SCOTT MURRAY WINS THE LINE OUT AGAINST IRELAND LOCK PAUL O'CONNELL IN THE RBS 6 NATIONS
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ANNUAL REPORT 2006-07

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PRESIDENT’S MESSAGE

ANDY IRVINE: THE MOST HEARTENING NEWS THIS SEASON HAS BEEN THE VERY WELCOME INCREASE IN PLAYING NUMBERS FOR BOTH ADULTS AND JUNIORS.

Many clubs are to be congratulated for achieving this growth and I would especially ask clubs to make every effort to encourage their young players to remain in the game when they leave the junior ranks. Scotland, like several countries, finds it difficult to keep youngsters in sport and we, like many other sports, need to work hard at retaining our 17 and 18 year olds in the step up from junior to senior rugby. So these latest growth figures outlined in this report are significant.

It is also pleasing to see our finances are in a much improved state. Credit is due to Finance Director, Eamon Hegarty, and his team for their efforts in managing the Union’s finances in a more prudent and conservative manner.

Last year more funding was set aside for Scotland’s National Academy system and pathway programmes. There has also been a marked improvement in the development of age grade players, with the Under 17 and Under 18 teams in particular producing sparkling performances. Congratulations are due to these youngsters, coaches, managers and support staff and next year there will be further increased financial support for this vital part of the game.

At international level, our RBS 6 Nations results this year looked poor especially when compared to last season but, in analysing the performances in detail, there is definite hope for the future. Although Scotland lost at Twickenham and the Stade De France in Paris, in both cases the team showed their real fighting qualities and scored three tries in each match. At home, they comfortably despatched Wales with a particularly impressive performance from our forwards, whilst I would regard the Italy game as one of those “freak matches” where things just did not go right. In that match, the players and coaches would accept that not only our tactics but also the execution were too ambitious. However, I genuinely believe that game should be regarded as a one-off. The very narrow loss to a first class Irish team, who were fortunate to escape with a win, suggested Scotland can go into the World Cup with a greater degree of confidence than some might expect.
I would also like to take this opportunity to congratulate those players who represented Scotland in the magnificent win over their Irish counterparts in the amateur “Club International” at Meggetland. The quality of play that night was quite outstanding and was a tribute to the standards in our domestic club rugby.

Congratulations are due to Currie, in winning the Premier 1 Championship for the first time – quite a remarkable achievement for a club only formed only 37 years ago. Congratulations also to Glasgow Hawks in winning the Cup and to Falkirk, Morgan Academy and GHK for winning the Shield, Bowl and Plate respectively.

This season might well be remembered by some for the closure of the Border Reivers and the unfortunate dispute between Scottish Rugby and Edinburgh Rugby but these two issues should not be allowed to overshadow the many positive improvements I have outlined that have taken place in all corners of the sport during the 2006-07 season.

The new governance system has now been in operation for two seasons and the relationship between the Board and Council has been harmonious and constructive and that must continue for the good of the game. If clubs have concerns or points they would like to raise, then I would encourage them to make use of their Council representatives and the President’s “roadshows”, where club members have the opportunity to discuss issues with the President, Chairman and the Chief Executive.

Special thanks go to all my colleagues on the Board and the Council for their support during the last two years and in particular Gordon McKie as Chief Executive and Chairman Allan Munro, who have worked tirelessly on behalf of the game.

Finally, I would like to pass on my best wishes to my successor as President, George Jack. George has been a first class servant to Scottish Rugby over many years and I am sure he will prove to be an excellent President. Wherever I have travelled this season, whether it has been to matches, lunches or dinners, I have been overwhelmed by the enthusiasm and encouragement I have received from clubs and I would ask them to give George the same support I have enjoyed.
CHAIRMAN’S REVIEW

ALLAN MUNRO: IN REVIEWING THIS PAST YEAR AS CHAIRMAN, I HAVE GIVEN MUCH CAREFUL THOUGHT TO THE EVENTS ON AND OFF THE PITCH THAT HAVE INFLUENCED OUR PROGRESS.

There can be no doubt we have witnessed many considerable challenges in 2006-07 but I also take comfort in the positive and encouraging achievements made, not least in terms of governance, finance and growing the game.

Before I address these matters, I would like to pay tribute to Andy Irvine, who has just stepped down after two successful years as President and Board Member. Andy, already regarded by many as Scotland’s greatest ever player, has just given Scottish Rugby two very busy years of magnificent service. He has played a vital part in helping Scottish Rugby move forward and everyone involved with rugby in Scotland owes him a great deal for his contribution to the game, both as a player and as our President. George Jack has succeeded him as President and I very much look forward to working with him in the year ahead.

One year ago I predicted a healthier, brighter, future ahead for Scottish Rugby and the financial results now confirm this. We have achieved our trading targets and have reduced our existing bank debt at year end by more than £3m. This is a significant achievement.

A major contributor to the debt inherited by the current Scottish Rugby Board was the investment made in professional rugby when the sport turned professional. During that period approximately £30m has been invested in pro rugby, mainly in players’ wages, and sadly there is virtually nothing to show for it now in terms of facilities. The current Board recognised this situation had to change as a matter of priority.

Consequently the 2006-07 year has seen significant change within professional rugby, starting with the Edinburgh professional team being sold. A comprehensive review of the professional game in Scotland later concluded there had been considerable under investment in this area and to fund it effectively, the Board decided it had to reduce the number of its wholly owned teams from two to one.

As Chairman, I can confirm the consequent closure of the Border Reivers was a difficult decision for the Board to take but it was widely recognised to have been taken
with the sport’s long term best interests at heart. Greater funds are now being invested in Glasgow Warriors, allowing the pro team to plan for the future, with more local autonomy and a more competitive squad.

Investment is also being channelled into young rugby talent in Scotland through the National Academy, now based at Murrayfield, with plans for the introduction of junior academies throughout the country. The increased investment is already making a difference as we have seen a significant improvement in our age-grade performances, most notably with the Under 17 squad who beat England, France and Wales.

More encouraging progress came with the international 7s squad, mostly comprising National Academy players. They achieved their best ever results, rising in world ranking from 16th to 9th. The final leg of the IRB Sevens World Series took place at Murrayfield, with Scotland’s 7s team performing in front of an appreciative home crowd. The two day spectacle was most successful, with the added value of a Festival of Rugby taking place on the back pitches, also proving a success with both participants and spectators alike.

The Community Rugby strategy has taken great strides this year, spearheaded by the new team of Regional Development Managers and Development Officers. The objective was quite simply to get more people playing rugby and the results are positive, with 19% more playing at junior level and 7% more at senior level. It is hoped such encouraging figures can continue and that fewer 15 to 18 year olds are lost to the game in the future.

Compared to last season’s RBS 6 Nations wins over the likes of England and France, this has been a disappointing season for the Scotland national squad. A combination of injuries, bad luck and some occasional bad play saw the team collect the Wooden Spoon. Winning margins are such in professional rugby that the final outcome could so easily have resulted in a much higher final position. However, these results have in no way dulled ambitions for the Rugby World Cup and it is hoped the team achieve success in September.

Scottish Rugby’s 16 year association with The Famous Grouse as Scotland shirt sponsor ends in October when they become our official spirit partner for two years and I would like to thank them for their loyal support.

It is encouraging to note that Scottish Rugby’s bankers, Bank of Scotland Corporate, are looking to extend their sponsorship of the Autumn Tests and, in a clear indication of their growing confidence in the management of the governing body, they have also reduced the interest charge on the debt.

One of our non-executive directors has decided not to stand for re-election – Tom Inglis. Tom has served Scottish Rugby exceptionally well through a very challenging period. I would like to thank him for his support and also my colleagues on the Board for their assistance and the members of the Council for their valued contribution.

The last two years have witnessed significant changes within Scottish Rugby, changes that have been handled very well indeed by Chief Executive Gordon McKie and his executive team. We are committed to working well not only with our growing band of sponsors but also with other important stakeholders, none more so than Scotland’s new government and 32 local authorities. Our message is clear - come and join us and help us build the game of rugby in Scotland and inspire today’s young people who are, after all, our future. I firmly believe we can now look forward with growing confidence that we will achieve positive returns in both financial terms and in growing the game.
GORDON MCKIE: I HAVE NOW COMPLETED MY SECOND YEAR AS CHIEF EXECUTIVE OF SCOTTISH RUGBY AND THEY HAVE BEEN TWO EXTREMELY BUSY AND CHALLENGING YEARS.

The Board has taken some difficult but carefully considered strategic decisions, which it firmly believes will benefit the sport in the long term. On the rugby pitch it has been a period of mixed fortunes.

I would like to begin by highlighting areas of great progress in finance, licensing and governance achieved during the past 12 months. Progress in restructuring Scottish Rugby is most evident when considering the organisation’s finances. The bank debt has reduced significantly during this 2006-07 season and our trading position continues to improve.

A significant corporate success story this year is the government-proposed change in licensing legislation at Murrayfield, after nearly a quarter of a century of being unable to sell alcohol on international match days. It is anticipated that the financial benefit from this initiative will be noticeable in 2008 and it is the Board’s intention that this money will be wholly re-invested into the wider community game.

Under the revised governance system, delegated authority is granted to the Board to run the business and make executive decisions, with the Council’s role being primarily that of overseeing the management of the affairs of the Union. In what has been an extremely eventful period, this system of governance has been achieved in areas of both administration and rugby.

It is also most encouraging to note the recent evidence of growth in community rugby, the improved performances in our international 7s and age grade teams and the news from the national team is far from negative.

GROWING THE GAME

I would like to turn now to the community game, a vital part in delivering the national governing body’s strategic objectives. An overwhelming priority for Scottish Rugby has been to grow the game at community level, to grow the numbers playing, coaching, and refereeing the game and also to support the many volunteers throughout the game. The team of Regional Development Managers are working well
with clubs and local authorities and this season have contributed to 41 partnerships that have led to a greater uptake in the sport, particularly amongst youngsters.

These partnerships lie at the very heart of what we are trying to achieve in community rugby. The majority are centred around development officer posts, which have been jointly funded by Scottish Rugby and Local Authorities. Achieving these development officer positions in the community is the key to delivering the essential growth in the game we are now beginning to witness. The goal is to increase these jointly funded positions to 60, including introducing rugby to many new communities where rugby has not had a traditional foothold.

The increase in playing numbers is most encouraging, although there is clearly still a long way to go. The 18,123 youngsters now playing the game represent a 19% increase and 9,616 adults offer a 7% increase. Another growth barometer is the increase in the number of entries to the Bell Lawrie Schools Cup Under 18 and Under 15 competitions.

During the season we repeated the Club International match initiative with a win against Ireland at Meggetland, thus demonstrating the strength of the game at this level. Seeing first hand how popular this match was to those selected, it is clear the event can play an important part in helping to retain adults in the game. Consequently, at least one if not two such club international matches are being planned for the 2007-08 season, thereby allowing the very best players in our domestic game to play for their country at this level.

During the past 12 months Community Rugby has worked effectively with sportscotland and many Local Authority partners. Most encouragingly, a major new sponsor for the domestic league has been identified in Scottish Hydro Electric. Aspects of this sponsorship, such as the Super Cup and Club of the Month, were activated this past season but the bulk of the exciting sponsorship begins with the new leagues in September 2007.

Improved communications, well beyond the perimeter fence of the national stadium, with members involved in the domestic club, youth and school competitions are now in place, to help clubs recruit and retain the army of helpers, without whom our club game could not exist.
To further encourage club growth, there will be increased funding, travel payments, participation monies from Scottish Hydro Electric and all club Accident Insurance premiums will be paid by Scottish Rugby, saving clubs a significant six figure sum in the 2007-08 season.

THE WOMEN’S GAME

Women’s Rugby continues to move forward under a partnership agreement with the SWRU and it is intended to have full integration of the women’s and men’s games by 2009. It is exciting to note that one of the fastest growing areas of the sport is indeed the women’s game, with an increase in the number of registered players and an increase in the number of women and girls games being played throughout the country. Following a successful World Cup in Canada, the Scotland women’s team has undergone a period of transition and inevitably some players have retired – notably Donna Kennedy, who achieved her 100th cap for Scotland earlier this year, making her the most capped player in women’s rugby.

Scotland’s referees have grown in number at all levels of the game and the standard of refereeing is ever improving. However if the game is to continue to grow it is crucial that all clubs help by recruiting new referees and feeding them into the appropriate support networks. This year Malcolm Changeleng gained his first tier 1 international appointment when he refereed South Africa v Samoa.

We successfully achieved the foundation level of the national Equity Standards in Sport, once more demonstrating that we are an inclusive sport in Scotland. Further steady progress in this area will ensure that we achieve the next stage in the process by March 2008.

Before turning to events on the pitch, I would like to highlight another area in which Scottish Rugby has made significant progress – coach education. Rugby is leading the way in Scotland and Britain as a whole when it comes to the UK Coaching Certificates and we are aiming to become one of the leading sports in Britain to deliver the UK Coaching Framework. For almost one year we have been able to deliver UK Coaching Certificate Level 1 courses to over 300 coaches and are aiming to start delivering Level 2 and 3 courses in August. We can be justifiably proud of our progress in this area, driving up coaching standards throughout Scotland.

AGE GRADE PROGRESS

This year proved quite encouraging for most age grade teams, none more so than the Scotland Under 17s who defeated England, France and Wales in their three matches at the Millfield Festival, offering much hope for the future. After a promising set of warm up matches, Scotland’s Under 18s made their mark in the inaugural Six Nations Festival in Glasgow, where they narrowly lost to England but defeated Italy and Wales for the first time in 10 years at this level. In recognition of their future promise, these young players will be invited to attend a Bank of Scotland Corporate August Test at Murrayfield, to let them observe, first hand, what is required to play for the National Team. The Under 19 team had an extremely frustrating season at the World Championships in Belfast, losing their first three games by agonisingly small margins and finishing 10th over all. The Under 20s had a disappointing Six Nations, not helped by the significant fact that they had to play against older French and Italian Under 21 sides, before every nation competes at Under 20 level next season.

However, one year ago there was little to be pleased about at any age grade level, with Scotland’s representative...
teams simply not competitive enough to play against and beat the other Tier 1 nations. Our young players were consistently let down by the lack of strength, fitness and conditioning they received. We have now started to tackle this problem.

