversal of timing differences	317	(245)
Changes in tax rates and laws	(332)	-
Total deferred tax	(5)	(245)
Total tax charge/(credit) on profit/(loss) on ordinary activities	856	(245)

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

The current tax assessed for the year is different from the standard rate of corporation tax in the UK of 29.7% (2007: 30.0%). The differences are explained below:

	2008 £'000	2007 £'000
Profit/(loss) before tax	2,049	(2,335)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 29.7% (2007: 30.0%)	608	(700)
Accelerated capital allowances	(369)	245
Permanent differences	1,122	455
Adjustmet in respect of prior years	(500)	-
Current tax charge for year (Note 6(a))	861	-

7. Profit of the Company

The Company has not presented its own profit and loss account, as permitted by section 230(1)(b) Companies Act 1985. The profit/(loss) before and after tax for the financial year in respect of the Company was £4.2m and £2.8m (2007: £1.1m and £(1.7)m) respectively.

Notes to the financial statements

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8. Tangible fixed assets

	Stadium	Other buildings	Land	Other fixed assets	Group Total	Company Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 June 2007 (restated)	134,740	1,697	37,629	2,742	176,808	40,210
Additions	36	59	-	1,521	1,616	64
At 31 May 2008	134,776	1,756	37,629	4,263	178,424	40,274
Accumulated depreciation						
At 1 June 2007 (restated)	26,666	379	-	1,151	28,196	1,098
Charge for the year	3,424	110	-	403	3,937	150
At 31 May 2008	30,090	489	-	1,554	32,133	1,248
Net book value						
At 31 May 2008	104,686	1,267	37,629	2,709	146,291	39,026
At 31 May 2007 (restated)	108,074	1,318	37,629	1,591	148,612	39,112

Included in the cost of the stadium are cumulative capitalised interest costs of £4.6m (2007: £4.6m). The depreciation charge includes an amount of £0.1m (2007: £0.1m) representing the depreciation of interest previously capitalised.

All the land and buildings are held under a freehold interest other than an element which is covered by a 999 year lease.

The net book value of the Group's tangible fixed assets include £0.9m (2007: £nil) (Company: £nil (2007: £nil)) in respect of assets held under hire purchase arrangements. The depreciation charge on these assets amounted to £0.1m (2007: £nil) (Company: £nil (2007: £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.

The comparatives above have been restated to reflect certain grants that had previously been netted off fixed assets and have now been reclassified as deferred income (Note 16).

9. Investments

The Group hold no material investments.

The Company held a £50,000 equity investment in Millennium Stadium plc at both 31 May 2008 and 31 May 2007.

Subsidiary and other investments, all held directly by the Company and in which the Company has a beneficial interest, as at 31 May 2008 and 31 May 2007 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%
Six Nations Rugby Limited	Competition management	Republic of Ireland	17%
European Rugby Cup Limited	Competition management	Republic of Ireland	19%
Celtic Rugby Limited	Competition management	Republic of Ireland	33%
British Lions Limited	Overseas rugby tours	Republic of Ireland	25%

In addition, the Group holds an investment of £5,000 in The Vale Indoor Arena Limited ("VIA"), for the use of national training facilities. The costs relating to this facility are included in the financial statements and are some £136,000 (2007:£125,000).

At 31 May 2008 and 31 May 2007, the Group and Company's share of the net assets of VIA were negligible.

Given the disposition of the other shareholdings, and the immateriality of their net surpluses and net assets after receipt of dividends 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 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Goods for resale	75	270	75	270

Notes to the financial statements

(continued)

11. Debtors

Amounts due within one year:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Trade debtors	3,280	4,625	1,763	1,335
Prepayments and other debtors	1,765	3,081	803	1,389
Accrued income	41	1,388	108	355
Loans due from clubs	15	45	15	45
	5,101	9,139	2,689	3,124

Amounts due after more than one year:

Amounts due from subsidiary undertakings	-	-	10,314	2,671
Loans due from clubs	72	172	72	172
	72	172	10,386	2,843

Total debtors

5,173	9,311	13,075	5,967
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The amounts due from subsidiary undertakings are unsecured, non-interest bearing and have no fixed dates of repayment.

