Falmouth
Exeter
Plus

Falmouth Exeter Plus

(a Company Limited by Guarantee)

Registered number: 5103240

Consolidated Financial Statements for the Year to 31 July 2017

FALMOUTH UNIVERSITY

UNIVERSITY OF EXETER

Falmouth Exeter Plus

Directors (as at date of signing):	Philip Attwell *(Alternate Director)* Jane Chafer Andrew Connolly Peter Cox Alan Hill *(Alternate Director)* Professor David Hosken Daniel Jones Dr Robin Kirby Professor Alan Murray Antony Sanders Michael Shore-Nye
Secretary:	Jacqueline Brown
Auditor:	KPMG LLP Plym House 3 Longbridge Road Plymouth PL6 8LT
Registered Number:	5103240
Registered Office:	Penryn Campus Penryn Cornwall TR10 9FE
Bankers:	Barclays Bank plc 3rd Floor Windsor Court 3 Windsor Place Cardiff CF10 3BX Lloyds Bank plc 25 Monument Street London EC3R 8BQ

INDEX

	Pages
Strategic Report	2 - 8
Directors' Report	9
Corporate Governance Statement	10 - 12
Statement of Directors' Responsibilities	13
Independent Auditor's Report	14 - 15
Consolidated and Company Statement of Comprehensive Income	16
Consolidated and Company Statement of Changes in Equity	17
Consolidated and Company Balance Sheets	18
Consolidated Cash Flow Statement	19
Notes to the Consolidated Financial Statements	20 - 34

Strategic Report (incorporating the Financial and Operating Review)
The Directors submit their report and the financial statements for the year ended 31 July 2017.

Objectives and activities for the public benefit
The objects of the Falmouth Exeter Plus Group (the Group) are to advance the education of the public by providing and assisting in the provision of higher education facilities in Cornwall. The Directors confirm that they are aware of their duties with regard to public benefit and are conversant with the Charity Commission guidance in this area. In setting objectives and planning future activities, they have given consideration to the guidance on public benefit.

The Group carries out its objects by:

- Advancing education by providing facilities and services to staff and students, which includes learning support, library, academic skills, IT and audio visual services;
- Supporting students with their welfare needs;
- Providing residential accommodation to students;
- Offering catering, retail, day nursery and reprographics services to students and university staff;
- Making available subsidised transport and sporting facilities to students, the latter in partnership with FXU, the joint student union;
- Providing a safe and healthy environment.

The direct benefits of the Group's work are the support for students at the Penryn, Falmouth and Truro Campuses to enable individual development on both an academic and personal level, and to facilitate teaching and research. This should also enrich society by providing well educated graduates and potential employees.

As the beneficiaries are students of the two universities (University of Exeter (UoE) and Falmouth University (Falmouth)), the public benefit is inextricably linked to that of the two universities. Further information about the universities' policies on public benefit including financial support to students and widening participation can be found in their financial statements.

Falmouth Exeter Plus (FX Plus) develops and operates all student accommodation comprising Glasney Parc, a 1,451 room residential development on campus, Tuke House, a 156 room residence located in Falmouth and leased from Sanctuary Housing, and The Sidings, a 233 room residence at Penryn, operated under a Nominations Agreement. FX Plus also holds some short term head leases in Falmouth and Truro whilst there is a shortfall of accommodation for first year students. In addition, FX Plus provides catering, retail, nursery, sport and printing services to staff, students and third parties. FX Plus manages the property issues on the Penryn Campus, including grounds, building maintenance, transport services, cleaning and security. It also provides library and academic skills, IT and AV services and student support services.

Cornwall Plus Limited (Cornwall Plus), a wholly owned subsidiary, operates the commercial, non-charitable activities of the jointly controlled entity primarily relating to non-student letting of residences, non-academic conferences, external events and corporate hospitality for third parties. All taxable profits of Cornwall Plus are gifted to FX Plus.

Tremough Development Vehicle Limited (TDV), a wholly owned subsidiary, acted as the joint agent of Falmouth and UoE in the procurement of shared non-residential building developments on the Penryn Campus but has been dormant for the year and is expected to remain so for the foreseeable future.

The financial statements show the results of the Group, incorporating TDV, Cornwall Plus and FX Plus.

Results for the year
Summary consolidated results for 2016/17 are shown below:

			£ (000)	£ (000)
Income				
Central Support, Estates, Library, IT and Student Services				
Income from Falmouth/UoE			14,092	
Campus Services			14,863	
Investment Income			18	
				28,973
Expenditure				
Central Support, Estates, Library, IT and Student Services costs			(14,092)	
Estates, Library and IT depreciation			(336)	
Campus Services				
	Staffing and other costs	(8,956)		
	Interest	(2,173)		
	Depreciation	(2,713)		
			(13,842)	
				(28,270)
Gains on disposal of fixed assets				38
Surplus for the year				**741**
Change in fair value of hedging financial instruments				(22)
Re-measurements in respect of Pension Scheme				1,832
Total comprehensive income for the year				**2,551**

The surplus for the year of £741K (2015/16 £530K) relates to the surpluses generated from Campus Services. These primarily comprised residences, catering and retail during the year and are for the benefit of students and staff of the two institutions. The costs of the other services (Estates, Academic, IT and Student Services, group management and subsidised travel) were fully recovered from Falmouth and UoE apart from depreciation as shown above. The pension charge as advised by the actuaries resulted in an additional £742K to staff costs and £235K to interest, totalling £977K. This is excluded for management accounts purposes and the adjusted surplus would be £1,718K.