This was one of the key reasons for establishing an expanded National Academy with some 25-30 full time apprentice players. Just 12 months on, the National Academy system is growing from strength to strength, with a group of talented young players being supported in their goal to become the next generation of Scotland internationalists. Playing most of their rugby in the club game and the fringe of the pro game, the most telling example of their new-found strength and fitness has been the success of the Scotland 7s team in reaching five consecutive quarter finals in the IRB Sevens World Series.

THE PROFESSIONAL GAME

The area of the game that proved the most problematic and difficult this season was undoubtedly the professional game. Results alone were very mixed at best and issues off the pitch were considerable. In the Magners League the Border Reivers won just two out of twenty matches to finish bottom. Edinburgh Rugby (which Scottish Rugby sold during the year) won eight out of the twenty League matches, finishing 8th. Each team lost five out of six matches in the Heineken Cup. Scottish Rugby’s wholly owned pro team, Glasgow Warriors, won eleven out of their twenty League matches, finishing the highest placed Scottish side in 7th and reaching the quarter finals of the European Challenge Cup.

One year ago it was clear the proposed budget for 2006-07 would show a loss if Scottish Rugby had continued to wholly fund three professional teams, hence the sale of the Edinburgh team. But further external funding from investors on acceptable terms for the remaining pro teams in Glasgow and the Borders was not secured. As mentioned by our Chairman Allan Munro, the Board’s decision in March, after consultation with the Council and many other bodies, to close the Border Reivers was indeed difficult. Nevertheless it was one which the Board believes was the right move for the wider long term benefit of Scottish Rugby.

What was most reassuring was the support for this decision received from clubs throughout Scotland via the forum of the regular road shows. The Borders closure will lead to greater investment in Glasgow Warriors and the Academy system next year, as well as increased spend in the pathways and the club game.

The 2007 RBS 6 Nations proved somewhat disappointing for the Scotland team, with only one victory and four defeats. As ever, one has to look behind the simple numbers to get an understanding of the nature of the performances and put the results into context. In the Calcutta Cup, Scotland were unfortunate to come up against an inspired Jonny Wilkinson playing for England for the first time since the 2003 World Cup final. The Wales match saw a sound performance and a reasonably comfortable victory. Against Italy we conceded three tries in the opening minutes and despite a brave fightback, Italy were worthy winners. Scotland offered a very gutsy performance against one of the best Irish teams for some time and with a French team going for the Championship, despite Scotland scoring three tries away from home, it was always going to be difficult. Undoubtedly Scotland captain Jason White’s absence through injury, sustained during the Autumn Tests, played a significant part in the final outcome for Scotland in the RBS 6 Nations.
FINANCIAL PROGRESS

Turning in more detail to financial matters, I am delighted to report Scottish Rugby has broken even post interest and depreciation, prior to exceptional items, as reported in the year end accounts to 30 April 2007. This has been achieved by all the management team who are now measured against key deliverables and empowered to be accountable for their actions.

The average debt during the 2006-07 season was substantially reduced from the previous year, resulting in significantly reduced borrowing utilisation and lesser interest costs. As Finance Director Eamon Hegarty reports, although borrowings peaked at c. £22m in August 2006, average debt for 2006-07 amounted to some £18.6m which is £1.6m below the average debt level for 2005-06. The average debt has been reduced partly by launching key events earlier such as generating ticketing revenues for RBS 6 Nations games. This will be explained at the Financial General Meeting in August at the approval of the 2006-07 Financial Statements.

Since Eamon Hegarty’s arrival in September 2005, significant improvements have been made to the financial management of the business. We now have a budget which is credible and for which the management team agree they are accountable. For the first time in many years, we will enter a new financial year with a small budget surplus, which it is believed can be achieved.

The previously over-complex financial systems have been flattened and replaced by a simplified modern system which allows for proper control of expenditure in conjunction with the management team. We continue to carry out value for money reviews, with active tendering of major items of expenditure to ensure Scottish Rugby maximises its revenue opportunities. Indeed, as mentioned in the Chairman’s review, our bankers have recently agreed to reduce their interest rate margin, in recognition of the reduced indebtedness. The governing body has come a long way in this regard since the summer of 2005.

Yet these excellent trading results will be partly overshadowed by the Border Reivers closure decision and the audit need to provide for the anticipated total liability associated with future ground rentals, ground improvements and main pitch maintenance over the unexpired term of a 20 year commitment entered into in 2001-02 with Gala RFC. Discussions are underway with representatives of Gala RFC to try and bring about a sensible conclusion to this un-commercial arrangement.

For over a year now, Scottish Rugby has witnessed a step change in its relations with Scotland’s politicians. The Scottish Rugby Manifesto published in February, a successful “first” for any sport in Scotland, had a significant impact in parliamentary circles in the build up to the May elections. Relations with the new Scottish government are most encouraging and the government decision on licensing at Murrayfield, coming just days...
after the formation of the new cabinet, offers exciting funding opportunities for the sport with, as stated, the community game the sole beneficiary.

We are working closely with the new government and public sector partners on initiatives which will result in rugby playing a significant part in helping to reduce crime, encourage people to choose healthier lifestyle options and promote sport. We recognise that sport can have a positive impact and we seek to play our part. A successful 2014 Commonwealth Games bid for Glasgow would drive sport onto another level and inspire today’s youngsters to seek to become future Commonwealth champions. With international 7s rugby a major part of the bid, Scottish Rugby is fully supportive, in every way possible.

In March 2007, we received some very positive news with the Scottish Executive’s decision to support Scottish Rugby’s proposals in regard to the Water of Leith Flood Prevention Scheme. Thus, sensible property development aspirations for a small part of stadium land need no longer be kept on hold and discussions are taking place to progress matters over the next three to four years. We continue to work with the City of Edinburgh Council in this regard to progress the flood plan and also to support a tram halt at Murrayfield, as part of the new transportation infrastructure.

SPONSORSHIP

On commercial matters we were disappointed to receive the news from The Famous Grouse that they planned to withdraw as the national team shirt sponsor after the World Cup, although importantly staying part of the Scottish Rugby family of sponsors as our ‘spirit partner’. I would like to thank TFG for their wonderful contribution to Scottish Rugby since 1990. Discussions are continuing to appoint a new team partner in time for the World Cup.

Some other quality brands have become new sponsors of the sport this year. These include Scottish Hydro Electric, Baxters, Emirates Airline, Martin Currie and John Lewis, to add to some of our existing names such as RBS, BBC, Canterbury and Bell Lawrie.

I once again pay tribute to the many knowledgeable and committed staff at Scottish Rugby who have responded very positively to this challenging period of change and for the support they have given in the implementation of some difficult Board decisions, notably the Border Reivers closure. Our Chairman Allan Munro has been fully supportive of me personally throughout the year and without that support it would have been very difficult to succeed. Working with Andy Irvine as President has been a great honour and he has been particularly helpful in assisting me with important club communications. Andy has the respect of everybody in the game and we should all be grateful he has given two full years as President, to the sport.

Scottish Rugby is now on a firm footing and we look forward to continued progress with the support of our major stakeholders in the exciting and busy year ahead.
FINANCE DIRECTOR’S REVIEW

EAMON HEGARTY: SCOTTISH RUGBY IS NOW SUBJECT TO PROACTIVE FINANCIAL MANAGEMENT AND THIS HAS BEEN A MAJOR FACTOR IN THE IMPROVED FINANCIAL PERFORMANCE FOR THE YEAR.

The simplified financial ledger structures implemented at the start of the new financial year, coupled with updated financial systems, now allows faster and more flexible management reporting, which in turn allows greater control over Scottish Rugby’s trading activities and balance sheet.

A comprehensive budgeting process for the current year was undertaken with the full participation of the whole management team. Budget Managers are fully familiar with their budgets and accountable for their department’s income and expenditure. The new financial systems allow financial performance to be monitored closely at individual budget centre level and for the organisation as a whole. Budget Managers are provided with financial support to assist them with the management of their budget and to monitor their performance.

Cash is monitored on a daily basis and is measured against a detailed monthly cash forecast, as well as the full year budget. Other key balance sheet items, in particular debtors and creditors, are reviewed regularly and this enables greater control over borrowings.

All major items of expenditure and all ancillary activities have been reviewed over the last 18 months to ensure that Scottish Rugby obtains value for money and maximises its revenue opportunities. The reviews balance operational requirements with commercial opportunities and focus not just on reducing cost but on understanding the underlying business need, including required service standards.

As part of this overall process, internal processes are rationalised, new controls are implemented and competitive tenders undertaken as necessary. Since last year’s annual report, several changes have been made to our partners and suppliers, including merchandising, which is now professionally managed on our behalf by Greaves Sports. The management of the Scottish Rugby Supporters Club is now undertaken in-house and has been improved through the development of a members-only website and regular supporter communications.
These improved controls over our finances and the proactive financial management of our business has resulted in the improvement we have seen in the trading results for the year. Scottish Rugby has broken even after interest prior to exceptional items, which is a significant achievement compared with recent years’ results.

This excellent news is, however, overshadowed by the need to provide for the exceptional costs associated with the closure of the Border Reivers pro team. The total provision for future ground rentals, ground improvements, and main pitch maintenance over the 15 year unexpired term of a 20 year commitment entered into with Gala RFC, together with other termination costs, amounts to £1.8m resulting in an overall deficit for the year of £1.7m. Negotiations are ongoing with Gala RFC to minimise this liability.

The other main financial headlines for last year were:

**TURNOVER**

Total revenues amounted to £25.6m, a decrease of £3.1m from 2005-06.

Murrayfield Ticket revenues increased from £5.9m to £7.1m which reflects the three RBS 6 Nations fixtures against Wales, Italy and Ireland, compared to the previous year’s two fixtures. Broadcasting revenues of £7.6m were £0.5m below the previous year, due to the reduced Six Nations payments relating to Scotland’s sixth place compared to the previous year’s third place.

Other revenues of £10.9m mainly comprise income from commercial sponsorship, professional rugby (primarily from the Magners League and European Rugby Cup), merchandising and grant income. They also include income from Murrayfield’s match hospitality, conferencing and banqueting activities. This income declined by £2.1m due to the previous year’s sales by The Murrayfield Experience Limited, a subsidiary company which managed these activities until they were transferred to Sodexho, to be undertaken on the Union’s behalf on 1st May 2006. The net income on these activities was broadly similar at £0.8m in both years.

**COSTS**

Total costs declined by £3.0m to £23.9m mainly due to the reduction in costs related to the transfer of the activities of The Murrayfield Experience Limited.

Within this total, the costs of international and professional rugby increased from £11.0m to £11.5m. This increase is due to a full year of the costs of the current National squad coaching team, appointed in September 2005, together with an increase in the gross costs of professional rugby from £7.6m to £7.9m. The year on year movement in professional rugby costs cannot be directly compared, due to the transfer of Edinburgh Rugby during the year. Total costs, however, were within budget and the overall net expenditure on professional rugby reduced by £0.4m to £4.1m from £4.5m in the previous year. Expenditure on Community Rugby increased from £2.9m to £3.1m during the year, due to additional regional development expenditure in line with Scottish Rugby strategy.

Commercial and operational costs decreased by £3.6m to £8.2m for various reasons, primarily the previous year’s costs of The Murrayfield Experience of £2.1m and the outsourcing of our merchandising activities during the year.

**BALANCE SHEET**

After adjusting for bank borrowings, Scottish Rugby’s overall net worth at April 2007 reduced from £20.4m to £18.5m mainly as a result of the deficit for the year. On a more positive note, average bank borrowings over the financial year amounted to £18.6m which is £1.6m below the previous year, due to improved working capital management and earlier on-sale of RBS 6 Nations tickets. The resultant year on year decrease in bank interest payments amounted to £0.1m. Year end bank borrowings of £17.4m are £3.6m below the previous year level of £21.0m.
HIGH PERFORMANCE RUGBY

IN MANY RESPECTS THIS SEASON WAS ALWAYS GOING TO BE A DEMANDING ONE FOR THE SCOTLAND SQUAD, FOLLOWING AS IT DID THE NOTABLE HOME SUCCESSES IN THE 2006 RBS 6 NATIONS AGAINST FRANCE AND ENGLAND.

Not being able to enjoy the player strength in depth that most other home unions accept as the norm, it is fair to say it makes a huge difference to Scotland's fortunes if it has to contend with serious injuries to its top players. And so it was to be.

The international season got under way with the Bank of Scotland Corporate Autumn Tests against Romania, the Pacific Islands and Australia. It was hoped that Scotland would be able to move on from the most encouraging progress made the previous season but losing the Scotland captain, Jason White, to a serious injury that would take him out for the rest of the season, in the first half of the first match against Romania, was an ominous sign of things to come.

The game was won comfortably enough and the side then performed well against a strong Pacific Island select but further injuries, notably to scrum half Chris Cusiter followed. The best indication yet that the national side was winning back the crowds, was when more than 60,000 Scots bought tickets for the game against Australia. After a promising start the squad were hit with more injuries and Australia completely outgunned Scotland in the second half.

On the eve of the RBS 6 Nations the most frequently asked question was "how are you going to win a match with so many injuries?" From the original squad of 30 players, a staggering 18 were injured, although thankfully only Jason White and scrum half Mike Blair had serious long term problems.

The Calcutta Cup at Twickenham, with England determined to make up for the previous year, was a sobering experience for Scotland. Following the home win against Wales, when a Scottish pack for the first time in many years dominated the opposition throughout the full 80 minutes, Scotland went into the Italy match believing they were capable of causing more Six Nations upsets.

A big win against Italy was needed to gain the confidence required to overcome two of the top five sides in the world - Ireland and France. On the day, the decision to employ an attacking mind set right from the kick off backfired and Scotland were left licking their wounds.

Salt was rubbed into these wounds when Ireland then snatched a late win and, by the time of the France game in Paris, injuries meant as many as 10 players had started their first Six Nations international. Looking at the positives, in the longer term, this experience will prove invaluable and almost all of the newcomers looked
comfortable at this level and some excelled, forcing their way to the forefront of World Cup selection. Scotland's preparations for the 2007 Rugby World Cup started well, benefiting from the lack of a summer tour. With injured White and Blair able to rejoin Scotland training, the team set out on its goal to produce the best ever prepared Scotland side for a World Cup competition.

SCOTLAND A TEAM
The aim of Scotland A is to provide players with a step up from pro team rugby towards Test rugby and to provide an opportunity for players returning to the international scene following injury. An autumn fixture, a Six Nations fixture and the opportunity to build on their 2006 Barclays Churchill Cup runners-up success was on offer, with players keen to impress National Coach Frank Hadden for promotion to full Scotland honours.