12. Defined benefit pension asset

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Defined benefit pension asset (Note 22)				
Surplus on defined benefit pension scheme	411	282	411	282
Deferred tax on surplus on scheme	(120)	(80)	(120)	(80)
	291	202	291	202

13. Cash at bank and in hand

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Cash balance at bank	3,088	5,832	2,986	5,923

14. Creditors

Amounts falling due within one year:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Bank loans	503	152	-	-
Amounts due under hire purchase arrangements	295	-	-	-
Amounts due to subsidiary undertakings	-	-	16	-
Trade creditors	5,066	4,937	1,379	759
Corporation tax	2,946	2,085	2,946	2,085
Other tax and social security	1,272	1,640	447	1,230
Other creditors	539	710	539	418
Accruals and deferred income	4,692	4,662	2,971	2,709
	15,313	14,186	8,298	7,201

Amounts falling due after more than one year:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Bank loans	44,430	54,850	-	-
Amounts due under hire purchase arrangements	523	-	-	-
Debentures	37,325	37,325	37,325	37,325
Deferred income	718	1,145	-	-
	82,996	93,320	37,325	37,325

Maturity analysis:

Bank loans are due:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Within one year	503	152	-	-
Between one and two years	543	306	-	-
Between two and five years	1,882	1,049	-	-
In more than five years	42,005	53,495	-	-
	44,933	55,002	-	-

Security provided on bank loans

Bank loans totalling £44.9m (2007: £55.0m) are secured by fixed and floating charges over the assets of the Company and certain of its subsidiaries

Notes to the financial statements

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14. Creditors (continued)

Obligations under hire purchase agreements are due:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Within one year	358	-	-	-
Between one and two years	237	-	-	-
Between two and five years	354	-	-	-
	949	-	-	-
Less: finance charges allocated to future periods	(131)	-	-	-
	818	-	-	-

Debenture loans are repayable in:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'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. The movement on debenture loans is analysed as follows:

Group and Company	2008 £'000	2007 £'000
Balance brought forward	37,325	35,924
Additions	-	1,350
Upgrades	-	51
Balance carried forward	37,325	37,325

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

Bank loans, with a total value of £44.9m (2007: £55.0m), are repayable wholly or partly from the balance sheet date by instalments. Of these amounts, £42.0m (2007: £53.5m) is repayable after five years.

Debenture loans, with a total value of £37.3m (2007: £37.3m), are repayable wholly from the balance sheet date. Of these amounts, £37.3m (2007: £37.3m) is repayable after five years.

14. Creditors (continued)

The principal terms of these loans are set out below:

Bank loans	Interest and capital repayment terms	2008 £'000	2007 £'000
Term loan	LIBOR plus 1.50%, loan repayable in instalments by 2035	35,000	-
Tranche A	LIBOR base plus 1.50%; loan repayable in instalments by 2039	-	36,730
Tranche B	5.00%; loan repayable in 2024	-	8,272
Tranche C	Interest and capital is payable only in the event of default or certain other defined events	10,000	10,000
		45,000	55,002
Unamortised arrangement fee		(67)	-
		44,933	55,002

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

15. 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:

- **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 interest rate swaps to generate the desired interest profile and to manage exposure to interest rate fluctuations. It is the Group's policy to keep a proportion of its bank borrowings at fixed rates of interest and as at 31 May 2008 some 100% (2007: 80%) was subject to hedging arrangements.
- **Liquidity risk** – the Group's policy is to maintain a balance between continuity of funding and flexibility. As at 31 May 2008, 5% (2007: 2%) of borrowings were due to mature within five years, some 7% (2007: 4%) were due to mature between five years and fifteen years and some 88% (2007: 94%) were due to mature after fifteen years.

Financial instruments

At 31 May 2008 the average notional principal amounts of derivatives relating to interest rate swap and cap and collar agreements were £36.0m (2007: £36.0m) and are analysed as follows:

Instrument	Principal £'000	Fair market value £'000	Unrealised gain / (loss)	Maturity date
Interest rate swap 5.39%	18,000	17,885	115	31 December 2018
Interest rate cap 4.95% (5.20% from 31 December 2008)	19,000	17,535	1,465	31 March 2017
Interest rate floor 4.25% (4.75% from 31 December 2008)	17,000	17,616	(616)	31 March 2017

Unrealised gains/(losses) will be realised in future years, over the lives of the instruments.