Overview
The financial results for the Group reflect a positive year with all key metrics being met as shown in the table below.

Overall income rose by 12.5% through direct services provided to the two universities and the impact of higher student numbers on trading operations. Income and surplus from Campus Services increased due to higher numbers of student lettings, including new headleased properties, together with income from the new Sports Centre and Nursery, Little Wonders, which opened their doors for business in September 2016.

Financial strategy KPI	Actual	Forecast	Calculation basis
External Income Targets £'000	£1,065	£873	Cornwall Plus Limited income
External Income Surplus £'000	£216	£314	Cornwall Plus Limited surplus
Surplus Target £'000	£741	£854	Net Group surplus
Gross cost per student fte £	£1,747	£1,795	Costs shared/student numbers
Total property costs per student fte £	£922	£874	Non residences estates costs/student numbers
EBITDA £m	£6.7	£5.8	Surplus less investment income plus depreciation plus interest payable plus additional pension staff costs
Liquidity	64 days	78 days	Cash/Costs excl depreciation x 365

Central support, Estates, Library, IT and Student Services
Costs for those services provided to the two institutions rose during the year not only in line with inflation but also to address specific issues such as additional preventative building maintenance, loss of externally funded student support activities, and replacement of assets that had previously been grant funded.

User Satisfaction

NSS Scores	2015/6	2016/7	Var
Falmouth	85%	83%	-2%
Exeter (Penryn)	90%	87%	-3%
National	**86%**	**84%**	-2%

As can be seen the NSS satisfaction scores have declined by 2 or 3% alongside a national decline of 2%. The Exeter decline seems to be driven predominately by perceived study space reduction. There were also subtle variations to the questions asked which have had a significant impact.

Staffing changes
During the year the Group operated under the leadership of an interim CEO, Tony Sanders. He undertook a full review of FX Plus and introduced a number of initiatives:

- Service Excellence – looking at how to provide a focus across all areas that delivers outstanding customer experience – monitored through surveys and regular interaction with staff and student groups.
- Geared for Growth – looking at how the Group feeds into the 2020 Campus Plan and deals with increased student demand on services and accommodation – this was a key part of the business planning cycle.
- Fit for Purpose – focussing primarily on the next stage of the capital plans for the Penryn campus.
- International – how FX Plus supports the global aspirations of the two institutions, particularly in supporting the international student/staff community.
- Supporting Cornwall – looked at how the Group supports the immediate locality through the supply chain, staff recruitment, and community relations.

A number of supporting themes underpinned the above and led to a re-structure, including the loss of a number of key staff and a reshaping of the Executive structure and team which saw Campus Services split and a new Directorate of Residences & Facilities being created. In addition, the CEO role was reviewed and a new post of Managing

Director was created. Tony Sanders, previously interim CEO, applied for and was subsequently appointed to the role which he started on 1 September 2017.

A major review was also completed of the Group pension scheme. This was mainly to address the increasing costs of contributions and following regular increases to the scheme deficit reported on the balance sheet. The Board agreed to close the current defined benefit scheme to new members from October 2017 and to offer a defined contribution scheme linked to the existing scheme operated by UoE.

Campus Services
Trading income for the Group is shown in note 8.
This shows an increase of 14% compared with the previous year with significant growth in nursery and sports following the opening of new facilities but with double digit increase to retail and residences, in line with student numbers. Reprographics was the only area which experienced a decline which mirrors a general move away from printed materials to more on-line.

Residences continue to make up over 70% of trading income with the continued provision of shared rooms at Penryn as well as an extension to the number of headleased properties to enable university growth to be provided in University owned or managed accommodation – an offer that remains important to new incoming students and parents.

Retail, reprographics, and conferencing all generated surpluses whilst the nursery, sports centre, and catering ran at a deficit. The bar achieved a break even position.

Balance sheet
Fixed asset investments during the year of £3m included more study beds in the residences (£830K) to provide additional capacity, extensions/improvements to catering facilities to expand/enhance the offer to students (£530K), upgrades to teaching spaces to increase capacity (£190K) and further IT refresh/replacements to ensure continued resilience of systems (£875K).

The overall value of fixed assets fell slightly with depreciation charges offsetting new expenditure. The depreciation on IT replacements is now taken to the Group surplus rather than recharged to the two institutions following approval by the Board.