The November A game against Australia A at McDiarmid Park saw a heavy 44-20 defeat for Scotland A, with three tries not enough to hold back the visitors and February's fixture against Italy A witnessed a narrow 13-7 win for first time Head Coach Shade Munro. These matches were a reminder that whilst there is depth in some areas, it is not yet across the board.

The 2007 Barclays Churchill Cup was held in England instead of its usual North American base. With the National Management Team in charge of preparations, the goal for the 29 Scotland A players selected was to compete for 12 places in the extended training squad for the Rugby World Cup.

In high temperatures at Henley, Scotland A came out with a narrow 13-9 win against a full strength USA Eagles side but failed to take a number of try scoring opportunities. In the Bank Holiday clash between Scotland A and a strong England Saxons team at Twickenham the pack proved more resilient, yet the Saxons ran out 18-3 winners. The final match against Ireland A resulted in yet another one point defeat. It was disappointing to see a last minute conversion slide agonisingly wide of the posts, leaving the Scots with a 21-22 scoreline, a disappointing finish to their 2007 Barclays Churchill Cup campaign.

Throughout the season a total of 43 players have been involved in Scotland A, with 15 of them making it into the wider Rugby World Cup training squad.

GLASGOW WARRIORS
The main aim of the Glasgow Warriors for the season was to regain respectability after a disappointing and disruptive 2005-06 campaign. Under head coach Sean Lineen, there can be no doubt this was achieved. The existing squad was strengthened wisely over the 2006 summer with the arrival of Alastair Kellock (lock), Justin Va’a (prop), Andy Newman (lock), Thom Evans (wing), Sean Marsden (utility back) and Francisco Leonelli. Justin Va’a provided bulk, scrummage and ball carrying capabilities and Andy Newman offered the experience and size in the tight exchanges. In the backs Thom Evans became an immediate
crowd favourite with his lightening pace and was later joined by his brother Max.

Glasgow finished their Magners League campaign strongly in 7th position, with 11 wins from 20 matches and only lost twice at home all season, fulfilling a team goal of making the home ground a ‘fortress’. 11 wins was the highest number ever achieved by a Glasgow professional rugby team and included significant first away wins against Ulster and Connacht.

In the European Challenge Cup the Warriors achieved another first, reaching the quarter finals where they were pipped at the post by the English Premiership team, Saracens. Home and away victories over French side Narbonne in the group stages were the springboard for the new found belief within the team.

The leadership qualities shown by Alastair Kellock as captain were first class, as was the support he received from senior players Jon Petrie, Graeme Beveridge and Dan Parks. The Warriors contributed seven players for Scotland duty this season, eight took part in the Barclays Churchill Cup and four in the Scotland 7s squad.

**BORDER REIVERS**

After finishing the previous season gaining European selection, sadly the Border Reivers experienced a poor 2006-07 season, finishing as the bottom team in the Magners League where they only recorded two wins, both at home against a talented Leinster side and Edinburgh Rugby. The team also had narrow defeats at home to Glasgow and at Munster in September when they lost 9-8. They returned to the Heineken Cup but lost five out of their six matches, opening their account with a convincing 35-3 win over Italian side, Overmach Parma at Netherdale.

A successful community programme was established with the players making over 150 community visits and reaching approximately 14,000 Borderers. Two of the many highlights included linking up with the Royal Highland Education Trust Farmhouse Breakfast Week in December when the players visited 20 Border schools to help encourage pupils to choose to eat a healthy diet, and a partnership with the Scottish Borders Council Education Department in March, when players visited 30 primary schools to help children with reading and again promote healthy lifestyles.

One of the priorities of the newly created Border Reivers Board, chaired by local businessman, David Kilshaw, was to drive up match attendances. Amongst the initiatives, an
energetic “Grand Scheme” cash back ticketing initiative was established, with 50 per cent going back to the clubs and a half time sevens competition for Border Under 16s clubs was introduced at home matches. Yet the match day crowds were disappointing through the season and only averaged 1,528 at the thirteen home matches.

At the time of the Scottish Rugby Board announcement in March that the Border Reivers were to close at the end of the season, the team still had five matches to play against the top five clubs in the Magners League. To their credit the Reivers finished the season in a professional manner under difficult circumstances. The final game against Magners League winners The Ospreys at Netherdale also saw the retirement of one of Scotland and Border Reivers’ most respected players, 82 times capped Gregor Townsend, bowing out at the ground where he started his distinguished career many years before, with Gala.

The Reivers contributed four players to the Scotland squad this season, seven players to Scotland A, seven players including the captain to the Scotland 7s squad and three to the Under 20s.

SCOTLAND WOMEN – PLAYING TO WIN FOR SCOTLAND

Each Rugby World Cup is inevitably a watershed in players’ careers, after which many stalwarts of the game retire. Consequently the 2006 World Cup led to a wholesale change for Scotland Women, with 10 players such as Paula Chalmers and Rhona Sheppard and five management including coach Gill Stevenson, who have given over 100 years of service to women’s rugby between them, choosing the World Cup in Canada as their swan song.

Despite producing one of Scotland Women’s finest performances against the mighty Black Ferns of New Zealand, the Scotland squad were disappointed to miss out on the top four playoffs. However, their wins against Ireland, Spain and Kazakhstan ensured that Scotland Women maintained their 6th place in the World rankings.

The SWRU resolved to turn this watershed into an opportunity to rebuild from the bottom up. A new management structure and pathway for the development of coaches and managers was introduced and a player representative now has a seat on the SWRU Board.

Demands on players and management teams have stepped up, in line with the vision of the SWRU to build a professionally run performance pathway, underpinned by World Class systems of talent identification and performance development. Rigorous but fair selection and assessment processes are in place for coaches, managers and players alike, supported with an increased focus on continuous professional and playing development across all four Performance squads: Scotland Women, Scotland Women Development, SWRU Academy and SWRU Under 18 Development.

Full integration of the men’s and women’s games is anticipated by 2009. Meanwhile opportunities for partnership working with the SRU have been maximised to great effect. Scottish Rugby’s specialist coaching programme is supporting individual player development sessions and developing top class female ex-internationals as coaches.

32 players made appearances for Scotland during the 2007 RBS 6 Nations. Scotland Women’s captain, Donna Kennedy, postponed her retirement to lead a young and inexperienced Scotland Women through a gruelling Six Nations campaign. A total of eight new caps stepped onto the park for the first game against England, a rude awakening for an emergent side. By the time Donna Kennedy earned her 100th cap for Scotland in the final match against France of the RBS 6 Nations Championship, the squad had a win against Italy under their belt and kept France, ranked 4th in the World, to a narrow winning margin.
**PERFORMANCE DEVELOPMENT**

INTEGRATION OF PLAYER AND COACH DEVELOPMENT STRUCTURES HAVE PROVIDED SIGNS OF IMPROVEMENT

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**SCOTLAND 7s**

In line with Scottish Rugby’s integrated National Academy structure, the 2006-07 season saw the nucleus of the Scotland 7s squad who participated in the IRB Sevens World Series, selected from National Academy players. This group of Scotland’s finest young rugby talent was augmented throughout the year by full-time professional players from Scotland’s pro-teams, through consultation between the Scotland 7s team management and the pro-team head coaches and proved most successful.

As a core team on the IRB Sevens World Series circuit, Scotland participated in all eight tournaments worldwide including Hong Kong, which provided the players with exciting and challenging environments to test their technical, tactical, mental and physical skills on the world stage. A total of 26 players (a mix of Senior Academy, Junior Academy and professional players) were exposed to international 7s competition, with the average age of the squad being under 22 years old.

The World Series kicked off in early December in Dubai and George (South Africa). With a new management team and a young, inexperienced squad, these two legs were a huge learning curve for everyone involved and although results were disappointing, the overall performances were encouraging.

February saw the next two legs of the circuit in Wellington and San Diego. A last minute loss to Portugal in the Shield Final in New Zealand was then followed by a huge improvement in performance and results in San Diego, where victories over Argentina and Australia paved the way for a Plate Final and a narrow defeat by South Africa. This result equalled Scotland’s highest ever finish in an IRB Sevens World Series event and gave the squad their first points of the 2006-07 series.

The squad selected for the next two tournaments in Hong Kong and Adelaide reflected a change of seven...
players and they once again stepped up to the plate and solid performances throughout both tournaments saw cup quarter-final appearances at both events. This meant three consecutive cup quarter-finals for the first time and a top eight seeding for the final two legs in Britain.

The final tournaments of the series saw the squad play in London [Twickenham] and then in Edinburgh (Murrayfield). In London a fourth cup quarter final appearance was achieved and the highlight of the year for everyone involved with Scotland 7s was undoubtedly playing the final leg of the Series - the Emirates Airline Edinburgh 7s at the home of Scottish Rugby. The atmosphere all weekend at the well run event was superb. On the pitch, Day 1 saw history being made by the Scotland squad when they topped their pool by winning all three matches, including a first ever victory over top four team South Africa in front of a very supportive and enthusiastic home crowd. Although hopes were high of reaching the semi finals, the team were unable to recreate the success in Day 2 and a defeat to Argentina meant Scotland exited at the cup quarter-final stage.

Overall Scotland’s 7s season has been a considerable success, with five consecutive cup quarter-finals, a ninth place finish and their highest ever points total.

SCOTLAND UNDER 20s

Although results never lie and the Under 20s season was extremely disappointing with all of Scotland’s games in the Six Nations lost, this does not tell the whole story. The Under 20 age category was a new concept to Scotland and the change was due to global restructuring of age grade rugby. Most nations decided to forge ahead with the new Under 20 age group but both France and Italy opted to field Under 21 teams for the final time in the tournament.

Scotland have never beaten France at Under 21 level, so a difficult task was made considerably tougher this year, competing in some matches against boys one year older. This was known before the season started, so the team went into the first Six Nations match away to England in good heart. Against a much bigger team they competed manfully and England were fortunate to have a 7-0 half-time lead. Unfortunately, their size told and Scotland tired in the second half, to go down by a 31-5 scoreline. This game typified their season, as most of the opposing teams were in better physical shape and were used to playing a higher standard of rugby on a weekly basis.

The squad competed well for 50 - 60 minutes then tired, due to the intensity of the matches. Injuries are part and parcel of any team sport and played a large part in the Under 20s season, as three of the senior players were injured in the first match and didn’t play again in the championship. With limited playing numbers it certainly affects Scotland much more than most other countries.
Whilst results were disappointing, the progress of certain individuals was pleasing and if they continue to develop there should be a few challenging for places in the 2011 World Cup.

**SCOTLAND UNDER 19s**

Overall the Under 19s season was quite promising but frustrating. Competing against Italy at the Greenyards, Scotland lost a very close contest 19 -13 but the performance was encouraging and gave the squad something positive to work on. The group of players performed well throughout the world championship in Belfast up until the last game.

Although the first three games were lost, the losing margin was just five points, one point and two points respectively. The fourth game was a hard fought 11 – 7 victory over Fiji, so in Scotland’s first four international games there were only 12 points of a difference all together, showing good reason for optimism and a considerable improvement on the previous year.

Although Scotland’s Under 19s had played five games in just 16 days and fatigue had set in, the last game was nevertheless hugely disappointing with a 34 – 0 defeat to Ireland. But the positives to come from the championship were that Scotland competed well in the first four games, created try scoring opportunities and right up until the final whistle were in the games. A lot of players came into the squad with a good game sense and a far greater overall knowledge of the game. They took everything on board very quickly which indicates all that is needed now is to get the players playing at a higher intensity and more often.

**SCOTLAND UNDER 18s**

Scotland’s Under 18s began their skills sessions in September, reinforcing how invaluable their three weeks training and skills camp in Limerick had been in July 2006. This preparatory work, when combined with the normal New Year two day training camp, gave the 2006-07 Under 18 players a significantly better grounding in technique and skills leading into their match campaign, than in any previous season.

The squad had a nucleus of players with either Under 17 or Under 18 international experience from the previous season and contained players from throughout Scotland and the Exiles. A solid front five forward platform ensured that scrum and line-out were generally good and allowed the team to enact much of what was rehearsed during match preparation.

Four warm-up games were played, two at home and two away, before Scotland played host to the inaugural Six Nations Under 18s Festival in Glasgow in April, replacing the previous Four Nations Under 18s Festivals. The new format only allowed three games for each team, during nine days of competition. Each
country used the experience to develop their players by ensuring that everybody in squads of 26 started at least one game.

Over the seven games played this season, Scotland’s Under 18s won four, lost two and drew one, with two notable achievements in beating French Schools in France for the first time in 33 years and also beating Wales Under 18 for the first time in 10 years, as a fitting final game in the 6 Nations Festival. The players managed to transfer training ground practice into match reality, when scoring the majority of their 12 tries throughout the campaign. The squad not only developed their individual and team skills but additionally gained significant exposure as winners.

SCOTLAND UNDER 17 DEVELOPMENT SQUAD

The Scotland Under 17 squad, with Grant McKelvey as head coach, have had the most successful season of all Scotland’s teams this year, winning all three games during the Millfield International Festival in April.

Meeting early in the season to discuss selection, invaluable information was received from Performance Development Managers and numerous club and school games were watched as the season progressed. The Under 17 and Under 18 district games were also beneficial before squad selection was made for Millfield.

Two warm up games were arranged against Newcastle Falcons Under 17s and Merchiston Castle School 1st XV in March, both of which were won, before travelling to Millfield for the tournament where three games in five days proved to be very physically and mentally demanding.

To win all three games against their French, English and Welsh counterparts was a fantastic achievement and to win playing the type of expansive rugby that they did was even more satisfying, outscoring their opponents by five tries to three over the course of the series. The Under 17s were a credit not only to themselves but also their clubs and schools.

NATIONAL ACADEMY

The National Academy was created this season to ensure the professional playing and training needs of Scotland’s most promising young players were met, to drive up performance in the age grade teams.

Some 60 players were selected in senior and junior categories, with the National Senior Academy players full time and aligned to the three professional team environments in 2006-07. The Junior Academy players, mostly under 18 year olds, were supported in the region by their National Academy coach. National Academy players received invaluable support from the Area Institute of Sport staff network in areas such as diet, medical, performance lifestyle, physiology, strength and conditioning and psychology.