Notes to the financial statements

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16. Deferred income

	2008 £'000	Restated 2007 £'000
Grants	45,920	47,300
	2008 £'000	2007 £'000
As at 1 June	47,300	48,552
Released to the profit and loss account	(1,380)	(1,252)
As at 31 May	45,920	47,300

As outlined in Note 8, the comparatives above have been restated to reflect certain grants that had previously been netted off fixed assets and have now been reclassified as deferred income.

During the year some £1.4m (2007:£1.3m) 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 Big Lottery (formerly the Millennium Commission) amounting to £35.6m (2007: £36.8m). This grant will be released to the profit and loss account as follows:

	2008 £'000	2007 £'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	29,655	30,851
	35,635	36,831

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.

17. Provisions for liabilities and charges

Deferred tax

The movement on deferred tax is as follows:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Balance at 1 June	4,857	5,102	-	-
Released to the profit and loss account	(5)	(245)	-	-
At 31 May	4,852	4,857	-	-

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

Accelerated capital allowances	5,375	5,418	-	-
Tax losses carried forward	(523)	(561)	-	-
	4,852	4,857	-	-

Several changes to the UK corporation tax system were announced as part of the March 2007 Budget statement, and a number of these were enacted in the 2007 Finance Act. One of these changes relates to the UK corporation tax rate which changed from 30% to 28% from 1 April 2008 and which therefore requires a re-measurement of deferred tax balances. Deferred tax expected to reverse after this date has been measured at 28%, as this is the tax rate which will apply on reversal. This change has been reflected in the financial statements and the deferred tax balance noted above. The impact on the current year tax charge is shown in Note 6.

The Group is currently in discussions with HM Revenue & Customs ("HMRC"), regarding the treatment of certain matters for corporation tax purposes. These matters include the extent to which the expenditure on the Millennium Stadium qualifies for tax relief and the basis on which the operating activities of the Company are charged to tax. Following the outcome of these discussions, 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 of any such adjustment at this time. The Directors believe, based on external opinion, that the Group has meritorious arguments as regards the treatments to be adopted and that no significant further liability is expected from that reflected in the financial statements.

18. 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 is members is 241 (2007:241).

Notes to the financial statements

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19. Reserves

	Profit and loss account £'000	Other reserves £'000	Total £'000
Group			
At 1 June 2007	2,250	2,314	4,564
Retained profit for the year	1,193	-	1,193
Actuarial gain on pension schemes	120	-	120
Deferred tax movement on pension schemes	(40)	-	(40)
At 31 May 2008 – including pension assets	3,523	2,314	5,837
Pension assets	(291)	-	(291)
At 31 May 2007 – excluding pension assets	3,232	2,314	5,546

Company

At 1 June 2007	4,388	2,610	6,998
Retained profit for the year	2,802	-	2,802
Actuarial gain on pension schemes	120	-	120
Deferred tax movement on pension schemes	(40)	-	(40)
At 31 May 2008 – including pension assets	7,270	2,610	9,880
Pension assets	(291)	-	(291)
At 31 May 2008 – excluding pension assets	6,979	2,610	9,589

Company - Retained profit for the year is analysed as follows:

Profit before tax	4,222
Tax charge	(1,420)
	2,802

20. Contingent liabilities

Group

The Group had the following contingent liabilities as at 31 May 2008:

- 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 £2.1m (2007: £2.7m).

The Group is 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.

Company

The Company had the following contingent liabilities as at 31 May 2008:

- The Company has guaranteed the performance of one of its subsidiaries under the terms of banking arrangements and grant arrangements amounting to £45.0m (2007: £55.0m) and £46.0m (2007: £46.0m) 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 amounts due are £2.1m (2007: £2.7m).

