

Cardiff Union Services Ltd
Gwasanaethau Undeb Caerdydd Cyf

Limited by Guarantee

**Directors' Annual Report
& Financial Statements**

for the year ended 31st July 2017

Registered Company Number 02287517

Cardiff Union Services Limited

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Cardiff Union Services Limited

Company Information

Directors	Rakesh Aggarwal Mark Leighfield Daniel Palmer Hollie Cooke Thomas Kelly Lamorna Hooker Elizabeth Ryan Harper
Registered office	Cardiff Students Union Park Place Cardiff South Glamorgan CF10 3QN
Auditors	Blue Spire Limited Chartered Accountants and Statutory Auditors Cawley Priors South Pallant Chichester West Sussex PO19 1SY

Cardiff Union Services Limited

Strategic Report for the Year Ended 31 July 2017

The directors present their strategic report for the year ended 31 July 2017.

Principal activity

The principal activity of the Company is to promote the social and educational welfare of the students of Cardiff University by providing services and facilities to them. These services and facilities are provided to directly or indirectly improve their conditions of life by enabling them to participate in intellectual, social, recreational, travel and other activities connected with Cardiff University and Cardiff University Students' Union. The Company also provides any other services or facilities that Cardiff University students need by reason of them being students and extends those uses to students connected with other students' unions as the Company sees fit.

The Company manages a purpose-built University Union building in Cardiff City Centre and plays a valuable and widely recognised role in supporting the student experience at Cardiff University.

Fair review of the business

The Company had a successful year and was able to increase its turnover, gross profit and cash inflows from ongoing activities. At year end the Company made an operating deficit of £123,574 due to annual depreciation charges of £685,467 of which £601,960 is attributable to the depreciation of the Union building. The Company's turnover increased to £3,975,803 (2015/16: £3,663,405) during the year whilst reducing expenditure and increasing the overall gross surplus. The Company's overall performance in the year represents a significant turnaround from 2015/16 and the Directors are confident that its plans will ensure further business growth and profitability in the foreseeable years to come.

During 2016/17 the Company's activities remained broadly similar to 2015/16, but significant income growth was generated through the success of the Company's night-time activities and the expansion of retail trading units following redevelopment. Further growth is expected in these areas in 2017/18 and the Company remains committed to developing its trading areas, whilst diversifying its services.

After a challenging year in 2015/16 it was vital that the Company was able to stabilise its cash flow in 2016/17. This was achieved, with the Company generating increased cash flows and working with its parent company, Cardiff University Students' Union, to do the same. The Directors have identified that the Company's cash reserves position should be strengthened over the next few years and have set the following targets to achieve this:

- To meet the long term financial plans for the Company and the Cardiff University Students' Union Group to achieve Group free reserves of £1.3M by 2023;
- To achieve an improved trading profit so that the Group will generate cash surplus of £280K in 2017/2018; and
- To generate further operating efficiencies following successful completion of the 3-year Operation 200 programme.

During the year the Union building was valued by an independent person and the asset has been realised on the Company's balance sheet. The Directors are satisfied that the valuation gives a fair reflection of the Company's exploitable assets and potential for further business growth. In recognising the value of the Union building over the remainder of its lease from Cardiff University up to 2038 the Company also attracts a significant depreciation charge from the asset, amounting to £601,960 in 2016/17. Depreciation charges of this size will continue up to 2038, at which point the Company has the right to lease renewal.

Cardiff Union Services Limited

Strategic Report for the Year Ended 31 July 2017

The Company has recognised its defined benefit pension scheme liabilities and they are been listed as an exceptional item. The Company's deficit contributions to the pension scheme are due to run until 2033, but the Directors are confident that the Company can meet its liabilities as they fall due. The treatment of pensions within the accounts has a dramatic impact on the Company's overall position and the shareholders' funds. In addition, the Company has written off some bad debts against a provision made in the prior year.

Analysis of key performance indicators

The Company's business plans are reviewed periodically by the Directors and are established to meet the strategic needs of the Company and the Students' Union Group. The Company's top key performance indicators for 2016/17 are listed below with a statement of progress against them. During 2017/18 the Company will review its overall strategic plan and how it supports the strategic objectives of the Students' Union Group.