It was also decided that National Academy coaches would coach the national age grade teams and that
the National Academy players would participate in the IRB Sevens World Series. This has proven to have been very worthwhile, with improved performances on the 7s circuit, as already noted in this report. Thirteen National Senior Academy players and four Junior Academy players took part on the international 7s circuit this season and the Scotland Under 18 and Under 19 squads were much improved as a result.

All National Academy players were available to play club and school rugby during the season and 18 Senior Academy players have been involved in competitive matches in the Magners League, Heineken Cup or European Challenge Cup. Moray Low and Ryan Grant both played Scotland A v Italy A and Moray was included in the Barclays Churchill Cup squad, whilst also receiving the Sir William Purvis Award.

During the 2006-07 season eight Academy players signed fulltime professional contracts with Glasgow Warriors and Edinburgh Rugby - Ross Rennie, Andrew Easson, Ryan Grant, Steven Lawrie, Moray Low, Scott Newlands, Mark Robertson and Richie Vernon.

With the demise of the Border Reivers pro team, the National Academy structure required to be modified to reflect the current position of the business. With Scottish Rugby now having one wholly owned professional team in Glasgow with limited facilities, this did not lend itself to having an academy structure aligned to it at this stage. It was therefore decided in May to base the senior academy players centrally, at Murrayfield. This allows Scottish Rugby to take a long term view to player development and offers the ability to manage national standards for all players.

All senior academy players receive support from the National Academy coaches and Scottish Rugby medical and fitness staff. These players are available as required to practice with the professional team and play for the back up squad. The National sevens team will continue to be serviced in the main by the Senior Academy players and they will be available to play for their clubs. Similarly, Junior Academy players will continue to be supported in their local club or school environment by the National Academy coach in their area, the AIS network, and play for their club, school, Under 17 or Under 18 squads.

**SCOTTISH EXILES**

In recognition of the importance of Exiles rugby to Scotland, Scottish Rugby appointed a Performance Development Manager (PDM) in November based in England. The role is to build on the previous strong tradition of Exiles rugby, in supplying talent to Scotland by re-establishing and strengthening the pathway system.

Programmes for the Under 19, Under 18 and Under 16 age groups were established and a new partnership with Leeds Metropolitan University (Leeds Carnegie) was announced in May, which will act as the new “home” of Exiles rugby.

An Exiles Under 19 squad was formed in March with the aim of providing a platform for players to show their abilities and receive further coaching at a weekend in Leeds. Selection for the Scottish Exiles Under 18 squad came from a development day in December attended...
by over 100 players and from a full Exiles squad programme six players participated in the Scotland Under 18 national team. The Under 16 programme was born out of a development day attended by over 50 players, confirming the interest shown in Scottish rugby by those not based in Scotland.

The Exiles programme has developed well this year from a standing start. The next few years look exciting, with the establishment of Regional development groups and teams of volunteers, to re-establish the pathway and re-start the production line of talented players available for Scotland.

PERFORMANCE DEVELOPMENT MANAGEMENT

The Performance Development team, who manage and organise the player pathway within their allocated region, are all partly funded by sportscotland. They are responsible for programmes which identify the best players in their region, starting at Under 14 level, and are also involved in coach development and devising a new framework for Long Term Player Development.

All PDMs have been involved in the numerous Coach Education courses delivered across Scotland, including the launch of the new United Kingdom Coaching Certificate for rugby. Over 200 coaches have attended UKCC courses already, there have been over 30 coaching updates and over 400 coaches attended Foundation Coaching courses.
THROUGHOUT 2006-07 THE COMMUNITY RUGBY TEAM HAS CONTINUED TO PLACE SCOTLAND’S CLUBS BACK AT THE HEART OF THE DEVELOPMENT PROCESS, EMPOWERING EVERY CLUB TO BE THE ENGINE THAT DRIVES AND GROWS THE GAME WITHIN THEIR COMMUNITY.

Thanks to the hard work of club volunteers, school volunteers, jointly funded development staff, and Scottish Rugby staff, playing numbers are increasing.

The growth is most obvious amongst boys and girls, rising 19% from 15,189 to 18,123 and with 7% more men and women playing, rising from 8,972 to 9,616.

There has been steady growth recorded across the whole of Scotland, with particular highlights in Grampian, with a 32% increased in combined adults and younger playing numbers, Highlands and Islands 23% growth, Glasgow South 22% and Tayside and Fife 20%.

The game is growing not just in what might be described as the traditional heartlands of the sport but also in places that might in the past have raised an eyebrow, such as Drumchapel, Royston in Glasgow City, Cowal, Kintyre and Isle of Mull in Argyle and Bute, Alford, Inverurie and Stonehaven in Aberdeenshire and Inverness and Stornaway up in the Highlands and Islands.

Along with the news on growth, there have been some real highlights to the 2006-07 season, such as Bell Baxter High School’s victories in both the Royal Navy Schools 7s competition and the Bell Lawrie Schools Cup. But what makes their success even greater is that essentially the same group of young players, competing under their club name, Howe of Fife, capped their successes by winning the Youth League Cup just days later. The achievement of the Bell Baxter boys (their Schools Cup victory is deservedly the front cover of this Annual Report) is very encouraging indeed and will hopefully prove to be early signs of a resurgence in state schools rugby.

One of the outright successes of the season was the Martin Currie Festival of Rugby, which was an integral part of the Emirates Airline Edinburgh 7s at Murrayfield in June. The Festival of Rugby ran alongside the international 7s, taking up all of the back pitches and there can be no better example of the sport of rugby coming together at every level as it did at the final leg of the IRB Sevens World Series at Murrayfield.

The 2006 Calcutta Cup tour of Scotland offered another example of both ends of the sport combining successfully when the cup, and sometimes Scotland players, travelled to all corners of the country to let clubs and communities see the famous cup. The tour visited over 120 events that were attended by over 18,000 children and 2,200 adults. Many young boys and girls saw the Calcutta Cup up close which will hopefully have inspired some to get or stay involved in rugby.
Further evidence of growth in the game can be seen with the increase in the number of entries to the Bell Lawrie Schools Cup Under 18 and Under 15 competitions and the continuation in growth of entries to the Royal Navy Schools 7s competition. This season also saw the second year of the Club International Team, which was a great success and a demonstration of all community rugby working together.

This season has witnessed the establishment of some excellent partnerships between Scottish Rugby, clubs and local authorities in the community game. At a local level a growing number of clubs, led by their Regional Development Manager, are working with their local authority schools to introduce countless numbers of children to the sport and provide the pathways from the school to the rugby club. At a national level Scottish Rugby has deepened its relationship with Bell Lawrie and the Royal Navy and begun a major, exciting partnership with Scottish Hydro Electric which, from next season, will sponsor the League and Cup competitions. Our thanks go to Scottish Hydro Electric and all other community sponsors for their invaluable contribution. Not least of these is of course sportscotland, whose contribution to the community game is greatly appreciated.

REGIONAL DEVELOPMENT

Having offered an overview of Community Rugby’s activities, this report will now highlight key areas.

The Regional Development Team lead all Community rugby development in their respective regions across Scotland. The majority of the team have been in place for the full year, with Glen Tippett (Glasgow South) and Neil Carrie (Tayside and Fife) completing the full complement of Regional Development Managers in September 2006. Their efforts at working with clubs and local authorities to support people playing rugby in local schools and clubs is starting to make a real difference, as evidenced by the key growth targets, stated earlier in this report.

A large part of their work in the past year has been putting the structures in place to ensure that key partners make best use of their resources and take full advantage of the support available locally. Every area in Scotland now has three year rugby development strategies and local action plans, to co-ordinate efforts to develop rugby locally. These plans are driven by regional and local development groups, consisting of all key stakeholders, which co-ordinate rugby development and ensure regular communication.
As mentioned in the Chief Executive’s report, Scottish Rugby is investing in 41 partnerships across Scotland and is supporting over 60 clubs. The majority of the partnerships are for full time and part time Development Officer posts that are crucial for creating and supporting grass roots rugby and ensuring a pathway from school participation to local rugby clubs. Discussions are well under way with another 15 partnerships, which will support an additional 22 rugby clubs.

One key challenge for the sport is to retain 17 – 23 year old rugby players and an increase in both female and male university players by 20% and 16% respectively has been achieved this year. Scottish Rugby works very closely with Scottish University Sport (SUS) and other stakeholders and together they have successfully developed a cup competition with a finals day at Murrayfield, to ensure meaningful competition in the second part of the season.

MARTIN CURRIE FESTIVAL OF RUGBY

The Martin Currie Festival of Rugby took place alongside the Emirates Airline Edinburgh 7s in June and encapsulated in two days everything that is good about Community Rugby in Scotland. With over 80 Scottish Rugby staff, volunteers, referees, club development officers and SVQ’s, 95 teams and 1,130 participants, the Festival was an important highlight for the community rugby team.

Day one saw the main focus on young people and families with tournaments and festivals run for boys and girls of all ages. There was New Image rugby, Tag rugby and full contact rugby involving 61 teams and 732 participants. The youngsters could get their photograph taken with the Webb Ellis Cup (the actual World Cup) watch the international teams warm up and meet their favourite Scotland men’s and women’s international rugby heroes, such as Jason White and Donna Kennedy.

The climax to the day came when all the young participants were invited trackside for the ‘Best Seats In The House’ where they could cheer Scotland on to a historic 7s victory over South Africa.

Day two saw the focus turn to the adults, with women’s senior, men’s club and student 7s tournaments in action, plus a mixed adult touch tournament, totalling 34 teams and 398 participants. The highlight on the back pitches was the decision by all the teams to temporarily suspend all play to go and cheer on Scotland against Argentina in the quarter final on the international pitch inside the stadium.

Finally, a change in mascot policy this year resulted in a total of 101 girls and boys mini rugby players from clubs throughout Scotland running out from the stadium tunnel and lining up with the Scotland team at Murrayfield internationals, all free of charge. This has proven to be a huge success with the clubs and members of the Scotland Rugby Supporters Club.

CHAMPIONSHIP REPORT

2006-2007 was a year of change in Premiership Division 1 with a revised 10 team format playing for the Championship title before Christmas and the clubs then competing for the Scottish Hydro Electric Super Cup in the second half of the season. The most significant change, however, was the engraving of a new name on the Championship Trophy, that of Currie. One of the newer clubs in Scotland, founded in 1970, Currie finally stepped out of the shadows of their better known neighbours in south west Edinburgh to claim the title after a blistering start, which saw them win the first six games in succession and set up a lead which nearest rivals and runners-up Ayr could not close.
The Scottish Hydro Electric Super Cup was played under IRB Experimental Law Variations, designed to speed up the game and see the ball in play for a greater percentage of time. The result was a thrilling final contested by Currie’s neighbours, Watsonians and Boroughmuir, with Watsonians eventually triumphing 35-29.

Another club which famously worked its way up through the leagues to win the title a decade ago, Stirling County, will be back challenging next season after securing the Division 2 title. They were pushed all the way by a resurgent Edinburgh Academicals, who proved that they will compete in Division 1 next year by knocking out three Division 1 teams en route to the Cup Final. GHA also return to Division 1 after securing the third promotion spot.

The race for the Premier Division 3 title was also very tight, with Haddington bouncing back as champions following their relegation last year. They pipped West of Scotland for the title, West having had other distractions in the form of a lengthy Cup run, coming within a kick of reaching the final, in a hard fought semi with local rivals and eventual winners Glasgow Hawks.

The rise and rise of Falkirk continued with triumph in National League Division 2. Not satisfied with this, they made it a double winning season, thanks to a one point victory in the Shield final – against their runners-up in Division 2, Garnock. Annan comfortably secured the third promotion spot.

The pattern of success for South West clubs in the National League continued in Division 3. Dumfries led from the start and never looked back, finishing the season with 21 wins out of 22. They were also awarded the title of Club of the Year in recognition of their success on the pitch and their youth development work off it. Forrester won the battle for second place with Newton Stewart and both secured promotion to Division 2.

As well as changes to playing structures, season 2006-07 saw changes to the competition administrative structures. In keeping with the revised governance structures of Scottish Rugby, the Championship Committee saw some changes to its personnel and remit. Most significant of these were the extension of its remit to cover all levels of rugby and the introduction of three new Regional Committees with specific responsibilities for Regional Leagues, local leagues and importantly youth leagues in the West, East and Caledonia. These Committees are working very hard in running competitions appropriate to the different needs at local levels across the country.
YOUTH AND SCHOOLS

It would normally be sufficient to report separately on Youth competitions and Schools competitions but in 2006-07 thanks to the efforts of an extraordinary group of young men from Cupar, who swept up all three major Under 18 prizes in both Youth and Schools competitions, this is not possible.

First, the Royal Navy Scottish School Sevens which was won by Bell Baxter High School, beating Dundee High in the final after a fantastic day of competitive Sevens rugby, with 64 teams from all over Scotland, including Kirkwall Grammar who set out at 6.30am the day before to take part. Then came the Bell Lawrie Schools Cup, with Bell Baxter High School coming out on top again, beating three times winners Dollar, becoming the first state school to win the Cup for ten years. One week later came the final of the Youth League Cup, this time won by Howe of Fife – a different name but the vast majority of the team were current pupils of Bell Baxter High School and players for the successful Bell Baxter School team.

This fantastic achievement was also recognised at the Scottish Rugby Awards Dinner, when Garry Horne and John Lahangie, who coached both Bell Baxter and Howe of Fife, were presented jointly with the Coach of the Year Award.

While the Under 18 competitions are the flagship events, mention must also be made of the winners in the younger age groups. In the Bell Lawrie Under 15 Schools Cup George Watson’s College overcame Edinburgh Academy in a tight final at Murrayfield, while in the Youth competitions Stirling County beat Gala Red Triangle for the Under 16 title and Boroughmuir overcame Glasgow Hawks at Under 15 level. The Under 16 final between Stirling County and Gala Red Triangle was described by President Andy Irvine as one of the two best matches he had seen all season – the other being a Tri Nations international featuring the All Blacks at their best.

Stewarts Melville Lions dominated the S1 and S2 tournaments taking both titles, the S1 success being their fourth consecutive title at this level. In both age groups they were given a stern examination by Stirling County, who emphasised their strength at youth level, with appearances in three of the four finals.

The standard of rugby on show at all the school and youth events gives reason for confidence in the future of the sport in Scotland. Thanks are due to the army of volunteers who assist at these levels, be they schoolteachers giving their spare time, parents or those who assist in the organisation and administration to keep the game thriving at the grass roots. Thanks also go to School Sevens sponsors The Royal Navy and Schools Cup sponsors Bell Lawrie.