21. Commitments

Capital commitments of the Group:

	2008 £'000	2007 £'000
Authorised and contracted:	-	885

Operating lease commitments:

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

	£'000	£'000
Land and buildings		
Expiring during years two to five	80	70

Notes to the financial statements

(continued)

22. 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 year amounting to some £0.2m (2007: £0.2m). There are no material amounts included in creditors in respect of these pension costs in 2008 or 2007.

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. 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 2004, was based on the Projected Unit Method of Valuation and the market value of its assets at that date was some £1.3m. The contribution rates of the Company were 13.0% of pensionable pay from 1 June 2005. The Group's contributions for the year amounted to some £0.1m (2007: £0.1m). No material amounts at 31 May 2008 or 31 May 2007 were included in creditors, being contributions collected from the employees and the Company at the year end not yet paid over to the WRUSEPS.

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:

	2008 %	2007 %	2006 %
Assumptions			
Inflation	3.8	3.2	2.8
Rate of increase in salaries	5.8	5.2	4.8
Rate of increase of pensions in payment	3.8	3.2	2.8
Rate of increase of pensions in deferment	3.8	3.2	2.8
Discount rate	6.3	5.5	5.0
	Years	Years	Years
Life expectancy of a 65 year old woman at 31 May	90	87	n/a
Life expectancy of a 65 year old man at 31 May	87	85	85

Life expectancy assumptions are based on those in published actuarial tables PMA92 and PFA92, projected to calendar years 2040 (with a one year deduction) and 2015 for 2008 and 2007 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	Expected rate of return	
	%	2008 £'000	2007 £'000
Assets			
Group pension contract	6.5	1,832	1,855
Cash	4.9	(17)	-
		1,815	1,855

22. Pension costs (continued)

The following amounts at 31 May have been measured in accordance with the requirements of FRS 17:

	2008 £'000	2007 £'000
Fair market value of assets	1,815	1,855
Actuarial value of liabilities	(1,404)	(1,573)
Excess of assets over liabilities	411	282
Related deferred tax liability	(120)	(80)
Net pension surplus	291	202

The amounts recognised in the financial statements are as follows:

Operating profit

Current service costs

Other finance income

Expected return on pension scheme assets

Interest on pension scheme liabilities

Net return

Statement of total recognised gains and losses

Actual return less expected return on pension scheme assets

Experience gains and losses arising on the scheme liabilities

Changes in assumptions underlying the present value of the scheme liabilities

Actuarial gain recognised in the consolidated statement of total recognised gains and losses

Reconciliation of present value of scheme liabilities

At beginning of the year

Movement in year:

Current service cost

Interest cost

Member contributions

Benefits paid

Actuarial gain

Present value of scheme liabilities at end of the year

	£'000	£'000
Operating profit	71	120
Other finance income	104	84
	(89)	(74)
Net return	15	10
	£'000	£'000
Statement of total recognised gains and losses	(219)	77
	365	15
	(26)	42
Actuarial gain recognised in the consolidated statement of total recognised gains and losses	120	134
	£'000	£'000
Reconciliation of present value of scheme liabilities	1,573	1,435
	71	120
	89	74
	10	14
	-	(13)
	(339)	(57)
Present value of scheme liabilities at end of the year	1,404	1,573

Notes to the financial statements

(continued)

22. Pension costs (continued)

Reconciliation of fair value of scheme assets	2008 £'000	2007 £'000
At beginning of the year	1,855	1,601
Movement in year:		
Expected return on scheme assets	104	84
Employer contributions	65	92
Member contributions	10	14
Benefits paid	-	(13)
Actuarial gain	(219)	77
Fair value of scheme assets at end of the year	1,815	1,855

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 year was £(115,000) (2007: £161,000)

Movement in surplus during the year	2008 £'000	2007 £'000
Surplus at beginning of the year	282	166
Movement in year:		
Current service cost	(71)	(120)
Contributions	65	92
Other finance income	15	10
Actuarial gain	120	134
Pension scheme surplus at end of the year	411	282

Details of experience gains and losses

	2008	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	(219)	77	106	75	3
Percentage of scheme assets	(12)%	4%	7%	6%	0%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	365	15	(12)	96	84
Percentage of the present value of the scheme liabilities	26%	1%	(1)%	9%	7%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	(26)	42	(128)	(81)	40
Percentage of the present value of the scheme liabilities	(2)%	3%	(9)%	(7)%	4%