Objective	Outcome
To further integrate student staff with career staff, evidenced by the development of a student staff inclusion plan, representation of student staff on the JCC and with at least 60% of all student staff recommending the Union as a great place to work by 30th June 2017.	Good progress has been made in this area with various schemes developed to make student staff feel more a part of the wider Union team and 90% of student staff rated the Union as a great place to work. After consulting with the JCC they were not keen to include student staff, so an alternative forum has been established.
To agree an updated lease of the Union building with the University, safeguarding the Union's branding and visibility on Park Place and ensuring effective control of ingress and egress to the Union building, by 28th February 2017.	Lease negotiations with the University are ongoing and agreement is expected in 2018.
To improve oversight of operations and performance, evidenced by the development of a new management reporting structure and senior management team responsibilities by 28th February 2017.	A broad management plan was developed earlier this year and the SMT development plan and restructure was approved in March 2017.
To ensure that at least 15 Managers / Heads of Departments complete a 360-degree appraisal that form action plans within their VIP process by 30th June 2017.	Development of the 360-degree appraisal process has been delayed due to more immediate priorities, but we are hopeful that this target will still be met before the end of the calendar year.
To achieve the overall budgeted surplus and cash position for the Company and the Students' Union Group for 2016/2017, by 31st July 2017	Excellent progress was made in achieving the Company and Group budgets with the Group net current asset position improving by £438K in the year.
To achieve the overall budgeted income position for the Company, including a £70K year-on-year increase (compared to 2015/16) in rental income by 31st July 2017	Despite a poor freshers period the overall position was achieved due to excellent Venues performance. The rental income target was achieved twice over and will continue to grow in 2017/18.

Cardiff Union Services Limited

Strategic Report for the Year Ended 31 July 2017

To successfully complete the redevelopment of the ground floor of the building by 30th September 2016	Practical completion was achieved in September and the space was open to the public from 14th September. Some minor snagging works took place in the first few weeks of term, but the space is now open and trading well.
To find efficiency savings or increases in commercial contribution of at least £200k for 2017/18, compared to 2016/17 by 30th June 2017.	These savings have been achieved, evidenced within the budget for 2017/18.
To develop a 10-year capital projects plan, including plans for an upgraded Union building reception by 31st July 2017.	Some progress has been made on this target, but requires consolidation. A business case to redevelop the Great Hall and to upgrade the reception is being drafted for approval and funding support later in 2017.

Principle risks and uncertainties

The Directors examine the major strategic, business and operational risks faced by the Company and as a part of the Students' Union Group. The Company maintains a risk register that is updated at least annually. Where appropriate, systems or procedures have been established to mitigate the risks faced by the Company. These procedures are periodically reviewed to ensure that they continue to meet the Company's needs.

Budgetary and internal control risks are minimised by expenditure limits set by the Board of Directors. In addition, stringent procedures are in place to ensure the health and safety of staff, volunteers and participants on all activities organised by the Company. All other types of risk have specific mitigation activities that are delegated to senior managers.

Approved by the Board on and signed on its behalf by:

.....

Chair of the Board of Directors (and Director)

.....

Managing Director

Cardiff Union Services Limited

Directors' Report for the Year Ended 31 July 2017

The directors present their report and the financial statements for the year ended 31 July 2017.

Directors of the Company

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

Rakesh Aggarwal

Amelia Dyer (resigned 30 June 2017)

Marc Harries (resigned 29 June 2017)

Alexander Kuklenko (resigned 30 June 2017)

Mark Leighfield (appointed 11 August 2016)

Daniel Palmer

Sophie Timbers (resigned 30 June 2017)

Matthew Williams (resigned 12 September 2016)

Hollie Cooke (appointed 1 July 2017)

Thomas Kelly (appointed 1 July 2017)

Lamorna Hooker (appointed 1 July 2017)

Elizabeth Ryan Harper (appointed 13 September 2016)

Financial Instruments and Financial Risk Management

The Company's principal financial assets and liabilities are investments, bank balances, stock, trade debtors, trade creditors and amounts owed by or to group undertakings.

The Company's risk with stock is that it may not be able to be sold at its original cost. Consequently a provision is made for obsolete, slow-moving or defective items where appropriate.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented on the balance sheet are net of allowance for doubtful debts. The Company has no significant concentration of credit risk as it has exposure over a large number of customers.