WOMEN IN THE COMMUNITY GAME

It has been a year of change for the SWRU Board who have continued with modernisation and streamlining of the women’s game to produce a professionally run organisation with a strategic focus to grow the game. The 2007 SWRU Strategic Plan, produced in partnership with sportscotland and Scottish Rugby, confirms the commitment to ensure effective management, governance, recruitment, development and retention in the women’s game.

The Integration Steering Group has agreed that full organisational integration between the SWRU and SRU is aimed for by 2009, another milestone towards one plan for rugby. The work of the SWRU Board members and the National Development Officer has started to reap rewards with the decline in the number of affiliated women’s clubs now halted, the number of senior clubs remaining static at 22 and the number of affiliated youth clubs rising to 11.
In the senior game, new competition structures introduced at the start of 2006-07 season have met the challenging targets for games played. The National Development League [a pioneering initiative designed to help clubs unable to raise a full team and to provide the right participation and competition environment for newcomers] has been a notable success. Its mixture of flexible competition and skills development has proven to be a hit with over 100 women and seven clubs. Through the NDL Grangemouth secured promotion to the National League for 2007-08 and Oban Lorne, previously at risk of folding, managed an impressive 100% attendance record and were awarded SWRU Club of the Year.

Supporting clubs to nurture the game for women and girls has been a high priority for the SWRU. In 2006-07 this has been achieved by the Focus Clubs Scheme which offers one-to-one support with club development action planning to selected clubs, improved club communication providing information on resources available and the extension of the SRU Travel support schemes to women’s 1st XVs. Many girls are seizing the chance to get involved and overall the number of girls participating in rugby has jumped from 210 in 2005-06 to 360 and the SWRU thanks its partners, volunteers and staff who are investing their time and effort on behalf of girls in rugby.

**EQUITY**

As mentioned in the Chief Executive’s report, in March Scottish Rugby was awarded the Foundation Level of the Equity Standard, in recognition of its commitment to opening the sport to all groups in Scottish society. The governing body continues to work hard to change the perception of the sport in Scotland and carry the sport into many communities where it has not traditionally been seen as the sport of choice.

Scottish Rugby is the 10th and largest sport to receive the Foundation Level of the Equity Standard and in so doing has been praised by its partner sportscotland for its efforts made to widen the appeal of rugby in Scotland. The next stage in the process is to achieve the Preliminary Level of the Standard and work has started on this with a view to achieving it in spring 2008.

**REFEREES**

Under the stewardship of Roy McCombe as National Referees Manager the community game has seen a growth in the number of licensed referees in all areas of Scotland. Thanks to the delivery of 60 refereeing courses from Orkney to Langholm, from a baseline of 1,626 referees in April 2006 the number grew to 1,918 in April 2007, an 18% increase.

At the top end of the community game, the service to clubs has been restructured to ensure the most promising referees in Scotland are all refereeing regularly and that clubs receive the best possible allocation of referees and touch judges.

In May 2007 it was decided to establish a National Academy to help talented young referees achieve Premier League status as soon as possible and places have now been offered to eight potential high flyers.

At Elite level, season 2006-07 has been successful with three Scottish referees on the IRB Touch Judging Panel, which gives Scotland a representation of three out of the top 37 officials in the world. Malcolm Changleng, Scottish Rugby’s professional referee, has refereed three Tests including South Africa v Samoa at Ellis Park and has been selected as one of the 25 match officials handling matches at the 2007 Rugby World Cup in France this autumn. David Changleng’s duties included one Test in the United States and summer duty in Japan. Both Changlengs were on touch judge duties in the RBS 6 Nations.

Peter Allan was selected for the IRB Nations Cup in Bucharest and Andrew McPherson refereed in the Barclays Churchill Cup, as well as Spain v Russia. Neil Paterson handled a semi-final in the Under 19s competition in Belfast, Russia v Czech Republic and his first Magners League match, culminating in the award of Scotland’s Referee of the Year Trophy. In European competition Scotland now has its three top referees involved in the Heineken Cup and two others in the European Challenge Cup. In the Magners League eight Scots refereed professional games and finally at the IRB Sevens World Series at Murrayfield in June, Scotland’s experienced touch judge panel, led by Jim Yuille and Ronnie Dumma, were commended for the high standard of officiating.

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*ANNUAL REPORT 2006-07 / PAGE 31*
RESULTS AND AWARDS
PRINCIPAL RESULTS AND LEAGUE TABLES 2006-2007

SCOTLAND

BANK OF SCOTLAND CORPORATE AUTUMN TESTS
Scotland 48-6 Romania (Murrayfield, 11 November 2006)
Scotland 34-22 Pacific Islanders (Murrayfield, 18 November 2006)
Scotland 15-44 Australia (Murrayfield, 25 November 2006)

RBS 6 NATIONS CHAMPIONSHIP

<table>
<thead>
<tr>
<th>Country</th>
<th>P</th>
<th>W</th>
<th>D</th>
<th>L</th>
<th>For</th>
<th>Against</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>155</td>
<td>86</td>
<td>8</td>
</tr>
<tr>
<td>Ireland</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>149</td>
<td>84</td>
<td>8</td>
</tr>
<tr>
<td>England</td>
<td>5</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>119</td>
<td>115</td>
<td>6</td>
</tr>
<tr>
<td>Italy</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>94</td>
<td>147</td>
<td>4</td>
</tr>
<tr>
<td>Wales</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>86</td>
<td>113</td>
<td>2</td>
</tr>
<tr>
<td>Scotland</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>95</td>
<td>153</td>
<td>2</td>
</tr>
</tbody>
</table>

Scotland results:
England 42-20 Scotland (Twickenham, 3 February 2007)
Scotland 21-9 Wales (Murrayfield, 10 February 2007)
Scotland 17-37 Italy (Murrayfield, 24 February 2007)
Scotland 18-19 Ireland (Murrayfield, 10 March 2007)
France 44-19 Scotland (Stade de France, 17 March 2007)

Other Championship results:
Italy 3-39 France
Wales 9-19 Ireland
England 20-7 Italy
Ireland 17-20 France
Ireland 43-13 England
France 32-21 Wales
Italy 23-20 Wales
England 26-18 France

SCOTLAND A
Scotland A 20-44 Australia A (McDiarmid Park, 21 November 2006)
Scotland A 13-7 Italy A (McDiarmid Park, 23 February 2007)

Barclays Churchill Cup:
Scotland A 13-9 USA Rugby (Henley, 23 May 2007)
England Saxons 18-3 Scotland A (Twickenham, 28 May 2007)
Scotland A 21-22 Ireland A (Twickenham, 2 June 2007)

CLUB INTERNATIONAL
Scotland 18-11 Ireland (Meggetland, 9 March 2007)

SCOTLAND 7S RESULTS 2006-07
Dubai (1-2 December)
Scotland 0, England 38
Scotland 14, France 21
Scotland 19, Zimbabwe 17
Scotland 12, Portugal 33 [Bowl quarter-final]
Scotland 12, Wales 19 [Shield semi-final, after extra time]

George, South Africa (8-9 December)
Scotland 5, New Zealand 35
Scotland 12, Australia 31
Scotland 14, Tunisia 33
Scotland 10, Kenya 15 [Bowl quarter-final]
Scotland 19, Zimbabwe 26 [Shield semi-final]

Wellington (2-3 February)
Scotland 12, England 33
Scotland 26, Samoa 31
Scotland 17, Papua New Guinea 12
Scotland 12, Argentina 17 [Bowl quarter-final]
Scotland 26, USA 19 [Shield semi-final]
Scotland 24, Portugal 26 [Shield final]

San Diego (10-11 February)
Scotland 5, Fiji 57
Scotland 17, Argentina 12
Scotland 31, West Indies 5
Scotland 0, Samoa 34 [Cup quarter-final]
Scotland 26, Australia 19 [Plate semi-final]
Scotland 19, South Africa 28 [Plate final]

Hong Kong (30th March – 1st April)
Scotland 31, Portugal 7
Scotland 53, Sri Lanka 21
Scotland 0, Fiji 26
Scotland 7, Fiji 28 [Cup quarter-final]

SCOTLAND CLUB INTERNATIONAL VICTORY OVER IRELAND
Adelaide (7-8 April)
Scotland 10, Samoa 26
Scotland 24, Argentina 19
Scotland 19, Portugal 7
Scotland 14, New Zealand 40 (Cup quarter-final)
Scotland 5, South Africa 42 (Plate semi-final)

London (26-27 May)
Scotland 17, Italy 0
Scotland 19, Kenya 19
Scotland 7, New Zealand 43
Scotland 5, Wales 5 (Cup quarter-final)
Scotland 5, Australia 15 (Plate semi-final)

Edinburgh (2-3 June)
Scotland 19, Russia 5
Scotland 31, Canada 5
Scotland 24, South Africa 17
Scotland 10, Argentina 22 (Cup quarter-final)
Scotland 17, Kenya 19 (Plate semi-final)

SCOTLAND U20
SIX NATIONS CHAMPIONSHIP
England U20 31-5 Scotland U20 (Bath, 2 February 2007)
Scotland U20 8-56 Wales U20 (Falkirk, 9 February 2007)
Scotland U20 10-27 Italy U21 (Falkirk, 23 February 2007)
Scotland U20 8-31 Ireland U20 (Falkirk, 9 March 2007)
France U21 56-10 Scotland U20 (Bourg en Bresse, 16 March 2007)

SCOTLAND U19
IRB U19 WORLD CHAMPIONSHIP 2007 (BELFAST)
Scotland 6-11 France (5 April 2007)
Scotland 12-13 Ireland (9 April 2007)
Scotland 23-25 Fiji (13 April 2007)
Fiji 7-11 Scotland (17 April 2007)
Scotland 0-34 Ireland (21 April 2007)

Other fixtures:
Scotland U19 13-19 Italy U19 (The Greenyards, 25 February 2007)

SCOTLAND U18
RBS U18 FESTIVAL 2007
Scotland 6-15 England (Burnbrae, 8 April 2007)
Scotland U18 20-17 Italy (Hughenden, 11 April 2007)
Scotland 20-13 Wales (Hughenden, 14 April 2007)

Other fixtures:
Scotland U18 18-0 Boys Club of Wales (Dalziel, 11 March 2007)
Scotland U18 6-10 Irish Youth (Dalziel, 18 March 2007)
French Schools 5-18 Scotland U18 (Paris, 31 March 2007)

SCOTLAND U17
MILLFIELD SCHOOL FESTIVAL
Scotland 16-3 France (3 April 2007)
Scotland 17-15 England (5 April 2007)
Scotland 16-11 Wales (7 April 2007)

SCOTLAND WOMEN
SIX NATIONS
England 60-0 Scotland (Woollams Playing Field, 3 February 2007)
Scotland 0-10 Wales (Meggetland, 10 February 2007)
Scotland 26-6 Italy (Meggetland, 24 February 2007)
Scotland 6-18 Ireland (Meggetland, 10 March 2007)
France 18-10 Scotland (Stade bout clos mourepas, 18 March 2007)

COLIN GREGOR DURING THE EMIRATES AIRLINE EDINBURGH 7s
CHAMPIONSHIP AND CUP RESULTS 2006-07

PREMIERSHIP

Division 1
- Champions: Currie
- Relegated: Aberdeen Grammar

Division 2
- Winners: Stirling County
- Also Promoted: Edinburgh Academicals, Glasgow Hutchesons' Aloysians
- Relegated: Gala

Division 3
- Winners: Haddington
- Also Promoted: West of Scotland, Musselburgh
- Relegated: Cambuslang

NATIONAL LEAGUE

Division 1
- Winners: Irvine
- Also Promoted: Ardrossan Academicals, Morgan Academy FP
- Relegated: Grangemouth

Division 2
- Winners: Falkirk
- Also Promoted: Garnock, Annan
- Relegated: Duns

Division 3
- Winners: Dumfries
- Also Promoted: Forrester, Newton Stewart
- Relegated: Ross High

SCOTTISH HYDRO ELECTRIC SUPER CUP

- Winners: Watsonians

REGIONAL LEAGUE

East Division 1
- Winners: Lasswade
- Relegated: Dalkeith, Edinburgh Northern

East Division 2
- Winners: Portobello FP
- Also Promoted: Earlston

West Division 1
- Winners: Marr
- Relegated: Clydebank, Uddingston

West Division 2
- Winners: Strathclyde Police
- Also Promoted: Moffat, Carrick
- Relegated: Bishopston

West Division 3
- Winners: Millbrae
- Also Promoted: Calder

Caledonia Division 1
- Winners: Strathmore
- Relegated: Panmure, RAF Lossiemouth

Caledonia Division 2 Midlands
- Winners: Stirling University
- Also promoted: Waid Academy FP

Caledonia Division 2 North
- Winners: Gordonians
- Also promoted: RAF Kinloss

NATIONAL CUP 2006-07

CUP
- Winners: Glasgow Hawks
- Runners-up: Edinburgh Academicals

SHIELD
- Winners: Falkirk
- Runners-up: Garnock

BOWL
- Winners: Morgan Academy FP
- Runners-up: East Kilbride

PLATE
- Winners: GHK
- Runners-up: Crieff & Strathearn

GHK LIFT THE NATIONAL PLATE TITLE
FALKIRK FANS SHOW THEIR SUPPORT AT NATIONAL FINALS DAY
YOUTH AND SCHOOLS RESULTS

BELL LAWRIE SCHOOLS CUP
Under 18   Bell Baxter High School 20-8 High School of Dundee
Under 15   George Watson’s College 12-5 The Edinburgh Academy

BELL LAWRIE SCHOOLS PLATE
Under 18   Madras College 41-8 Aberdeen Grammar School
Under 15   Knox Academy 19-5 Kelso

BELL LAWRIE SCHOOLS BOWL
Under 18   Portobello High School 20-15 Annan Academy
Under 15   Boroughmuir 61-0 Deans Community High

YOUTH LEAGUE CUP
Under 18   Howe of Fife 27-14 Musselburgh

NATIONAL MIDI CLUB CHAMPIONSHIP
Under 16   Stirling County 25-21 Gala Red Triangle
Under 15   Boroughmuir 32-17 Glasgow Hawks
S2        Stewart’s Melville Lions 7-3 Stirling County
S1        Stewart’s Melville Lions 6-0 Stirling County