The net current asset position fell to £87K but the overall net asset position rose by over £2.5M due primarily to a fall in the pension deficit figure. This follows receipt of the latest actuarial valuation from Cornwall Council. Details are covered in note 16 and show the deficit falling from £9M to £8.2M. There is no impact on cash or bank covenants arising from this change.

Cashflow and liquidity
At the year end the Group's net cash balances were £4.3M (2015/16 - £4.5M). These excess funds are held and invested with Falmouth's cash to maximise returns for the Group.

The main movements during the year are shown in the cashflow statement and include expenditure on fixed assets and servicing of residential loans.

Strategic Risks
Risks for the Group are considered regularly by the Board and assigned to a Senior Executive Team (SET) member. Risks are ranked in order of importance and flagged using red, orange, yellow and green.

Many risks have been addressed over the past year including investment in building maintenance, campus planning and the successful opening of new facilities.

A risk that remains concerns accommodation for students in line with the growth planned by the two institutions up to 2020. This risk is being actively managed to secure funding for residences with private providers. Other key risks include staff recruitment and retention, cyber attack threats and the possibility of missing carbon/sustainability targets.

Cornwall Plus Limited (Cornwall Plus)
The profit generated by the company is attributable to non-charitable conferencing and events and is referred to under Campus Services above.

The results for the year show a profit before tax of £216K (2015/16 - £137K), which has been donated under a gift aid agreement to the parent company FX Plus.

The overall results were higher than the previous year and above target following successful summer trading and an increase in conferences secured.

Tremough Development Vehicle Limited (TDV)
This company is dormant and will remain so for the foreseeable future. It will not be formally wound up due to the major contracts held in its name.

Strategic Direction: the FX Plus Journey
The principal challenges for FX Plus remain ensuring that all services develop further to meet the ambitious growth plans for teaching, research and impact whilst maintaining the highest level of student and staff satisfaction. This approach informed activity in the accounting period and will continue to help shape strategic direction in 2017/18.

The accounting period saw a wide-ranging programme of change, with a restructuring of Directorates and the appointment of a number of new senior executives to FX Plus. A review took place of the FX Plus brand, leading to the decision to decrease the public-facing use of the FX Plus logo. This was underpinned by a desire to avoid confusion among students and other campus users, and the need to give due prominence to the brands of the two universities. Activities designed to reduce bureaucracy and waste have been implemented.

During the Accounting Period, three Directors left to take on new challenges. Gareth Ward, Director IT, left in January 2017. Paul Monnington acted as Director IT between January and July 2017, before a substantive Director, Stuart Gaslonde took up the role at the end of the accounting period. As well as his IT portfolio, Stuart Gaslonde is leading on developing FX Plus's response to the impact of digital technology. Michelle Brunton, Director Campus Services, also left FX Plus in January 2017. The retail, catering and hospitality departments of the Campus Experience portfolio have been incorporated into a new Directorate led by Fiona Foster, who joined FX Plus in June 2017. Fiona Foster is Director of Campus Experience, which includes responsibility for service excellence across FX Plus's areas of activity. Accommodation and Facilities now form a new Directorate which is being led by Oliver Lane, an internal promotion. In the Estates Directorate, Tim Brooksbank left FX Plus in April 2017. A substantive replacement was not appointed during the accounting year but the role of Acting Director Estates was filled between April and the end of the accounting period by Dominic O'Neill.

The FX Plus Board decided to replace the post of Chief Executive Officer from 2017/18 by the new post of Managing Director. Tony Sanders, who acted as Interim CEO throughout the accounting period, was successful in his application to be recruited to this role and took up the appointment in August 2017.

Within the new structure, focus has been given to ensuring that health and safety and environmental sustainability have been given adequate resources. A more strategic focus is being given to the area of health and safety, with the establishment of new governance arrangements, designed to ensure fitness for purpose and clear reporting lines. A Penryn Campus Operational Health and Safety Working Group, chaired by the Director Residences and Facilities, was inaugurated in the accounting period, as was a Combined Strategic Health and Safety Committee. The membership of this Committee includes FX Plus Board Directors, the Managing Director and other senior staff. The CEO has taken personal responsibility for the review of existing prevision and the development of a new team structure within the Residences and Accommodation Directorate.

Responding to the individual missions and visions of the two universities has been at the heart of FX Plus activity in the accounting period, with an emphasis on students in the development of an estates programme that focuses on improved and expanded teaching, study, accommodation and leisure spaces. There were wide-ranging reviews of the catering and retail offers leading to investment in improved restaurant, bar and café facilities. A new, state of the art Sports Centre was opened in September 2016 and immediately proved popular with students, staff and external users. The sports hall was also used for high-profile events including a Staff Fair and both universities' summer 2017 Graduation events, which saw some 2,300 students and their guests attend ceremonies in July.