The amounts owed by or to group undertakings are intra-group and therefore the Company has no external credit, price or liquidity risks.

Commentary for financial instruments and risk management objectives and policies has been included within the Strategic Report in accordance with section 414C(11) of the Companies Act 2006.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Cardiff Union Services Limited

Directors' Report for the Year Ended 31 July 2017

Approved by the Board on and signed on its behalf by:

.....
Hollie Cooke
Director

Cardiff Union Services Limited

Statement of Directors' Responsibilities

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

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

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

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

Cardiff Union Services Limited

Independent Auditor's Report to the Members of Cardiff Union Services Limited

Opinion

We have audited the financial statements of Cardiff Union Services Limited (the 'Company') for the year ended 31 July 2017, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

Cardiff Union Services Limited

Independent Auditor's Report to the Members of Cardiff Union Services Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 7], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Cardiff Union Services Limited

Independent Auditor's Report to the Members of Cardiff Union Services Limited

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Geoffrey Frost BSc (Hons) FCA (Senior Statutory Auditor)
For and on behalf of Blue Spire Limited, Statutory Auditor

Cawley Priory
South Pallant
Chichester
West Sussex
PO19 1SY

Date:.....

Cardiff Union Services Limited

Profit and Loss Account for the Year Ended 31 July 2017

	Note	Total 31 July 2017 £	Total 31 July 2016 £
Turnover	3	3,975,803	3,663,405
Cost of sales		<u>(1,931,677)</u>	<u>(1,936,025)</u>
Gross surplus		2,044,126	1,727,380
Administrative expenses		(3,767,700)	(4,071,980)
Other operating income	4	<u>1,600,000</u>	<u>1,460,000</u>
Operating deficit	5	<u>(123,574)</u>	<u>(884,600)</u>
Other interest receivable and similar income	6	418	878
Interest payable and similar expenses	7	<u>(1,957,708)</u>	<u>(160,696)</u>
		<u>(1,957,290)</u>	<u>(159,818)</u>
Deficit before tax		<u>(2,080,864)</u>	<u>(1,044,418)</u>
Deficit for the financial year		<u><u>(2,080,864)</u></u>	<u><u>(1,044,418)</u></u>

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the year other than the results above.

Cardiff Union Services Limited

Statement of Comprehensive Income for the Year Ended 31 July 2017

	Note	2017 £	2016 £
Deficit for the year		<u>(2,080,864)</u>	<u>(1,044,418)</u>
Total comprehensive income for the year		<u><u>(2,080,864)</u></u>	<u><u>(1,044,418)</u></u>

Cardiff Union Services Limited

(Registration number: 02287517)

Balance Sheet as at 31 July 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	13	12,964,420	13,609,831
Other financial assets	14	<u>71,563</u>	<u>71,563</u>
		<u>13,035,983</u>	<u>13,681,394</u>
Current assets			
Stocks	15	41,387	75,114
Debtors	16	195,788	309,638
Cash at bank and in hand		<u>297,377</u>	<u>247,703</u>
		534,552	632,455
Creditors: Amounts falling due within one year	18	<u>(740,378)</u>	<u>(1,167,420)</u>
Net current liabilities		<u>(205,826)</u>	<u>(534,965)</u>
Net assets excluding pension asset/(liability)		12,830,157	13,146,429
Net pension liability	19	<u>(4,427,963)</u>	<u>(2,663,371)</u>
Net assets		<u>8,402,194</u>	<u>10,483,058</u>
Capital and reserves			
Profit and loss account		<u>8,402,194</u>	<u>10,483,058</u>
Total equity		<u>8,402,194</u>	<u>10,483,058</u>

Approved and authorised by the Board on and signed on its behalf by:

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Hollie Cooke

Director

The notes on pages 16 to 26 form an integral part of these financial statements.