ROYAL NAVY SCHOOL SEVENS
Cup        Bell Baxter High School 33-7 School of Dundee
Bowl       Wallace High School 10-26 Perth Academy 26
Plate      George Watson’s College 14-0 Earlston High School
Shield     Alloa 5-33 Blairgowrie High School
Quaich     Loretto 29-12 Cathkin High School
Salver     Selkirk High School 17-14 Robert Gordon’s College
Plaque     Jedburgh Grammar 28-5 Annan Academy
Pennant    Forrester High 36-7 Kinross

SCOTTISH RUGBY AWARDS 2006-07

Award                               Winner          Club          
Scotland Player of the Year         Sean Lamont     Edinburgh Rugby
Scotland 7s Player of the Season    Michael Adamson
Scotland U21 Player of the Season   Richie Vernon
Scotland U19 Player of the Season   Joe Stafford     Kelso
Scotland U18 Player of the Season   Steven Aitken
Scotland U17 Player of the Season   Stewart McInally
Scotland Women's Player of the Season  Tanya Griffith
Magners' League Player of the Season  Chris Paterson
Premier 1 Player of the Season      Bruce McNeil    Hawick
Premier 2 Player of the Season      Dan Teague      Edinburgh Accies
Premier 3 Player of the Season      Elliott McLaren
National 1 Player of the Season     John Muir       Irvine RFC
National 2 Player of the Season     Paul McCrorie   Garnock
National 3 Player of the Season     Stewart Clanachan Dumfries
East Region Player of the Season    Grant Craig     North Berwick
West Region Player of the Season    David Milne     Waysiders Drumpellier
Caledonia Region Player of the Season  Dave Lyle
Coach of the Season                 Ally Donaldson
Youth Coach of the Season           Gary Horne /  John Lathangie
Referee of the Year                 Neil Paterson
SVQ of the Year                     Peter McCartin
Club of the Season                  Dumfries RFC
Try of the Season                   Ewan Shand     Scotland U17
Spirit of Rugby Award               Donald Swanson
Special Achievement Award           Donna Kennedy
THE YEAR IN PICTURES
The Directors present their report and financial statements for the financial year ended 30 April 2007.

**PRINCIPAL ACTIVITIES**

The principal activity of the Scottish Rugby Union is to promote and encourage the game of Rugby throughout Scotland, using its wholly owned subsidiaries Scottish Rugby Union plc and The Murrayfield Experience Limited (now discontinued) for all trading activities. The following financial statements comprise the consolidated financial statements of the Union and its subsidiaries.

**BUSINESS REVIEW**

The Union has broken even after interest and before exceptional charges which is a significant achievement compared with recent years’ results. Turnover declined by £3.1m mainly due to the previous year’s sales by The Murrayfield Experience Limited, which managed Murrayfield Stadium’s match hospitality, conferencing and banqueting activities until they were transferred to a third party to be undertaken on the Union’s behalf on 1 May 2006. Total costs of £23.9m were £3.0m below the previous year, again mainly due to the transfer of The Murrayfield Experience Limited.

This excellent result is overshadowed by the need to provide for the exceptional costs associated with the closure of the Border Reivers pro team. The total provision for future ground rentals, ground improvements, and main pitch maintenance over the 15 year unexpired term of a 20 year commitment entered into with Gala RFC, together with other termination costs, amounts to £1.8m resulting in an overall deficit for the year of £1.7m. Negotiations are ongoing with Gala RFC to minimise this liability.

On a more positive note, average bank borrowings over the financial year amounted to £18.6m which is £1.6m below the previous year. The resultant year on year decrease in bank interest payments amounted to £0.1m. Year end bank borrowings of £17.4m are £3.6m below the previous year level of £21.0m.

This improved financial performance is primarily attributable to the new financial systems and processes implemented over the last 18 months which enable effective control over our trading activities and our balance sheet on an ongoing basis. The Directors continue to monitor borrowing levels, income and expenditure against budget on a regular basis. They also monitor other key business issues including Professional and National Team performance which are fundamental to the Union’s strategy of growing the game within a stable commercial environment.

Further details are included in the Finance Review on pages 14 & 15 in the Annual Report.

**FINANCIAL RISK MANAGEMENT**

A formal assessment of the business risks affecting the Union is currently in progress and is expected to be completed before the start of the 2007/08 season. In the meantime, however, the Directors believe that the principal business risks have been identified and are adequately addressed including:

- Appointment of suitable coaching and support staff to improve the performance of our national teams to sustain the well-being of the game in Scotland.
- Continuing investment in Community Rugby to grow the game and develop participation levels.
- The physical security and insurance of our main assets primarily Murrayfield stadium.
- Implementation of appropriate business systems and controls encompassing financial management, health & safety, commercial operations and other key business areas.

**CHARITABLE AND OTHER CONTRIBUTIONS**

The Union made no donations for charitable purposes during the year.

**SUPPLIER PAYMENTS**

Payments to suppliers are normally made on a monthly basis, in line with agreed payment terms which are typically 30 days or payment at the end of the following month. As at 30 April 2007, amounts due to trade creditors represented the annualised equivalent of 53 days purchases (2006 - 29 days).

**GOING CONCERN**

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

**STATEMENT OF DIRECTORS’ RESPONSIBILITIES**

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Union and of its surplus or deficit for that period. The Directors...
are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Union will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Union and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

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

DIRECTORS

The Directors of Scottish Rugby Union plc who held office during the year are noted on page 52.

AUDITORS

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be proposed at the Financial General Meeting.

G A IRELAND
Secretary
Edinburgh
26 July 2007
INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF THE SCOTTISH RUGBY UNION

We have audited the financial statements of the Scottish Rugby Union for the year ended 30 April 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement 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.

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 President’s Message, the Chairman’s Review, the Chief Executive’s Review, the Finance Review and the Scottish Rugby Board Report.

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 Union’s affairs as at 30 April 2007 and of the Union’s deficit 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 Scottish Rugby Board Report is consistent with the financial statements.

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Registered Auditors
Edinburgh
27 July 2007
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**BASIS OF CONSOLIDATION**

The consolidated financial statements cover the year to 30 April 2007 and include the Scottish Rugby Union, a mutual organisation, its subsidiary undertakings Scottish Rugby Union plc and The Murrayfield Experience Limited, and a related body, the Thistle Rugby Trust. The parent body, the Scottish Rugby Union, has not traded during either the current or previous year and its only assets and liabilities are its investment in, and loans from, Scottish Rugby Union plc of £50,000.

**TURNOVER**

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

**TANGIBLE FIXED ASSETS**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The straight line basis is used in respect of all assets and the principal annual depreciation rates are:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>Nil</td>
</tr>
<tr>
<td>Stands and Heritable property</td>
<td>1-20</td>
</tr>
<tr>
<td>Fixtures and fittings</td>
<td>4-25</td>
</tr>
<tr>
<td>Other equipment</td>
<td>7-50</td>
</tr>
</tbody>
</table>

**DEFERRED INCOME**

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

**DEBENTURE ISSUE COSTS**

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

**STOCKS**

Stocks comprise goods for resale and are valued at the lower of cost and net realisable value.

**PENSION COSTS**

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

**FINANCE AND OPERATING LEASES**

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

**GRANTS**

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

**TAXATION**

The Union has mutual trading status for taxation purposes as regards its trading activities with its own members and pays tax only on the profit derived from trading with non members. Deferred taxation is recognised on all timing differences where the transaction or events that give rise to an obligation to pay more, or less, tax in the future have occurred by the Balance Sheet date. Deferred tax assets are recognised when it is probable that they will be recovered. The tax rates in force at the Balance Sheet date are used to calculate the need for any deferred tax provision or asset.
## CONSOLIDATED PROFIT AND LOSS ACCOUNT

<table>
<thead>
<tr>
<th>Notes</th>
<th>£000</th>
<th>£000</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TURNOVER</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ticket income</td>
<td>7,109</td>
<td>5,885</td>
<td>-</td>
<td>5,885</td>
</tr>
<tr>
<td>Broadcasting revenues</td>
<td>7,591</td>
<td>8,133</td>
<td>-</td>
<td>8,133</td>
</tr>
<tr>
<td>Other operating income</td>
<td>10,865</td>
<td>14,623</td>
<td>2,932</td>
<td>11,691</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>25,565</td>
<td>28,641</td>
<td>2,932</td>
<td>25,709</td>
</tr>
</tbody>
</table>

| **COSTS** |      |      |      |      |
| International and Professional Rugby | 11,475 | 10,951 | - | 10,951 |
| Community Rugby | 3,135 | 2,941 | - | 2,941 |
| Commercial and Operational | 8,185 | 11,745 | 2,081 | 9,664 |
| Depreciation | 1,068 | 1,241 | 60 | 1,181 |
| **TOTAL** | 23,863 | 26,878 | 2,141 | 24,737 |

| Surplus before Distributions | 1,702 | 1,763 | 791 | 972 |
| Club Distributions | (263) | (364) | - | (364) |
| Re-organisation charges | - | (371) | - | (371) |
| **Surplus before Exceptional charges** | 1,439 | 1,028 | 791 | 237 |
| Exceptional charges | 1 | (1,758) | - | - |

| **OPERATING (DEFICIT)/SURPLUS** |      |      |      |      |
| (319) | 1,028 |      |      |      |
| **Net Interest** | 3 | (1,341) | (1,460) |      |
| Deficit on ordinary activities before Taxation | 1 | (1,660) | (432) |      |
| Taxation | 5 | - | - |      |

| **DEFICIT FOR THE PERIOD** | 16 | (1,660) | (432) |      |

The Union has no recognised gains or losses other than those included in the deficit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the deficit on ordinary activities before taxation and the deficit for the period stated above and their historical cost equivalents.
## CONSOLIDATED BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
<td>£000</td>
<td>£000</td>
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<tr>
<td><strong>FIXED ASSETS</strong></td>
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<td></td>
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<tr>
<td>Tangible fixed assets</td>
<td>6</td>
<td>40,585</td>
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<tr>
<td>Investments</td>
<td>7</td>
<td>2</td>
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<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Loans to member clubs</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>27</td>
</tr>
<tr>
<td>Debtors</td>
<td>9</td>
<td>3,969</td>
</tr>
<tr>
<td>Cash in hand</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Creditors</strong>:</td>
<td>10</td>
<td>(14,299)</td>
</tr>
<tr>
<td>Amounts falling due</td>
<td></td>
<td>(10,290)</td>
</tr>
<tr>
<td>within one year</td>
<td></td>
<td>(1,788)</td>
</tr>
<tr>
<td><strong>Provisions for liabilities and charges</strong></td>
<td>11</td>
<td>(1,788)</td>
</tr>
<tr>
<td><strong>Total Assets less Current Liabilities and Provisions</strong></td>
<td></td>
<td>28,509</td>
</tr>
<tr>
<td><strong>Financed by:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors: amounts</td>
<td>10</td>
<td>10,000</td>
</tr>
<tr>
<td>falling due after one year</td>
<td>12</td>
<td>2,542</td>
</tr>
<tr>
<td>Deferred income</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>Ten Year Debentures</td>
<td>14</td>
<td>30,890</td>
</tr>
<tr>
<td>Murrayfield Debentures</td>
<td>15</td>
<td>97</td>
</tr>
<tr>
<td>Irredeemable Debentures</td>
<td></td>
<td>97</td>
</tr>
<tr>
<td><strong>GENERAL RESERVE</strong></td>
<td>16</td>
<td>(15,022)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28,509</td>
</tr>
</tbody>
</table>

The Financial Statements on pages 41 to 50 were approved by the Scottish Rugby Board on 26 July 2007 and were signed on its behalf by:

A Munro, Chairman  
RG McKie, Chief Executive  
E Hegarty, Finance Director
## CONSOLIDATED CASH FLOW STATEMENT

<table>
<thead>
<tr>
<th>Notes</th>
<th>2007 £000</th>
<th>2006 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET CASHFLOW FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>17</td>
<td>4,923</td>
</tr>
<tr>
<td><strong>Return on investments and servicing of finance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Interest paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>on finance leases</td>
<td>(8)</td>
<td>(9)</td>
</tr>
<tr>
<td>bank overdrafts and loans</td>
<td>(1,254)</td>
<td>(1,373)</td>
</tr>
<tr>
<td></td>
<td>(1,259)</td>
<td>(1,378)</td>
</tr>
<tr>
<td><strong>Capital Expenditure and Financial Investment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to acquire Tangible Fixed Assets</td>
<td>(18)</td>
<td>(308)</td>
</tr>
<tr>
<td>Proceeds from the sale of Tangible Fixed Assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(18)</td>
<td>(308)</td>
</tr>
<tr>
<td><strong>CASHFLOW BEFORE FINANCING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,646</td>
<td>(626)</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease and similar payments</td>
<td>(53)</td>
<td>(54)</td>
</tr>
<tr>
<td></td>
<td>(53)</td>
<td>(54)</td>
</tr>
<tr>
<td><strong>Increase / (decrease) in cash</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,593</td>
<td>(680)</td>
</tr>
</tbody>
</table>

### Reconciliation of net cash flow to movement in net debt

<table>
<thead>
<tr>
<th>Notes</th>
<th>2007 £000</th>
<th>2006 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase / (decrease) in cash in period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease payments</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>Amortisation of Murrayfield Debentures</td>
<td>(82)</td>
<td>(82)</td>
</tr>
<tr>
<td></td>
<td>3,564</td>
<td>(708)</td>
</tr>
<tr>
<td><strong>Change in net debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening net debt</td>
<td>(51,940)</td>
<td>(51,232)</td>
</tr>
<tr>
<td>Closing net debt</td>
<td>18</td>
<td>(48,376)</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS

1. DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The deficit on ordinary activities before taxation is stated after crediting:

<table>
<thead>
<tr>
<th></th>
<th>2007 £000</th>
<th>2006 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortisation of deferred income</td>
<td>280</td>
<td>307</td>
</tr>
<tr>
<td>Barter transaction sponsorship income</td>
<td>335</td>
<td>572</td>
</tr>
</tbody>
</table>

And after charging:

<table>
<thead>
<tr>
<th></th>
<th>2007 £000</th>
<th>2006 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditors remuneration</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>Auditors fees for non-audit services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax compliance</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Tax advisory</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>Depreciation charge for the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owned fixed assets</td>
<td>1,008</td>
<td>1,182</td>
</tr>
<tr>
<td>Fixed assets held under finance leases</td>
<td>60</td>
<td>59</td>
</tr>
<tr>
<td>Operating lease rentals (all expiring within 1 year)</td>
<td>166</td>
<td>146</td>
</tr>
<tr>
<td>Barter transaction sponsorship costs</td>
<td>335</td>
<td>572</td>
</tr>
<tr>
<td>Administrative and management expenses</td>
<td>2,302</td>
<td>1,949</td>
</tr>
</tbody>
</table>

The accounting treatment of barter income and costs has been refined during the year. Barter income in respect of advertising income, and its related cost, is no longer recognised in the financial statements. This has no net impact on the deficit for either the current year or the prior year. The amount of barter advertising income and costs in the prior year was £607k.