In the new accounting period, the transformation programme will continue to be implemented, but with a priority placed on embedding new structures and procedures under the new SET. There will be a focus on ensuring delivery to our partners, the universities, of the services they are paying us to provide and ensuring that where FX Plus activities go 'above and beyond' this Business as Usual approach, this is with the full agreement of the partners and with costs accurately attributed to the commissioning partner.

Student and staff wellbeing was also given greater focus in the accounting period, with a Director-led staff Wellbeing working group established. This work will be developed further in 2017/18. Staff development was also a focus of activity, with the roll-out of a management development programme (Geared for Growth) and the preparation of a second phase of this planned for 2017/18. Regular Management Forum sessions were led by the interim CEO to ensure that the programme of change was clearly understood by staff. Exploratory work was carried out into the feasibility of introducing an Apprentice programme, which will be implemented in the next accounting period.

From the new accounting period, a new direct contribution pension scheme will be introduced. This is primarily for new joiners to FX Plus, with existing staff retaining membership of the Local Government Pension Scheme. An extensive staff consultation took place before the FX Plus Board was invited to approve the introduction of the new scheme.

The IT directorate continued to focus on the introduction of best practice service framework (ITIL) to bring a consistent and reliable experience to its service delivery. The directorate also implemented a number of changes to improve the student experience with a particular focus on student on boarding, resulting in a 15% reduction in calls during welcome week (compared to 2016).

Following a number of high profile outages during the year, work was undertaken to assess the suitability of the current infrastructure and establish a high level principle for short and medium term investment.

The year ended with the appointment of a new Director of IT and Digital services; Stuart Gaslonde, who will be working with the team to establish a forward looking and responsive service which meets the needs of the institutions.

In the area of Library and Academic Services, FX Plus has been putting students, academics and researchers at the heart of activity. The creation of new content as well as increasing and improving access to all content is part of this programme. Strengthening services to support learning and research and providing additional as well as refurbished study space are key activities undertaken in the accounting period.

The Procurement team supported on over 200 projects during 2016/17 contributing to a cost saving of 3.67% of the impact able spend across both campuses. During 2017, an external PMA (Procurement Maturity Assessment) was undertaken by the Southern University Procurement Consortium (SUPC). This review demonstrated an improvement in maturity of 5.9% since the last assessment and moved the organisation from 'Developing' to the higher quartile of 'Tactical'. An internal review of wholesale electrical and plumbing suppliers resulted in an improved ordering process and a significant cost reduction in this category of spend by 43%.

Three internal audit reports were prepared by our internal auditors, Uniac, in the accounting year. These reported on Catering, Estates Maintenance and Capital. In 2017/18, Uniac will audit Asset Management, Conferencing (Kinetics), Estates Summer Programme and Accommodation.

Conclusion
The accounting period was one in which the implementation of an ambitious programme of change began, reflecting the world-class ambitions of both universities. The accounting period saw a renewed focus on service excellence and workforce planning, which will inform delivery going forward. The organisation has begun a journey which emphasises having the right numbers of staff in key posts at key times in the academic year. The programme of change is affecting a wide range of services provided by FX Plus, from improving the quality and range of food served on the campus to focusing on developing the estate to meet anticipated student numbers as well as student expectations. The FX Plus Delivery Plan has been informed by feedback from the organisation's partners in both Falmouth University and the University of Exeter, as well as by the responses to the surveys in which the organisation has participated. The views of the partners, students and staff, as well as of other users of the campuses FX Plus oversees, are paramount in informing the development by the SET of its Delivery Plans and longer-term strategies. Driven by the interim CEO and the SET and guided by the Board, the strategy depends on the commitment and motivation of FX Plus staff, whose development and wellbeing are being prioritised. Optimising the use of the available space and developing the estate and campus services to meet the demands of an increased number of students will be at the heart of activity in 2017/18.

By Order of the Board

Michael Shore-Nye
Chair

Date: 13 October 2017

Directors' Report

Principal activities

Falmouth Exeter Plus (FX Plus) is a jointly controlled entity established by Falmouth University (Falmouth) and the University of Exeter (UoE) to operate a range of services and facilities on the Penryn Campus (originally), and now also the Falmouth and Truro Campuses, for the joint benefit of the two universities which occupy the sites.

FX Plus has exempt charity status owing to the educational objectives of the university partners which it supports with its services. It was incorporated on 16 April 2004 as a company limited by guarantee with Falmouth and UoE as the sole members.

Results

The surplus for the year was £741,000 (2015/16: £530,000). For further details on the results for the year see the analysis contained in the Strategic Report on page 3.