Cardiff Union Services Limited

Statement of Changes in Equity for the Year Ended 31 July 2017

	Profit and loss account £	Total £
At 1 August 2016	<u>10,483,058</u>	<u>10,483,058</u>
Deficit for the year	<u>(2,080,864)</u>	<u>(2,080,864)</u>
Total comprehensive income	<u>(2,080,864)</u>	<u>(2,080,864)</u>
At 31 July 2017	<u>8,402,194</u>	<u>8,402,194</u>
	Profit and loss account £	Total £
At 1 August 2015	<u>11,527,476</u>	<u>11,527,476</u>
Deficit for the year	<u>(1,044,418)</u>	<u>(1,044,418)</u>
Total comprehensive income	<u>(1,044,418)</u>	<u>(1,044,418)</u>
At 31 July 2016	<u>10,483,058</u>	<u>10,483,058</u>

Cardiff Union Services Limited

Statement of Cash Flows for the Year Ended 31 July 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Deficit for the year		(2,080,864)	(1,044,418)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	685,467	693,277
Finance income	6	(418)	(878)
Finance costs	7	<u>1,957,708</u>	<u>160,696</u>
		561,893	(191,323)
Working capital adjustments			
Decrease in stocks	15	33,727	77,928
Decrease in trade debtors	16	113,850	266,176
(Decrease)/increase in trade creditors	18	<u>(427,042)</u>	<u>195,332</u>
Net cash flow from operating activities		<u>282,428</u>	<u>348,113</u>
Cash flows from investing activities			
Interest received	6	418	878
Acquisitions of tangible assets		<u>(40,056)</u>	<u>(130,901)</u>
Net cash flows from investing activities		(39,638)	(130,023)
Cash flows from financing activities			
Pension deficit contributions paid		<u>(193,116)</u>	<u>(183,916)</u>
Net increase in cash and cash equivalents		49,674	34,174
Cash and cash equivalents at 1 August		<u>247,703</u>	<u>213,529</u>
Cash and cash equivalents at 31 July		<u><u>297,377</u></u>	<u><u>247,703</u></u>

The notes on pages 16 to 26 form an integral part of these financial statements.

Cardiff Union Services Limited

Notes to the Financial Statements for the Year Ended 31 July 2017

1 General information

The Company is a private company limited by guarantee incorporated in England and Wales . Each member is liable to contribute an amount not exceeding £1 towards the assets of the Company in the event of liquidation.

The address of its registered office is:

Cardiff Students Union

Park Place

Cardiff

South Glamorgan

CF10 3QN

[Authorised for issue date](#)

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

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

Basis of preparation

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

Revenue recognition

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

The Company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the Company's activities.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Depreciation

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

Asset class	Depreciation method and rate
Leasehold building	Straight line over the remaining lease term

Cardiff Union Services Limited

Notes to the Financial Statements for the Year Ended 31 July 2017

Plant and machinery	over 7-10 years
Computer equipment	over 3 years

Fixed asset investments

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value with changes recognised in 'net gains / (losses) on investments' in the profit and loss account.

Fixed asset investments comprise holdings of Welsh Rugby Union debentures and shares in NUS Services Limited. These assets are held at cost on the basis there is no readily available market value.

Cash and cash equivalents

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

Trade debtors

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

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

Stocks

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

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

Trade creditors

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

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

Defined contribution pension obligation

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

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

Cardiff Union Services Limited

Notes to the Financial Statements for the Year Ended 31 July 2017

Defined benefit pension obligation

The Company participates in the Student Union Superannuation Scheme, a defined benefit scheme, which is externally funded and contracted out of the State Earning Related Pension Scheme. The fund is valued at least every three years by a professionally qualified independent actuary with the rates of contributions payable being determined by the trustees on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. The scheme operates as a pooled arrangement, the contributions paid at a centrally agreed rate. As a consequence, no share of the underlying assets and liabilities can be directly attributed to the Company. The discounted present value of the future deficit contributions has been recognised in full.

Long term employee benefits

Termination and redundancy payments are accounted for on an accruals basis with an expense and liability recognised when a legal or constructive obligation arises.