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

	Pre-exceptional 2008 £'000	Exceptional 2008 £'000	Total 2008 £'000	2007 £'000
EBITDA	23,558	-	23,558	21,097
Allocations to affiliated organisations	(15,162)	-	(15,162)	(14,941)
Exceptional items	-	(957)	(957)	(2,966)
Depreciation	(3,937)	-	(3,937)	(3,952)
Release of deferred income	1,380	-	1,380	1,252
Operating profit	5,839	(957)	4,882	490
Non-cash items:				
Depreciation	3,937	-	3,937	3,952
Release of deferred income	(1,380)	-	(1,380)	(1,252)
	2,557	-	2,557	2,700
Working capital adjustments:				
Decrease in stock	195	-	195	18
Decrease/(increase) in debtors	3,699	102	3,801	(899)
Decrease in creditors	(999)	622	(377)	(1,015)
	2,895	724	3,619	(1,896)
Net cash inflow from operating activities	11,291	(233)	11,058	1,294

The amount of £0.2m (2007: £0.8m) shown above as exceptional cash outflow represents payments made in respect of the reorganisation and litigation costs (see Note 4).

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

	2008 £'000	2007 £'000
(Decrease)/increase in cash in the year	(2,744)	80
Cash inflow/(outflow) from movement in debt and hire purchase arrangements	9,251	(1,362)
(Decrease)/increase in net debt during the year	6,507	(1,282)
Net debt at the beginning of the year	(86,495)	(85,213)
Net debt at the end of the year	(79,988)	(86,495)

Notes to the financial statements

(continued)

25. Analysis of net debt

	Cash	Debt due within one year	Debt due after one year	Hire purchase arrangements	Debentures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 May 2007	5,832	(152)	(54,850)	-	(37,325)	(86,495)
Cashflow	(2,744)	152	9,917	(818)	-	6,507
Non-cash changes	-	(503)	503	-	-	-
At 31 May 2008	3,088	(503)	(44,430)	(818)	(37,325)	(79,988)
At 31 May 2006	5,752	(301)	(54,740)	-	(35,924)	(85,213)
Cashflow	80	39	-	-	(1,401)	(1,282)
Non-cash changes	-	110	(110)	-	-	-
At 31 May 2007	5,832	(152)	(54,850)	-	(37,325)	(86,495)

26. 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.

Independent auditor's report

to the members of The Welsh Rugby Union Limited

We have audited the Group and the Company financial statements (the "financial statements") of The Welsh Rugby Union Limited for the year ended 31 May 2008 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Group Chief Executive's Overview and the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Group Chief Executive's Overview and the Operating and

Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Company's affairs as at 31 May 2008 and of the Group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
One Kingsway, Cardiff, CF10 3PW

28 August 2008

Welsh Rugby Union Governance

year ended 31 May 2008



WRU Board meeting

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:

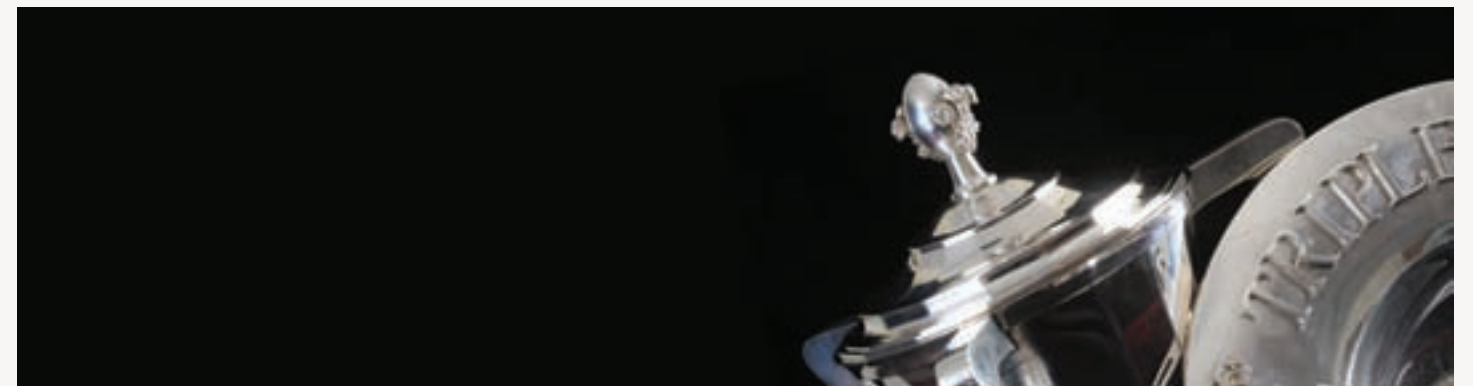
David Pickering

Executive:

Roger Lewis (Group Chief Executive)

Non-executive:

Kenneth Hewitt (Vice non-executive chairman)
Mal Beynon
Gerald Davies
Martin Davies
Geraint Edwards
Humphrey Evans
Brian Fowler
Roy Giddings
Russell Howell



Gethin Jenkins
Peredur Jenkins
Anthony John
Alan Jones
John Jones
Aurwel Morgan
Ray Wilton

Company Secretary

Mike Jefferies

Welsh Rugby Group – Executive Board

Chairman:

Roger Lewis
(Group Chief Executive)

Executive:

Tim Burton	Head of Operations
Gwyn Dolphin	Head of Marketing (appointed on 3 September 2007)
Mike Jefferies	Head of Legal Affairs
Graeme Maw	Elite Performance Director (appointed on 3 January 2008, resigned 30 June 2008)
Julie Paterson	Head of Compliance
Steve Phillips	Group Finance Director
Gerry Toms	Stadium Manager
John Williams	Head of Communications

In addition to the above permanent members, Mostyn Richards served on the Executive Board during the year as acting Elite Performance Manager.



WRU Board members Geraint Edwards and John Jones

Board Committees

During the year, 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 Russell Howell, included Mal Beynon, Geraint Edwards, Brian Fowler, Ray Wilton and Aurwel Morgan. Non-Board members included John Owen. 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, Gethin Jenkins, Gerald Davies, Peredur Jenkins, Anthony John and Roger Lewis. Non-Board members included David Matthews, Mike Farley and Rolph James. 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.



Left to right: David Pickering, Dennis Gethin, HRH Prince William, Roger Lewis and Warren Gatland

Welsh Rugby Union Governance (continued)

The Board and 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 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 recommendation 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 the Group Chief Executive and the Executive Board. The panel consists of the Chairman of the Board, plus the three heads of standing sub-committees: Finance, Game Policy and Regulatory.

The Audit Panel

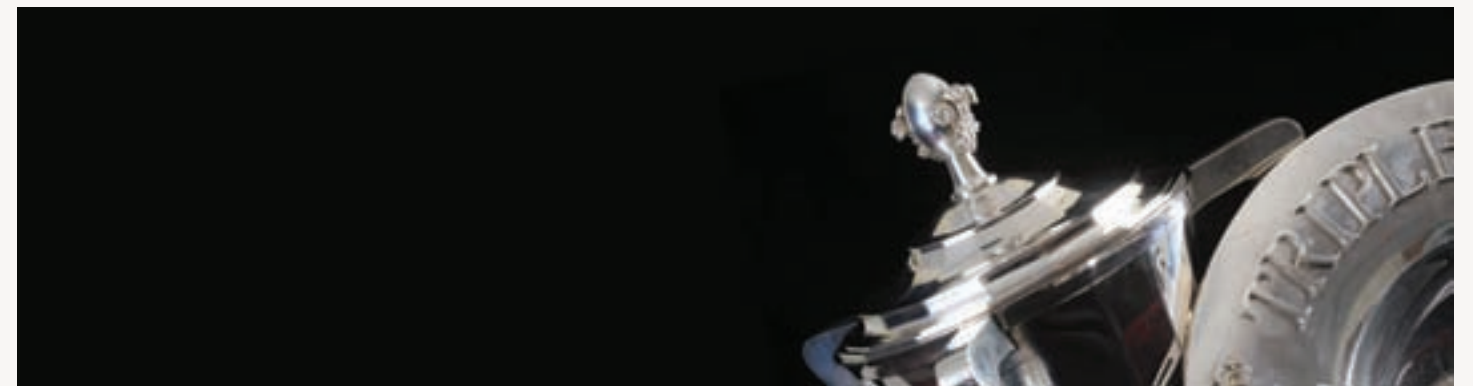
The Audit Panel, chaired by Martin Davies, included John Jones and also David Hammond as a non-Board member. It is responsible for assisting the Board discharge its responsibilities for accounting policies, financial reporting, internal control and risk management and liaising with the Group's auditors.