Directors

The Directors who served during the period and up to the date of signing were as follows:

- Philip Attwell
- Jane Chafer
- Andrew Connolly
- Peter Cox
- Alan Hill
- Professor David Hosken *(appointed 1 August 2016)*
- Daniel Jones *(appointed 17 May 2017)*
- Dr Robin Kirby *(appointed 3 February 2017)*
- Professor Alan Murray *(appointed 1 August 2016)*
- Professor Jonathan Press *(resigned 15 May 2017)*
- Antony Sanders *(appointed 31 August 2016)*
- Michael Shore-Nye *(appointed 1 August 2016)*

Directors' statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' report are listed at the front of the financial statements. Having made enquiries of fellow Directors and of the Group's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

Reappointment of Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By Order of the Board

Michael Shore-Nye
Chair

Date: 13 October 2017

Corporate Governance Statement

Falmouth Exeter Plus (FX Plus) is a charitable company, limited by guarantee. It is jointly owned by University of Exeter (UoE) and Falmouth University (Falmouth) (together "the university partners"). FX Plus is regulated by the Higher Education Funding Council for England.

The governance of FX Plus is through a Board of Directors, with Falmouth and UoE each appointing three Directors. Additional Directors can be appointed by the two members, with the support of at least two-thirds of existing Directors. Any decision taken by the Board of Directors requires the support of at least two UoE and two Falmouth Directors.

The Board normally meets three times a year, with provision for additional meetings and approval by email if required. During 2016/17, the Board met four times, with additional communication between meetings. The Board also held a strategic away day.

The Board has an agreed schedule of matters which it reserves to itself and which it reviews annually. The Board is responsible for determining the overall strategic direction of FX Plus and for overseeing and supporting the CEO and the senior executive team (SET) in implementing the strategy. The Board is also responsible for monitoring FX Plus's performance and financial position and for ensuring that FX Plus maintains a sound system of internal control and risk management.

FX Plus has two subsidiary companies. Cornwall Plus Limited (Cornwall Plus) is responsible for commercial service provision. It began trading on 1 August 2013. All profits generated by Cornwall Plus are transferred by gift aid to FX Plus to reinvest in shared services and facilities.

The other subsidiary company, Tremough Development Vehicle Ltd (TDV), became non-trading with effect from 1 August 2015. It was previously the vehicle through which capital development projects at the Penryn (formerly Tremough) Campus were undertaken.

In terms of corporate structure, the Board agreed during the accounting period that the post of CEO should be removed from the structure. It will be replaced by the newly-created role of Managing Director in 2017/18. An interim CEO was in post throughout 2016/17, pending the review of arrangements.

During the accounting period, the Board oversaw the strategic direction of FX Plus, through the consideration of the Five Year Strategic Plan to 2020, the 2020 Penryn Campus Plan and the Commercial Strategy to 2020. The Board also reviewed the delivery of FX Plus's strategies and monitored the high-level performance of FX Plus against key performance indicators including financial performance.

The Board has two committees reporting directly to it: Joint Systems Committee (JSC) and Strategic Infrastructure Committee (SIC). It decided in the accounting period to wind down Remuneration Committee. A new Committee, Combined Strategic Health and Safety Committee (SHSC) was created and met for the first time following the July FX Plus Board meeting. It formally reports to the FX Plus Board, Falmouth's Board of Governors and University of Exeter's Council.

The Committee will receive reports from the Penryn Campus Health and Safety Operational Group (HSOG), which formally reports to it, and also from the FX Plus, Falmouth and UoE Health and Safety Committees on relevant matters. The Combined Strategic Health and Safety Committee will also send reports or minutes to OHSG (Operational Health and Safety Working Group) and to the FX Plus, Falmouth and UoE Health and Safety Committees.

Terms of Reference
The Combined Strategic Health and Safety Committee is the combined consultation forum for strategic health and safety matters in shared areas, and also in dedicated areas (ie areas reserved for sole use of one university) where FX Plus has a role (eg cleaning, maintenance etc).

The Committee's remit includes the Penryn, Falmouth and Truro Campuses and other relevant sites in Cornwall (eg Holman's Test mine).

The membership of both JSC and SIC includes a Board Director from each of the university partners and the CEO. JSC is responsible for overseeing significant and/or high impact IT systems projects being undertaken by FX Plus IT Services and for advising the Board on overall priorities and budgets for these projects. Minor changes were made to the JSC constitution in February 2016 to clarify the committee's role and authority. SIC is responsible for overseeing progress and completion of strategic live estates and building projects at the Penryn Campus with budgets in excess of £500k. Both committees have delegated financial authority in relation to projects within their remits.

In terms of ensuring the adequacy of mechanisms for internal control and risk management, and for external audit, the Board continues to rely on agreed "lighter touch" audit arrangements. These arrangements involve SET, the internal and external auditors, the Board and both universities' Audit Committees. Safeguard mechanisms also exist.

The CEO was directly responsible to the Board. There was no change to the schedule of powers delegated to the CEO in the accounting period. The CEO was responsible for devising and proposing to the Board strategies to deliver those elements of the university partners' own strategies for which FX Plus is responsible, and for implementing agreed delivery strategies.