Included within the deficit before taxation is an exceptional charge of £1,758k in relation to the closure of the Border Reivers pro team, providing for outstanding obligations connected with the agreement for the Netherdale ground rental and redundancy costs. The prior year deficit included redundancy costs of £371k.

During the period the Union made no donations for charitable purposes.

2. STAFF COSTS

<table>
<thead>
<tr>
<th></th>
<th>Playing Staff £000</th>
<th>Other Staff £000</th>
<th>Total Staff £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment costs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>4,321</td>
<td>5,121</td>
<td>9,442</td>
<td>10,712</td>
</tr>
<tr>
<td>Social security costs</td>
<td>516</td>
<td>539</td>
<td>1,055</td>
<td>1,173</td>
</tr>
<tr>
<td>Other pension costs</td>
<td>-</td>
<td>228</td>
<td>228</td>
<td>119</td>
</tr>
</tbody>
</table>

4,837                   5,888               10,725            12,004

The monthly average number of persons employed was:

<table>
<thead>
<tr>
<th></th>
<th>2007 Number</th>
<th>2006 Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>153</td>
<td>179</td>
</tr>
<tr>
<td>Playing Staff</td>
<td>96</td>
<td>122</td>
</tr>
<tr>
<td>Total employed</td>
<td>249</td>
<td>301</td>
</tr>
</tbody>
</table>

3. NET INTEREST

<table>
<thead>
<tr>
<th></th>
<th>2007 £000</th>
<th>2006 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest receivable on loans to member clubs</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Interest payable on bank borrowings</td>
<td>(1,254)</td>
<td>(1,362)</td>
</tr>
<tr>
<td>Interest payable on finance leases</td>
<td>(8)</td>
<td>(9)</td>
</tr>
<tr>
<td>Other interest payable</td>
<td>-</td>
<td>(11)</td>
</tr>
</tbody>
</table>

(1,259)   (1,378)

| Amortisation of Debenture issue costs | (82) | (82) |

(1,341)   (1,460)

The rates of interest on the Union’s term loan borrowings are included in Note 10.
NOTES TO THE FINANCIAL STATEMENTS

4. DISCONTINUED OPERATIONS

Discontinued operations comprise the results of The Murrayfield Experience Limited, a subsidiary company established in June 2005 to manage Murrayfield’s match hospitality, conferencing and banqueting activities. This company’s operations were discontinued on 1 May 2006 when responsibility for these operations was transferred by the Union to a third party provider.

5. TAXATION

<table>
<thead>
<tr>
<th></th>
<th>2007 £000</th>
<th>2006 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On profits arising from non-mutual trading</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Origination and reversal of timing differences</td>
<td>(523)</td>
<td>(241)</td>
</tr>
<tr>
<td>Movement in deferred tax unprovided</td>
<td>523</td>
<td>241</td>
</tr>
<tr>
<td>Factors affecting the current tax charge for the period :</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2007 £000</td>
<td>2006 £000</td>
</tr>
<tr>
<td>Deficit on ordinary activities before tax</td>
<td>(1,660)</td>
<td>(432)</td>
</tr>
<tr>
<td>Corporation Tax at 30% (2006 30%)</td>
<td>(498)</td>
<td>(130)</td>
</tr>
<tr>
<td>Effects of :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net expenses not deductible for tax purposes</td>
<td>77</td>
<td>186</td>
</tr>
<tr>
<td>Crystallisation of tax losses</td>
<td>268</td>
<td>-</td>
</tr>
<tr>
<td>Non-taxable mutual profits</td>
<td>(135)</td>
<td>(150)</td>
</tr>
<tr>
<td>Depreciation in excess of capital allowances</td>
<td>246</td>
<td>78</td>
</tr>
<tr>
<td>Movement in other timing differences</td>
<td>42</td>
<td>16</td>
</tr>
</tbody>
</table>

6. FIXED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Heritable Property £000</th>
<th>Fixtures &amp; fittings £000</th>
<th>Other Equipment £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening</td>
<td>44,880</td>
<td>12,440</td>
<td>2,403</td>
<td>59,723</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>9</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td>Closing</td>
<td>44,880</td>
<td>12,449</td>
<td>2,412</td>
<td>59,741</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening</td>
<td>6,395</td>
<td>9,642</td>
<td>2,051</td>
<td>18,088</td>
</tr>
<tr>
<td>Charge for period</td>
<td>527</td>
<td>313</td>
<td>228</td>
<td>1,068</td>
</tr>
<tr>
<td>Closing</td>
<td>6,922</td>
<td>9,955</td>
<td>2,279</td>
<td>19,156</td>
</tr>
<tr>
<td>Closing</td>
<td>37,958</td>
<td>2,494</td>
<td>133</td>
<td>40,585</td>
</tr>
<tr>
<td>Opening</td>
<td>38,485</td>
<td>2,798</td>
<td>352</td>
<td>41,635</td>
</tr>
</tbody>
</table>

The net book value of tangible fixed assets includes an amount of £18k (2006 £78k) in respect of assets held under finance leases and HP agreements.
NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS

The Union is the beneficial owner of 1,900 ordinary shares in European Rugby Cup Limited (ERC), a company incorporated in the Irish Republic. The Union’s holding represents 19% of the company’s issued share capital.

The Union holds one ordinary share in British Lions Limited, a company incorporated in the Irish Republic. The Union’s investment represents a 25% holding in the issued share capital of the company.

The Union is the beneficial owner of 100 ordinary shares in Celtic Rugby Limited, a company incorporated in the Irish Republic. The Union’s holding represents 33% of the company’s issued share capital.

Given the disposition of the other shareholdings, and the immateriality of their net surpluses and net assets after receipt of dividends by the Union, the Directors do not believe that these investments fall to be treated as associate companies. Fixed asset investments are stated at the lower of cost and valuation.

8. LOANS TO CLUBS

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening</td>
<td>117</td>
<td>186</td>
</tr>
<tr>
<td>Advances made during year</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Repayments received</td>
<td>(78)</td>
<td>(79)</td>
</tr>
<tr>
<td>Closing</td>
<td>39</td>
<td>117</td>
</tr>
</tbody>
</table>

Loans to clubs are receivable:

Within one year

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>27</td>
<td>54</td>
</tr>
<tr>
<td>Prepayments</td>
<td>12</td>
<td>63</td>
</tr>
<tr>
<td>Other debtors</td>
<td>136</td>
<td></td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>117</td>
</tr>
</tbody>
</table>

9. DEBTORS

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due within one year</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Trade debtors</td>
<td>3,850</td>
<td>3,631</td>
</tr>
<tr>
<td>Prepayments</td>
<td>283</td>
<td>120</td>
</tr>
<tr>
<td>Other debtors</td>
<td>136</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>3,969</td>
<td>3,752</td>
</tr>
</tbody>
</table>

10. CREDITORS

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due within one year</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>7,375</td>
<td>10,970</td>
</tr>
<tr>
<td>Obligations under finance leases</td>
<td>13</td>
<td>53</td>
</tr>
<tr>
<td>Advance receipts</td>
<td>1,289</td>
<td>195</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>1,756</td>
<td>1,092</td>
</tr>
<tr>
<td>Other tax and social security</td>
<td>470</td>
<td>444</td>
</tr>
<tr>
<td>Accruals</td>
<td>3,396</td>
<td>2,466</td>
</tr>
<tr>
<td></td>
<td>14,299</td>
<td>15,220</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due after more than one year</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Bank loans</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Obligations under finance leases</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>10,000</td>
<td>10,013</td>
</tr>
</tbody>
</table>

Finance lease obligations to which the Union is committed are due:

In one year or less

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13</td>
<td>53</td>
</tr>
</tbody>
</table>
| Between one and two years
| In one year or less | 13 | 53 |
| Between one and two years | - | 13 |

The term loan is repayable in full on 30 November 2012 or earlier if the Union disposes of any property interests. In this event, 75% of the net sale proceeds shall be paid to the Union’s bankers towards repayment of the loan. Interest on the term loan is based on the current LIBOR rate. The Union has entered into an interest rate swap with the Bank of Scotland in relation to £1.25m (2006 - £2.5m) of the term loan. The effective annual interest rate with respect to this element of the Union’s borrowings is 6.57% including margin. Security has been granted to the Union’s bankers by way of a Bond and Floating charge over the assets of Scottish Rugby Union plc.
NOTES TO THE FINANCIAL STATEMENTS

11. PROVISIONS FOR LIABILITIES AND CHARGES

<table>
<thead>
<tr>
<th></th>
<th>Deferred Tax</th>
<th>Closure of Border Reivers Pro Team</th>
<th>Tenant Club Fund</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening</td>
<td>-</td>
<td>-</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Transfer during period</td>
<td>-</td>
<td>1,758</td>
<td>2</td>
<td>1,760</td>
</tr>
<tr>
<td>Closing</td>
<td>-</td>
<td>1,758</td>
<td>30</td>
<td>1,788</td>
</tr>
</tbody>
</table>

Included within the provisions above is the amount of £1,758k in relation to the closure of the Border Reivers pro team which provides for outstanding obligations connected with the agreement for the Netherdale ground rental and redundancy costs.

Deferred taxation comprises:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerated capital allowances</td>
<td>3,156</td>
<td>3,345</td>
</tr>
<tr>
<td>Other timing differences</td>
<td>805</td>
<td>848</td>
</tr>
<tr>
<td>Trading losses carried forward</td>
<td>(8,271)</td>
<td>(7,980)</td>
</tr>
<tr>
<td>Deferred tax asset not recognised</td>
<td>4,310</td>
<td>3,787</td>
</tr>
</tbody>
</table>

Following due consideration of the availability of tax losses in relation to future anticipated taxable profits, the deferred tax asset has not been recognised. The deferred tax asset will be fully recoverable should there be appropriate future taxable profits.

12. DEFERRED INCOME

<table>
<thead>
<tr>
<th></th>
<th>Heritable Property</th>
<th>Debenture Premium</th>
<th>2007 Total £000</th>
<th>2006 Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Amortisation</td>
<td>1,877</td>
<td>945</td>
<td>2,822</td>
<td>3,129</td>
</tr>
<tr>
<td>Closing</td>
<td>(40)</td>
<td>(240)</td>
<td>(280)</td>
<td>(307)</td>
</tr>
<tr>
<td></td>
<td>1,837</td>
<td>705</td>
<td>2,542</td>
<td>2,822</td>
</tr>
</tbody>
</table>

13. TEN YEAR DEBENTURES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1999 Debentures</td>
<td>E</td>
<td>£1</td>
<td>3,050</td>
<td>322</td>
<td>322</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>£1</td>
<td>1,250</td>
<td>842</td>
<td>842</td>
</tr>
<tr>
<td></td>
<td>G</td>
<td>£1</td>
<td>200</td>
<td>199</td>
<td>199</td>
</tr>
<tr>
<td>2002 Debentures</td>
<td>H</td>
<td>£1</td>
<td>1,500</td>
<td>198</td>
<td>198</td>
</tr>
<tr>
<td></td>
<td>I</td>
<td>£1</td>
<td>1,500</td>
<td>408</td>
<td>408</td>
</tr>
<tr>
<td>Debentures issued</td>
<td></td>
<td></td>
<td></td>
<td>1,969</td>
<td>1,969</td>
</tr>
</tbody>
</table>

The Ten Year Debentures are unsecured, interest free and repayable at par on 30 April 2009 and 2012 respectively. Holders have the right to purchase a ticket for any event or match at the stadium for which the Union retains direct control over the allocation of all tickets. In respect of Six Nations matches the ticket is for a specific seat.
NOTES TO THE FINANCIAL STATEMENTS

14. MURRAYFIELD DEBENTURES

<table>
<thead>
<tr>
<th>Class of Debenture</th>
<th>Value Each</th>
<th>No. Authorised</th>
<th>No. Issued</th>
<th>£000 Issued</th>
<th>No. Issued</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>£1,200</td>
<td>9,100</td>
<td>9,100</td>
<td>10,920</td>
<td>9,100</td>
<td>10,920</td>
</tr>
<tr>
<td>B</td>
<td>£2,200</td>
<td>7,900</td>
<td>7,900</td>
<td>17,380</td>
<td>7,900</td>
<td>17,380</td>
</tr>
<tr>
<td>C</td>
<td>£3,500</td>
<td>1,000</td>
<td>1,000</td>
<td>3,500</td>
<td>1,000</td>
<td>3,500</td>
</tr>
<tr>
<td>Thistle</td>
<td>£9,900</td>
<td>500</td>
<td>188</td>
<td>1,861</td>
<td>188</td>
<td>1,861</td>
</tr>
</tbody>
</table>

Debentures issued

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18,188</td>
<td>33,661</td>
</tr>
</tbody>
</table>

Issue Costs:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening</td>
<td>2,853</td>
<td>2,935</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(82)</td>
<td>(82)</td>
</tr>
<tr>
<td>Closing</td>
<td>2,771</td>
<td>2,853</td>
</tr>
</tbody>
</table>

Net Issue Proceeds less amortisation

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30,890</td>
<td>30,808</td>
</tr>
</tbody>
</table>

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

15. IRREDEEMABLE DEBENTURES

The 972 (2006 - 972) Debentures of £100 each (the 1925 Debentures) entitle the holder to purchase two tickets at Murrayfield for each match directly controlled by the Union. The debentures are interest free.