3 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2017 £	2016 £
Bars and food	2,544,502	2,229,722
Entertainment and venue	559,871	710,741
Retail	203,016	225,289
NUS Extra sales	78,560	81,555
Advertising and marketing	129,569	67,219
Letting agency	302,146	277,605
Rental income	158,139	71,274
	<u>3,975,803</u>	<u>3,663,405</u>

4 Other operating income

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

	2017 £	2016 £
Block Grant	<u>1,600,000</u>	<u>1,460,000</u>

5 Operating deficit

Arrived at after charging/(crediting)

	2017 £	2016 £
Depreciation expense	<u>685,467</u>	<u>693,277</u>

6 Other interest receivable and similar income

	2017 £	2016 £
Interest income on bank deposits	<u>418</u>	<u>878</u>

Cardiff Union Services Limited

Notes to the Financial Statements for the Year Ended 31 July 2017

7 Interest payable and similar expenses

	2017	2016
	£	£
Other finance costs	<u>1,957,708</u>	<u>160,696</u>

8 Staff costs

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

	2017	2016
	£	£
Wages and salaries	1,670,082	1,627,727
Social security costs	148,496	213,212
Pension costs, defined contribution scheme	40,097	37,326
Redundancy costs	<u>107,510</u>	<u>40,722</u>
	<u>1,966,185</u>	<u>1,918,987</u>

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

	2017	2016
	No.	No.
Administration and support	70	75
Cost of sales	<u>165</u>	<u>174</u>
	<u>235</u>	<u>249</u>

9 Other long-term employment and termination benefits

Termination Benefits

Termination benefits totalling £107,510 (2016: £40,722) were made during the year under review. These payments arise out of re-organisation of staff structure.

The amount of the obligation is Nil (2016: Nil). The extent of funding at the reporting date is Nil (2016: Nil).

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017	2016
	£	£
Remuneration	79,241	76,579
Employer pension contributions	<u>378</u>	<u>368</u>
	<u>79,619</u>	<u>76,947</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

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Notes to the Financial Statements for the Year Ended 31 July 2017

	2017 No.	2016 No.
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

11 Auditors' remuneration

	2017 £	2016 £
Audit of the financial statements	<u>13,375</u>	<u>15,300</u>

12 Taxation

On the basis of these financial statements no provision has been made for corporation tax.

No taxation arises on the results for the year. In 2016, a large proportion of the Company's trading activities consisted of mutual trading on which no liability to tax arises. The element of taxable income relating to non-mutual trading activities is covered by charges on income.

13 Tangible assets

	Land and buildings £	Leasehold improvements £	Other property, plant and equipment £	Total £
Cost or valuation				
At 1 August 2016	13,988,784	-	1,720,549	15,709,333
Additions	<u>11,216</u>	<u>2,787</u>	<u>26,053</u>	<u>40,056</u>
At 31 July 2017	<u>14,000,000</u>	<u>2,787</u>	<u>1,746,602</u>	<u>15,749,389</u>
Depreciation				
At 1 August 2016	600,902	-	1,498,600	2,099,502
Charge for the year	<u>601,960</u>	<u>-</u>	<u>83,507</u>	<u>685,467</u>
At 31 July 2017	<u>1,202,862</u>	<u>-</u>	<u>1,582,107</u>	<u>2,784,969</u>
Carrying amount				
At 31 July 2017	<u>12,797,138</u>	<u>2,787</u>	<u>164,495</u>	<u>12,964,420</u>
At 31 July 2016	<u>13,387,882</u>	<u>-</u>	<u>221,949</u>	<u>13,609,831</u>

Included within the net book value of land and buildings above is £Nil (2016: £Nil) in respect of freehold land and buildings and £12,797,138 (2016: £13,387,882) in respect of long leasehold land and buildings.

Cardiff Union Services Limited

Notes to the Financial Statements for the Year Ended 31 July 2017

14 Other financial assets (current and non-current)

	Financial assets at cost less impairment £	Total £
Non-current financial assets		
Cost or valuation		
At 1 August 2016	<u>71,563</u>	<u>71,563</u>
At 31 July 2017	<u>71,563</u>	<u>71,563</u>
Impairment		
Carrying amount		
At 31 July 2017	<u><u>71,563</u></u>	<u><u>71,563</u></u>

The market value of the investments is considered to be in excess of cost, and no provision for diminution in value is considered necessary.

15 Stocks

	2017 £	2016 £
Raw materials and consumables	<u>41,387</u>	<u>75,114</u>
The cost of stocks recognised as an expense in the year amounted to £1,008,237 (2016: £945,046).		