The CEO was supported by SET, which generally met monthly during the accounting period. SET also held an awayday in the accounting period focused on strategic planning for the next accounting period. SET consisted, during the accounting period, of:

Gareth Ward, Director of IT *(resigned January 2017)*
Michelle Brunton, Director Campus Services *(resigned January 2017)*
Tim Brooksbank, Director of Estates *(resigned April 2017)*
David Dickinson, Director of Student Services
Fiona Foster, Director of Campus Experience *(joined June 2017)*
Stuart Gaslonde, Director of IT and Digital *(joined July 2017)*
Oliver Lane, Director of Residences and Accommodation *(from April 2017)*
Dominic O'Neill, Acting Director of Estates *(from May 2017)*
Doreen Pinfold, Director of Library & Academic Skills
Paul Monnington, Acting Director of IT Services *(until July 2017)*

In-year, a consultant, Tim Brocklebank, supported the CEO during the recruitment of a new Director of Campus Experience (formerly Campus Services). Oliver Lane acted as Director of Campus Services between September 2016 and April 2017.

Senior representatives from Finance and Human Resources attend most meetings.

The CEO and SET consult, through Liaison Groups, with students and staff of Falmouth and UoE as "customers" of the services which FX Plus provides. The Health, Safety and Wellbeing Committee (a statutory requirement) reports to the CEO on health and safety matters, and the CEO, in turn, reports key health and safety related matters to the Board at each ordinary meeting.

JBrown

Jacqueline Brown
Board Secretary

Date: 13 October 2017

Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, Directors' 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 they have elected to prepare the Group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Falmouth Exeter Plus

We have audited the financial statements of Falmouth Exeter Plus for the year ended 31 July 2017 which comprise the income and expenditure account and other comprehensive income, balance sheet and statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31st July 2017 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 13, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group'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 they either intend to liquidate the group or company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the group'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 group'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 group and the group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

V Sewell

Victoria Sewell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor 20th October **2017**
Chartered Accountants
Plym House, Plymouth
PL6 8LT

Falmouth Exeter Plus
Consolidated and Company
Statement of Comprehensive Income
For the Year ended 31 July 2017

	Note	Year to 31/7/17 Group £ (000)	Year to 31/7/17 Company £ (000)	Year to 31/7/16 Group £ (000)	Year to 31/7/16 Company £ (000)
Income					
Operating Income	2	28,955	28,106	25,740	25,140
Investment Income	3	18	18	23	23
Total Income		28,973	28,124	25,763	25,163
Expenditure					
Cost of Sales	4	1,430	1,047	1,205	1,041
Staff Costs	5	11,765	11,563	10,625	10,396
Other Operating Expenses	6	9,853	9,594	8,597	8,395
Depreciation	9	3,049	3,044	2,482	2,477
Interest Payable	7	2,173	2,173	2,324	2,324
Total Expenditure		28,270	27,421	25,233	24,633
Surplus before other Gains and Losses		**703**	**703**	**530**	**530**
Gains on Disposal of Fixed Assets		38	38	-	-
Surplus on Continuing Operations Before and After Tax		741	741	530	530
Surplus for the Year		**741**	**741**	**530**	**530**
Actuarial gain/(loss) in respect of pension scheme		1,832	1,832	(2,914)	(2,914)
Change in fair value of hedging financial instruments		(22)	(22)	(9)	(9)
Total comprehensive income for the year		2,551	2,551	(2,393)	(2,393)
Represented by					
Unrestricted comprehensive income for the year		2,551	2,551	(2,393)	(2,393)

All items of income and expenditure relate to continuing activities.

The accompanying notes on pages 20 to 34 form an integral part of the financial statements.

Falmouth Exeter Plus
Consolidated and Company Statement of Changes in Equity
For the Year ended 31 July 2017

Group

	Income & Expenditure Account *Unrestricted*	Revaluation reserve	Total
	£ (000)	**£ (000)**	**£ (000)**
Balance at 1 August 2015	(3,854)	29,504	25,650
Surplus from the income and expenditure statement	530	-	530
Other comprehensive income	(2,923)	-	(2,923)
Transfers between revaluation and income and expenditure reserve	519	(519)	-
Balance at 31 July/ 1 August 2016	(5,728)	28,985	23,257
Surplus from the income and expenditure statement	741	-	741
Other comprehensive income	1,810	-	1,810
Transfers between revaluation and income and expenditure reserve	519	(519)	-
Balance at 31 July 2017	(2,658)	28,466	25,808

Company

	Income & Expenditure Account *Unrestricted*	Revaluation reserve	Total
	£ (000)	**£ (000)**	**£ (000)**
Balance at 1 August 2015	(3,829)	29,504	25,675
Surplus from the income and expenditure statement	530	-	530
Other comprehensive income	(2,923)	-	(2,923)
Transfers between revaluation and income and expenditure reserve	519	(519)	-
Balance at 31 July/ 1 August 2016	(5,703)	28,985	23,282
Surplus from the income and expenditure statement	741	-	741
Other comprehensive income	1,810	-	1,810
Transfers between revaluation and income and expenditure reserve	519	(519)	-
Balance at 31 July 2017	(2,633)	28,466	25,833

Transfers between revaluation and income and expenditure reserve are due to previous revaluations undertaken in accordance with the old basis of accounting (2007 SORP) and on transition to FRS 102. The valuations as at the date of transition have been taken as deemed cost.