16. GENERAL RESERVE

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening</td>
<td>(13,362)</td>
<td>(12,930)</td>
</tr>
<tr>
<td>Deficit for the period</td>
<td>(1,660)</td>
<td>(432)</td>
</tr>
<tr>
<td>Closing</td>
<td>(15,022)</td>
<td>(13,362)</td>
</tr>
</tbody>
</table>

17. RECONCILIATION OF OPERATING (DEFICIT) / SURPLUS TO NET CASHFLOW FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>Discontinued</th>
<th>Continuing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Operations</td>
<td>Total Operations</td>
</tr>
<tr>
<td>2007</td>
<td>2006</td>
<td>2006</td>
</tr>
<tr>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Operating (deficit) / surplus</td>
<td>(319)</td>
<td>1,008</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>1,068</td>
<td>1,241</td>
</tr>
<tr>
<td>Amortisation of deferred income</td>
<td>(280)</td>
<td>(307)</td>
</tr>
<tr>
<td>Border Reivers pro team closure provision</td>
<td>1,758</td>
<td>-</td>
</tr>
<tr>
<td>Tenant club residual fund</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Movement in stocks</td>
<td>119</td>
<td>118</td>
</tr>
<tr>
<td>Movement in loans to clubs</td>
<td>78</td>
<td>69</td>
</tr>
<tr>
<td>Movement in debtors</td>
<td>(217)</td>
<td>(172)</td>
</tr>
<tr>
<td>Movement in creditors</td>
<td>2,714</td>
<td>(919)</td>
</tr>
<tr>
<td>Total</td>
<td>4,923</td>
<td>1,060</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS

18. ANALYSIS OF CHANGES IN NET DEBT

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>Cash Flows</th>
<th>Other Changes</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in hand</td>
<td>3</td>
<td>(2)</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Overdrafts and revolving credit</td>
<td>(10,970)</td>
<td>3,595</td>
<td>-</td>
<td>(7,375)</td>
</tr>
<tr>
<td>Bank loans due after 1 year</td>
<td>(10,000)</td>
<td>-</td>
<td>-</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Finance Leases</td>
<td>(66)</td>
<td>53</td>
<td>-</td>
<td>(13)</td>
</tr>
<tr>
<td>Irredeemable Debentures</td>
<td>(97)</td>
<td>-</td>
<td>-</td>
<td>(97)</td>
</tr>
<tr>
<td>Murrayfield Debentures</td>
<td>(30,808)</td>
<td>-</td>
<td>[82]</td>
<td>(30,890)</td>
</tr>
<tr>
<td>Ten Year Debentures</td>
<td>(2)</td>
<td>-</td>
<td>-</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(51,940)</td>
<td>3,646</td>
<td>[82]</td>
<td>(48,376)</td>
</tr>
</tbody>
</table>

19. SRU GROUP

The Scottish Rugby Union carries out all of its operations through its wholly owned subsidiaries Scottish Rugby Union plc and The Murrayfield Experience Limited, the operations of which were discontinued on 1 May 2006. For accounting purposes the group is also deemed to include the Thistle Rugby Trust. The Registered Office for each of the Companies within the Scottish Rugby Union Group is Murrayfield, Edinburgh, EH12 5PJ.
### FIVE YEAR FINANCIAL SUMMARY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Turnover</strong></td>
<td>25,565</td>
<td>28,641</td>
<td>27,381</td>
<td>22,308</td>
<td>26,598</td>
</tr>
<tr>
<td><strong>Operating Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International and Professional Rugby</td>
<td>11,475</td>
<td>10,951</td>
<td>13,098</td>
<td>14,530</td>
<td>13,134</td>
</tr>
<tr>
<td>Community Rugby</td>
<td>3,135</td>
<td>2,941</td>
<td>2,806</td>
<td>2,619</td>
<td>2,500</td>
</tr>
<tr>
<td>Commercial and Operational</td>
<td>8,185</td>
<td>11,745</td>
<td>9,496</td>
<td>9,112</td>
<td>9,311</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,068</td>
<td>1,241</td>
<td>1,443</td>
<td>1,703</td>
<td>1,522</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23,863</td>
<td>26,878</td>
<td>26,843</td>
<td>27,964</td>
<td>26,467</td>
</tr>
<tr>
<td><strong>Surplus / (Deficit) before Distributions</strong></td>
<td>1,702</td>
<td>1,763</td>
<td>538</td>
<td>(5,656)</td>
<td>131</td>
</tr>
<tr>
<td><strong>Club Distributions</strong></td>
<td>(263)</td>
<td>(364)</td>
<td>(477)</td>
<td>(1,293)</td>
<td>(2,038)</td>
</tr>
<tr>
<td><strong>Re-organisation Charges</strong></td>
<td>-</td>
<td>(371)</td>
<td>(856)</td>
<td>(419)</td>
<td>(283)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,439</td>
<td>1,028</td>
<td>(795)</td>
<td>(7,368)</td>
<td>(2,190)</td>
</tr>
<tr>
<td><strong>Exceptional Charges</strong></td>
<td>(1,758)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating (Deficit) / Surplus</strong></td>
<td>(319)</td>
<td>1,028</td>
<td>(795)</td>
<td>(7,368)</td>
<td>(2,190)</td>
</tr>
<tr>
<td><strong>Net interest</strong></td>
<td>(1,341)</td>
<td>(1,460)</td>
<td>(1,453)</td>
<td>(1,029)</td>
<td>(747)</td>
</tr>
<tr>
<td><strong>Deficit before taxation</strong></td>
<td>(1,660)</td>
<td>(432)</td>
<td>(2,248)</td>
<td>(8,397)</td>
<td>(2,937)</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>342</td>
</tr>
<tr>
<td><strong>Deficit for period</strong></td>
<td>(1,660)</td>
<td>(432)</td>
<td>(2,248)</td>
<td>(8,397)</td>
<td>(2,595)</td>
</tr>
</tbody>
</table>

**Note**

A YEAR OF SCOTTISH GOVERNANCE 2006-07

PATRON AND OFFICE BEARERS

Patron
Her Royal Highness, The Princess Royal

President
Andy Irvine

Scottish Rugby Board
Chairman: Allan Munro
Executives: Gordon McKie (Chief Executive), Eamon Hegarty (Finance Director)
Non Executive Members: Brian Kennedy, Tom Inglis, Graeme Millar
Council Representatives: Andy Irvine, George Clark, Archie Ferguson, Jim Fleming

Scottish Rugby Council
Andy Irvine, President and Chairman of Council
George Clark, Premier 1
Bernie Dunn, Premier 2
Jim Stevenson, Premier 3
Archie Ferguson, National Leagues 1-3
Malcolm Gillies, National Leagues 1-3
George Jack, Edinburgh Regional League
Bill Nolan, Glasgow South Regional League
Ed Crozier, Glasgow North Regional League
Don Burns, Midlands Regional League
Gordon Cox, North Regional League
Alistair Forsyth, Scottish Borders Regional League
Jim Fleming, Referees
Norman Anderson, Schools
Sandra Kinneir, Women
Jim Hay, Players

Secretary To Board And Council
Graham Ireland

GOVERNANCE OF SCOTTISH RUGBY

Scottish Rugby Board 2006-07
The Scottish Rugby Board is responsible for the ongoing management of Scottish Rugby. The Scottish Rugby Board, which also serves as the Board of SRU plc, comprises four non-executive Directors, four representatives of the Scottish Rugby Council and up to four executive Directors. As at the financial year end, the Directors of SRU plc comprised:

- Allan Munro, Chairman
- Gordon McKie, Chief Executive
- Eamon Hegarty, Finance Director (appointed 25.05.06)
- Brian Kennedy
- Tom Inglis
- Graeme Millar (appointed 28.08.06)
- Andy Irvine
- George Clark
- Archie Ferguson
- Jim Fleming (appointed 30.06.06)

Fred McLeod and Keith Wallace retired as Directors of SRU plc on 30 June 2006. Subsequent to the year Andy Irvine retired as a Director on 29 June 2007. On this date George Jack was appointed as a Director.

Scottish Rugby Council 2006-07
As at 29 June 2007 Andy Irvine retired from the Scottish Rugby Council, and Norman Douglas and Bob Hogarth succeeded Bernie Dunn and Jim Stevenson as the Premier 2 and Premier 3 representatives on the Council. As at that date the position of the Player’s representative on the Council fell vacant, being the conclusion of Jim Hay’s term in office, pending the adoption of an appropriate electoral protocol in respect of the position. George Jack was elected as Chair of the Council in respect of season 2007-08, with Malcolm Gillies elected as Vice Chair.

Board Committees
During this period, the Board operated four Sub Committees to assist in its business. The role and membership of the sub committees were as follows:

- The Audit Committee, Chaired by Graeme Millar, comprised Tom Inglis, George Clark and Jim Fleming. It is responsible for assisting the Board discharge its responsibilities for accounting policies, financial reporting, internal control and risk management.
- The Nomination Committee, Chaired by Allan Munro, comprised Andy Irvine, Archie Ferguson and Graeme Millar. The Nomination Committee is responsible for making recommendations as to the composition, membership and organisation of the Board and Board Sub Committees.
The Property Committee, Chaired by Tom Inglis, comprised Allan Munro, George Clark, Fraser Livingston, Jim Fleming and Gordon McKie. It is responsible for developing appropriate strategies, with regard to the Union’s property assets. During the period, the Property Committee mainly focused on the issues surrounding flooding at Murrayfield Stadium and the potential to release value through re-evaluating the Union’s asset portfolio.

The Remuneration Committee, Chaired by Tom Inglis, comprised George Clark, Archie Ferguson and Brian Kennedy. It is responsible for making recommendations, within agreed terms of reference, on the Union’s remuneration policies.

**Development of Corporate Governance**

In line with the recommendations of the Second Governance Working Party, a Standing Working Party on the Union’s Bye Laws and Governance was established during the year under the independent chairmanship of Rob Flockhart. During the course of the year the Working Party was asked to consider a wide range of constitutional and governance issues and to report thereon to the Scottish Rugby Board.

The Board and Council remain committed to the continuing development of our governance structures, in order to meet the needs of our game.

**Remuneration and Benefits of Non Executive and Council Board Representatives**

Under the SRU’s remuneration policy, the Union offers its non executive Board members, including Council representatives on the Board, a fee for their service on the Board.

<table>
<thead>
<tr>
<th>Director’s Fee</th>
<th>Representative Bodies Fee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allan Munro</td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Tom Inglis</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Brian Kennedy</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Graeme Millar</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Andy Irvine</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Archie Ferguson</td>
<td>15,000</td>
<td>21,000</td>
</tr>
<tr>
<td>George Clark</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Jim Fleming</td>
<td>12,500</td>
<td>12,500</td>
</tr>
</tbody>
</table>

**Notes:**

1. Non Executive Directors are paid an annual fee of £15,000. The Chairman is remunerated at the rate of £35,000 per annum.

2. Members of the Scottish Rugby Council receive no remuneration in respect of this elected role.

3. The International Rugby Board (IRB), Six Nations Committee (6NC) and European Rugby Cup Ltd. (ERC) have a policy of financially compensating the representatives serving on those bodies and the service fees paid to the SRU Council representatives serving on these bodies in respect of 2006-07 were as follows:

<table>
<thead>
<tr>
<th>Council Member</th>
<th>Position Held</th>
<th>Paid by</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill Nolan</td>
<td>IRB Representative</td>
<td>IRB</td>
<td>£ 7,000</td>
</tr>
<tr>
<td>Malcolm Gillies</td>
<td>Six Nations Representative</td>
<td>6NC</td>
<td>£14,000</td>
</tr>
<tr>
<td>George Jack</td>
<td>ERC Representative</td>
<td>ERC</td>
<td>£ 8,820</td>
</tr>
</tbody>
</table>

The Celtic League Association does not remunerate its Directors. Council Member Archie Ferguson was remunerated by the SRU in respect of his service on the Celtic League Board in accordance with the SRU’s non executive remuneration policy.

**REGISTERED OFFICE AND ADVISERS**

**Registered Office**
Murrayfield Stadium
Edinburgh EH12 5PJ

**Bankers**
Bank of Scotland
Head Office
The Mound
Edinburgh
EH1 1YZ

**Auditors**
PricewaterhouseCoopers LLP
Erskine House
P O Box 90
68-73 Queen Street
Edinburgh EH2 4NH

**Solicitors**
Anderson Strathern
1 Rutland Court
Edinburgh
EH3 8EY

McGrigors
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9WJ

Burness
50 Lothian Road
Edinburgh
# KEY PARTNERS ACKNOWLEDGEMENTS

<table>
<thead>
<tr>
<th>Scottland Team Sponsor</th>
<th>Official Kit Supplier to Scotland National Team</th>
<th>Title Sponsor of the Six Nations Championship</th>
<th>Title Sponsor of the Autumn Tests</th>
<th>Official Training Partner of Scottish Rugby</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Famous Grouse</td>
<td>Canterbury of New Zealand</td>
<td>RBS Nations</td>
<td>Bank of Scotland Corporate</td>
<td>Baxters</td>
</tr>
<tr>
<td>Official Media Partner of Scottish Rugby</td>
<td>Broadcast Partner of Scottish Rugby</td>
<td>Official Ball Partner of Scottish Rugby</td>
<td>Official Sponsor of Scotland Rugby Supporters' Club</td>
<td>Official Supplier of Scottish Rugby</td>
</tr>
<tr>
<td>Official Water Supplier to Scotland National Team</td>
<td>Team Sponsor of Glasgow Warriors</td>
<td>Official Partner of Glasgow Warriors</td>
<td>Official Kit Supplier to Glasgow Warriors</td>
<td>Official Supporter of Scottish Rugby</td>
</tr>
<tr>
<td>Emirates</td>
<td>Visit Scotland</td>
<td>Flogas</td>
<td>KooGa</td>
<td>GLASGOW2014 Commonwealth Games Candidate City</td>
</tr>
<tr>
<td>Official Supporter of Scottish Rugby</td>
<td>Title Sponsor of the IRB Edinburgh 7s</td>
<td>Official Partner of IRB Edinburgh 7s</td>
<td>Funding Partner of IRB Edinburgh 7s</td>
<td>Official Sponsor of Scotland Rugby Development and Women's Rugby</td>
</tr>
<tr>
<td>Official Partner of Scottish Rugby</td>
<td>National Sponsor of Scottish Community Rugby</td>
<td>Official Sponsor of Scottish Schools' Rugby</td>
<td>Official Sponsor of Youth League Cup and Scottish Schools 7s</td>
<td>Official Partner of Scottish Schools 7s</td>
</tr>
<tr>
<td>SCOTTISH RUGBY UNION</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>