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 a fee of £25,000. This fee is paid directly to a company controlled by the non-executive chairman.



A WRU Executive Board meeting



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. Any amounts payable to Roger Lewis in respect of the above are not retained by Roger Lewis and are passed to the Company.

The Board of
Millennium
Images by Zenith Media
www.zenith-media.co.uk

Stadium plc

Non-executive chairman:

David Pickering

Executive:

Roger Lewis (Group Chief Executive)

Non-executive:

Lord Faulkner of Worcester
(Vice non-executive chairman)
Mal Beynon
Helen Conway
Martin Davies
Geraint Edwards

Byron Davies
Pictures by Huw Evans
Ken Hewitt
Picture Agency.



The Board of the WRU

Obituaries

Ray Gravell



RAY GRAVELL

Born: 12 September 1951

Died: 31 October 2007

Ray Gravell died suddenly whilst on holiday with his family in Spain.

The 56 year old former Llanelli, Wales and British and

Irish Lions centre had seemingly been recovering well after having a leg amputated below the knee following complications linked to diabetes, which he had been suffering from for several years.

Born in Kidwelly, he lived in Mynydd-y-Garreg, in Carmarthenshire. So famous was he in his area that the street in which he lived was named after him. His house was described as being "off Horeb Street" before the double Grand Slammer was honoured, his address later becoming 'Ray Gravell, of Heol Ray Gravell'.

Having been educated at Burry Port Secondary Modern School and then Queen Elizabeth Grammar School, Carmarthen, Ray worked for the electricity board before becoming a sales representative. He was capped by Wales Youth against Combined Midlands in 1970 while playing for the Llanelli Youth team. Also in that side was the Llanelli and Wales coach Gareth Jenkins, who played so often with Ray at the Scarlets and toured with him with Wales in Japan in the 1970s.

Ray played 485 times for Llanelli and scored 120 tries. He also kicked one conversion and dropped a goal. He made his Llanelli debut against Lampeter on 30 April, 1970 and his final appearance was at Llandovery on 26 January, 1985. He was club captain in the 1980/81 and 1981/82 seasons.

He was in the Carwyn James coached Llanelli side that so famously beat the All Blacks 9-3 on 31 October, 1972. He was also in the Llanelli sides that drew with Australia in 1975 and then beat them in 1984, and in the team that beat Fiji in 1985.

He played in the WRU Challenge Cup winning teams of 1973, 74, 75 and 76 and was at the heart of the 1977 Llanelli side that were crowned unofficial Welsh Champions.

He made his debut for Wales against France at Parc des Princes, in Paris at the start of the 1975 Five Nations Championship. His only try for Wales came against Scotland at the Arms Park on 18 February, 1978, when Wales won 22-18 on their way to completing the Grand Slam.

He helped Wales to win Grand Slams in 1976 and 1978 and his 23rd and final game for Wales was against Scotland at the Arms Park on 20 March, 1982. Scotland won that game 34-18.

Ray toured with the British Lions to South Africa in 1980, playing in all four Tests. He was a replacement wing in the opening Test before figuring at centre in the remaining three internationals

He joined the BBC in 1985, taking the leading role in the BBC Cymru film for S4C, 'Bonner'. Subsequently, he played Gareth in the BBC Wales drama 'Filipina Dreamgirls'.

He went on to play an impoverished 19th century farmer in the big screen adaptation of Dylan Thomas' work 'Rebecca's Daughters', starring Peter O'Toole. In 1992, he was in 'Damage' playing a chauffeur to Jeremy Irons' character, and he played the doctor in BBC Wales' hard-hitting drama 'Streetlife'.