16 Debtors

	Note	2017 £	2016 £
Trade debtors		135,387	160,633
Amounts owed by related parties	22	9,754	4,574
Other debtors		4,126	104,576
Prepayments		<u>46,521</u>	<u>39,855</u>
Total current trade and other debtors		<u><u>195,788</u></u>	<u><u>309,638</u></u>

17 Cash and cash equivalents

	2017 £	2016 £
Cash at bank	<u>297,377</u>	<u>247,703</u>

Cardiff Union Services Limited

Notes to the Financial Statements for the Year Ended 31 July 2017

18 Creditors

	Note	2017 £	2016 £
Due within one year			
Trade creditors		126,617	568,840
Amounts due to related parties	22	105,590	31,363
Social security and other taxes		102,359	67,221
Other payables		87,920	29,225
Accrued expenses		<u>317,892</u>	<u>470,771</u>
		<u>740,378</u>	<u>1,167,420</u>

Included within the comparative figure for trade creditors and accrued expenses above is £213,861 in relation to building and reconfiguration of the ground floor of the Union building.

19 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £40,097 (2016: £37,326).

20 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2017 £	2016 £
Not later than one year	7,808	2,855
Later than one year and not later than five years	<u>24,997</u>	<u>9,278</u>
	<u>32,805</u>	<u>12,133</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £4,093 (2016: £2,141).

Cardiff Union Services Limited

Notes to the Financial Statements for the Year Ended 31 July 2017

21 Commitments

Pension commitments

The Company is a Participating Employer in the Students' Union Superannuation Scheme, which is a defined benefit scheme whose membership consists of employees of students' unions and related bodies throughout the country. Benefits in respect of service up to 30 September 2003 are accrued on a "final salary" basis, with benefits in respect of service from 1 October 2003 accruing on a Career Average Revalued Earnings (CARE) basis. With effect from 30 September 2011 the Scheme closed to future accrual.

The most recent Triannual Valuation of the Scheme was carried out as at 30 June 2016 and showed that the market value of the Scheme's assets was £101,131,000 (2013: £80,910,023) excluding AVC's and insured pensioners with these assets representing 46% (2013: 52%) of the value of benefits that have accrued to members. The deficit on an ongoing funding basis amounted to £119,700,000, (2013: £73,849,000).

The assumptions used in the valuation are as follows:

Pre- retirement discount rate 4.3% pa
Post retirement discount rate 2.3% pa
RPI 3.2% pa
CPI 2.2% pa
Pension increases in payment
Post 1997 (RPI min 3% mac 5%) 3.6% pa
Post 2000 (RPI max 5%) 3.1% pa

Mortality projections CMI 2015 projections with a long term rate of improvement of 1.5% pa

The 2016 Valuation funding shortfall recovery plan requires a monthly contribution requirement by each Participating Employer to up to 30 June 2033 increasing by 5% each year. These contributions also include an allowance for the cost of the ongoing administrative and operational expenses of running the Scheme. These rates apply with effect from 1 October 2017 and will be formally reviewed following completion of the next Valuation due with an effective date of 30 June 2019. Surpluses or deficits which arise at future valuations will also impact on Union's future contribution commitment. In addition to the above contributions, the Union also pays its share of the Scheme's levy to the Pension Protection Fund.

The total deficit contributions paid into the Scheme by Cardiff Union Services Limited in respect of eligible employees for the year ended 31 July 2017 amount to £193,116.

At the balance sheet date the Company had commitments to pay deficit funding contributions of £16,287 per month, increasing by 20% at October 2017. This monthly payment is scheduled to increase by 5% per annum at October each year until 30 June 2033.

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Notes to the Financial Statements for the Year Ended 31 July 2017

22 Related party transactions

Key management personnel

During the year the Company's key management personnel were reimbursed expenses constituting of travel and subsistence £2,576 (2016: £5,238), accomodation £436 (2016: £629) and entertainment £8 (2016: £nil). At the year end there were no balances due to key management personnel in relation to expenses.

Key management compensation

	2017	2016
	£	£
Salaries and other short term employee benefits	311,510	259,875
Termination benefits	<u>46,285</u>	<u>26,916</u>
	<u><u>357,795</u></u>	<u><u>286,791</u></u>

Income and receivables from related parties

		Other related parties
	£	£
2017		
Amounts receivable from Cardiff Volunteering Limited		<u>9,754</u>
		Other related parties
		£
2016		<u>4,574</u>
Amounts receivable from Cardiff Volunteering Limited		

Cardiff Volunteering Limited is a company controlled by Cardiff University Students' Union (the parent of Cardiff Union Services Limited).