The accompanying notes on pages 20 to 34 form an integral part of the financial statements.

Falmouth Exeter Plus
Balance Sheets as at 31 July 2017

	Note	Group 2017 £ (000)	Company 2017 £ (000)	Group 2016 £ (000)	Company 2016 £ (000)
Fixed Assets					
Tangible Assets	***9***	83,378	83,367	83,580	83,564
Investment Assets	***10***	-	-	-	-
		83,378	83,367	83,580	83,564
Current Assets					
Stock	***11***	92	92	108	108
Trade and other receivables	***12***	2,733	2,690	2,721	2,913
Cash and cash equivalents		4,261	4,080	4,521	4,152
		7,086	6,862	7,350	7,173
Creditors - amounts falling due within one year	***13***	(6,999)	(6,739)	(6,677)	(6,459)
Net Current Assets		87	123	673	714
Total Assets less Current Liabilities		83,465	83,490	84,253	84,278
Creditors - amounts falling due after more than one year	***14***	(49,467)	(49,467)	(51,951)	(51,951)
Provisions					
Pension Provision	***16***	(8,190)	(8,190)	(9,045)	(9,045)
Total Net Assets		25,808	25,833	23,257	23,282
Unrestricted Reserves					
Income and Expenditure Reserve-unrestricted		(2,658)	(2,633)	(5,728)	(5,703)
Revaluation Reserve		28,466	28,466	28,985	28,985
Total Reserves		25,808	25,833	23,257	23,282

The financial statements on pages 16 to 34 were approved by the Board of Directors on 13 October 2017.

Michael Shore-Nye
Chair

Peter Cox
Deputy Chair

The accompanying notes on pages 20 to 34 form an integral part of the financial statements.

Falmouth Exeter Plus
Consolidated Cash Flow Statement
For the Year ended 31 July 2017

		Year to 31/7/17 £ (000)		Year to 31/7/16 £ (000)
Cash flow from operating activities				
Surplus for the year		741		530
Adjustment for non-cash items				
Depreciation		3,049		2,482
Decrease/(Increase) in stock		16		(33)
Increase in debtors		(36)		(53)
(Decrease)/Increase in creditors		(577)		276
Increase in pension provision		742		497
Gain on disposal of fixed assets		(38)		-
Adjustment for investing or financing items				
Investment income		(18)		(23)
Interest payable		2,173		2,324
Net cash inflow from operating activities		6,052		6,000
Cash flow from investing activities				
Proceeds from sale of fixed assets	214		12	
Payments made to acquire fixed assets	(2,308)		(2,150)	
		(2,094)		(2,138)
Cash flows from financing activities				
Investment income	18		24	
Interest paid	(1,780)		(1,927)	
Interest element of finance lease	(173)		(195)	
Repayment of amounts borrowed	(2,218)		(2,075)	
Capital element of finance lease	(163)		(132)	
		(4,316)		(4,305)
Decrease in cash and cash equivalents in the year		(358)		(443)
Cash and cash equivalents at the beginning of the year		4,021		4,464
Cash and cash equivalents at the end of the year		3,663		4,021

The accompanying notes on pages 20 to 34 form an integral part of the financial statements.

1. Principal Accounting Policies

Basis of accounting

The company is a private company limited by guarantee and domiciled in England.

These financial statements are prepared under the historical cost convention modified by the revaluation of derivative financial instruments and in accordance with the Companies Act 2006 and Financial Reporting Standard (FRS) 102. The format of the financial statements follows the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 on the basis that the company is a jointly controlled entity established by and for the joint benefit of two Higher Education Institutions. The company is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed below.

Basis of consolidation

The consolidated financial statements include the company and its subsidiary companies Tremough Development Vehicle Limited and Cornwall Plus Limited. Intra-group sales and profits are eliminated fully on consolidation.

Accounting estimates and judgements

Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets so these are re-assessed annually and amended when necessary to reflect current estimates. See note 9 for the carrying amount of the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

Impairment of debtors

The company makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the net carrying amount of the debtors and associated impairment provision.

Pensions

FRS102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, long, employee turnover, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the company's retirement benefit obligation and pension assets.

Critical accounting judgements in applying the Company's accounting policies

There are no such judgements in either the current or prior year.

Going concern
The Group has generated a surplus in the year and net assets excluding pension liability at the year end have increased. Forecasts indicate that it will continue to generate surpluses and maintain positive net assets in the foreseeable future.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis in preparing the annual financial statements.

Recognition of income
Income is included in the Consolidated Statement of Comprehensive Income and Expenditure to the extent of the goods supplied or completion of the service concerned. For services, this is generally equivalent to the sum of the relevant expenditure incurred during the period and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Accounting for retirement benefits
Retirement benefits for the employees of the Group are provided by the Cornwall Council (CC) Superannuation Scheme. This is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The Scheme is valued every three years by professionally qualified independent actuaries.