Ray presented two series of the amateur talent competition series 'Tip Top', produced by BBC Wales for S4C, and presented regular chat and entertainment series for both BBC Radio Wales and BBC Radio Cymru.

He was a member of the BBC's Welsh language rugby commentary team, broadcast for S4C, hosted a South-west Wales breakfast radio show for Radio Cymru, and co-hosted the Radio Wales programme 'I'll Show You Mine' with Frank Hennessy.

A member of the Gorsedd, he was keenly associated with the Welsh language and took part in the 'The Big



Ray Gravell playing in his first home international against England in 1975

Welsh Challenge', helping Simon Weston learn the words of 'Sospan Fach'. In April 2007 he had his right leg amputated, after developing an infection brought on by his diabetes.

He chose to make his first public appearance after the operation at the Urdd Eisteddfod in Carmarthen, where

he presented the BBC Radio Cymru Talent Award to a standing ovation.

His funeral at Stradey Park was attended by almost 10,000 people, including the First Minister, Rhodri Morgan.

Obituaries

(continued)



GERRY LEWIS

Born: 22 August 1931
Died: 15 February 2008

When the great Welsh rugby player Gareth Edwards became the first in the history of the game to play 50 consecutive international matches he struck a special

clock to mark the occasion. Not for himself, but to present to the Wales team physiotherapist, Gerry Lewis.

The inscription said it all: 'Gerry – Thanks for making so many of the 50 possible'. That was how Welsh rugby's glittering array of star names of the Seventies felt about him.

Lewis followed his father, Ray, into the physiotherapy business and as the Welsh Rugby Union's Honorary Physio. From 1961 to 1982, he was the unpaid physio and masseur to the Wales rugby team. While Gareth Thomas became the first Welsh player to play 100 times for his country at last year's Rugby World Cup, Lewis eclipsed that mark 25 years earlier.

He became the first physio to travel overseas with Wales, joining them on tours to Australia, Canada and Japan and was credited by many captains, coaches and players as being "the 16th member of the team".

Prince William presented him with a framed picture of the 1978 Wales team at the Wales v South Africa match in November, 2007 to mark his years of service. Following his death the WRU staged a minute's silence in his memory before the Six Nations clash between Wales and Italy at the Millennium Stadium in February 2008.

"Gerry had magic hands and a magic personality. We relied on him, we trusted him and we loved him," the former Wales captain, coach and team manager Clive Rowlands said.



GARETH JONES

Born: 4 December 1979
Died: 16 June 2008

Welsh rugby was rocked to its core with the news that the Neath scrum half Gareth Jones had died less than two months after suffering a serious injury in a Principality Premiership match. His injury cast a dark shadow over his club's double winning exploits and the true feelings of his team mates towards him were fully expressed at their post-match celebrations at the Millennium Stadium following their Konica Minolta Cup victory when they took off their jerseys to display T-Shirts bearing Jones' nickname 'Snid' and the number 9.

Jones, a father of three, sustained his injury during one of Neath's rare Premiership defeats against Cardiff at the Arms Park on 20 April 2008.

A product of Coed-y-Llan Comprehensive School, Jones grew up in Glyncoch and played for the local youth team and senior side before moving up the rugby playing ladder to Beddau and then Pontypridd. He switched to Neath at the start of the 2006/07 season and made his debut against Newport.

As well as playing a significant part in steering Neath to the verge of the league and cup double last season, Jones also won the Konica Minolta Cup with Pontypridd and the Principality Premiership crown in his first season at Neath.

The Pontypridd coach Paul John played a key role in Jones' formative rugby years when he taught him at Coed-y-Lan.

He said "Gareth was like a bottle of pop - a real player's player who could pick everyone up and make a positive contribution on the field." Neath have set-up a Trust Fund in Gareth's name.



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THE SUNDAY TIMES



The background of the slide features a faded, light-colored image of the Millennium Stadium trophy and its crest. The trophy is a large, ornate silver cup with a central finial. The crest, which is a circular emblem, is positioned behind the trophy and contains a stylized representation of the stadium's architecture. The text is overlaid on this background in a bold, dark brown font.

**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**



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www.millenniumstadium.com