Expenditure with and payables to related parties

		Parent
	£	£
2017		
Amounts payable to Cardiff University Students' Union		<u>105,590</u>
		Parent
		£
2016		<u>31,363</u>
Amounts payable to Cardiff University Students' Union		

Minor catering sales were made in the year to Cardiff University Students' Union and Cardiff Volunteering Limited.

23 Parent and ultimate parent undertaking

The Company's immediate parent is Cardiff University Students' Union, incorporated in England and Wales .

Cardiff Union Services Limited

Notes to the Financial Statements for the Year Ended 31 July 2017

24 Transition to FRS 102

The Company adopted FRS 102 for the first time for the year ended 31 July 2017 and therefore the date of transition was 1 August 2015.

As part of the transition a long leasehold building, valued at £13,952,352 was recognised with existing leasehold improvements with a net book value of £130,288 removed. The resulting net remeasurement at 31 July 2015 was £13,822,054. As a result of this remeasurement, additional depreciation of £557,680 was charged in the year to 31 July 2016, resulting in an overall increase in the net book value of £13,264,374 at that date.

The basis of valuation applied to the long leasehold building was the depreciated replacement cost method, which is based on an estimate of the market value for the existing use of the land, plus the current cost of reproduction or replacement of an asset with its modern equivalent less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Under the new financial reporting framework an amount of £306,746 in respect of irrecoverable VAT was reclassified from other exceptional items to administrative expenses.

The effect on the financial statements of transition is shown below:

Balance Sheet at 1 August 2015

Note	As originally reported £	Reclassification £	Remeasurement £	As restated £
Fixed assets				
Tangible assets	<u>130,288</u>	<u>-</u>	<u>13,822,054</u>	<u>13,952,342</u>
Capital and reserves				
Profit and loss account	<u>(2,294,578)</u>	<u>-</u>	<u>13,822,054</u>	<u>11,527,476</u>
Total equity	<u>(2,294,578)</u>	<u>-</u>	<u>13,822,054</u>	<u>11,527,476</u>

Balance Sheet at 31 July 2016

Note	As originally reported £	Reclassification £	Remeasurement £	As restated £
Fixed assets				
Tangible assets	<u>123,508</u>	<u>-</u>	<u>13,264,374</u>	<u>13,387,882</u>
Capital and reserves				
Profit and loss account	<u>(2,781,316)</u>	<u>-</u>	<u>13,264,374</u>	<u>10,483,058</u>
Total equity	<u>(2,781,316)</u>	<u>-</u>	<u>13,264,374</u>	<u>10,483,058</u>

Cardiff Union Services Limited

Notes to the Financial Statements for the Year Ended 31 July 2017

Profit and Loss Account for the year ended 31 July 2016

	Note	As originally reported £	Reclassification £	Remeasurement £	As restated £
Turnover		3,663,405	-	-	3,663,405
Cost of sales		<u>(1,936,025)</u>	<u>-</u>	<u>-</u>	<u>(1,936,025)</u>
Gross surplus		1,727,380	-	-	1,727,380
Administrative expenses		(3,207,554)	(306,746)	(557,680)	(4,071,980)
Other operating income		<u>1,460,000</u>	<u>-</u>	<u>-</u>	<u>1,460,000</u>
Operating deficit		<u>(20,174)</u>	<u>(306,746)</u>	<u>(557,680)</u>	<u>(884,600)</u>
Other exceptional items		(306,746)	306,746	-	-
Other interest receivable and similar income		878	-	-	878
Interest payable and similar expenses		<u>(160,696)</u>	<u>-</u>	<u>-</u>	<u>(160,696)</u>
		<u>(466,564)</u>	<u>306,746</u>	<u>-</u>	<u>(159,818)</u>
Deficit before tax		<u>(486,738)</u>	<u>-</u>	<u>(557,680)</u>	<u>(1,044,418)</u>
Deficit for the financial year		<u><u>(486,738)</u></u>	<u><u>-</u></u>	<u><u>(557,680)</u></u>	<u><u>(1,044,418)</u></u>