The Group's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the Group. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the Company is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The Group also participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual employers and a scheme-wide contribution rate is set. The Group is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Employment benefits
Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the Group. Any unused benefits are accrued and measured as the additional amount the Group expects to pay as a result of the unused entitlement.

Finance leases
Leasing agreements that 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 commitments is shown as obligations under finance leases. These are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases
Costs in respect of operating leases are charged on a straight line basis over the lease term. Any lease premiums or incentives are spread over the whole term of the lease including extension options.

Maintenance of premises
The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

Tangible fixed assets
Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on the date of transition to the 2015 Further and Higher Education SORP are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings
Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings and associated capital works are depreciated over their expected useful lives of 50 years (long leasehold) or the period of the lease (short leasehold). Building improvement works, signage and the multi-use games area are depreciated over 10 years.

An impairment review of a fixed asset is carried out if events or changes in circumstance indicate that the carrying amount of the fixed asset may not be recoverable.

Finance costs on associated loans from third parties that are directly attributable to the purchase of land or the construction of buildings are capitalised during the construction period but, thereafter, are not capitalised as part of the costs of those assets but are shown as interest payable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates, contractor claims that are substantiated and other direct costs incurred to 31 July. They are not depreciated until they are ready for use.

Equipment
Equipment, including computers and software, costing less than £5,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

Computers and equipment	- 4 years
Motor vehicles	- 4 years

Depreciation methods, useful lives and residual values are reviewed at the date of the preparation of each Balance Sheet.

Investments
Investments in subsidiaries are carried at cost less impairment in the company's accounts.

Stock
Stocks of materials for sale are valued at the lower of cost and net realisable value where cost is taken as that incurred in bringing each product to its present location and condition.

Cash and cash equivalents
Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. This includes amounts invested by Falmouth University on the Group's behalf. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Trade and other debtors and creditors
The Company measures debtors and creditors at amortised cost less impairment, except for derivatives which are measured at fair value.

Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Taxation status
Falmouth Exeter Plus is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The Group receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The Group's subsidiaries are subject to Corporation Tax in the same way as any commercial organisation.

Derivatives

Derivatives are held on the Balance Sheet at fair value. The Group has adopted and complied with the requirements of hedge accounting and as a result movements in fair value are recorded within Other Comprehensive Income.

2. Operating income

	Group 31/7/17 £ (000)	Company 31/7/17 £ (000)	Group 31/7/16 £ (000)	Company 31/7/16 £ (000)
Central Support Services	814	814	496	496
Estates Services	7,167	7,167	6,241	6,241
Library, IT and Student Services	6,111	6,111	5,922	5,922
Campus Services (note 8)	14,863	13,798	13,081	12,343
Gift Aid	-	216	-	138
	28,955	28,106	25,740	25,140

3. Interest receivable

	Group 31/7/17 £ (000)	Company 31/7/17 £ (000)	Group 31/7/16 £ (000)	Company 31/7/16 £ (000)
Bank deposit interest	18	18	23	23

4. Cost of sales

	Group 31/7/17 £ (000)	Company 31/7/17 £ (000)	Group 31/7/16 £ (000)	Company 31/7/16 £ (000)
Material Purchases	1,430	1,047	1,205	1,041

5. Staff costs

	Group 31/7/17 £ (000)	Company 31/7/17 £ (000)	Group 31/7/16 £ (000)	Company 31/7/16 £ (000)
Wages and Salaries	8,911	8,709	8,362	8,133
Social Security Costs	766	766	569	569
Other Pension Costs	2,088	2,088	1,694	1,694
	11,765	11,563	10,625	10,396

Average Staff Numbers (FTEs) by Major Category:

Group and Company	31/7/17	31/7/16
Management	13	13
Estates and facilities	93	99
Library, IT and Student Services	133	119
Campus Services	94	79
	333	310

Directors' remuneration
Group and Company

	31/7/17 £ (000)	31/7/16 £ (000)
Aggregate Remuneration	181	197
Compensation for loss of office	32	-
Pension Contributions	32	34
	245	231

Two Directors within the Group were accruing benefits under the company's defined benefit pension scheme. The highest paid director received remuneration of £122K (2015/16: £122k). The value of the Company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £22k (2015/16: £21K). The directors have considered whether there are any further key management personnel and no such parties were identified.

6. **Other Operating expenses**

	Group 31/7/17 £ (000)	Company 31/7/17 £ (000)	Group 31/7/16 £ (000)	Company 31/7/16 £ (000)
General Office Costs	337	114	303	136
Marketing & Promotions	133	103	100	75
Premises Costs	6,900	6,900	6,359	6,359
Insurance	142	142	151	151
Audit Fee	38	32	49	44
Management Costs	120	120	125	125
Other Professional Fees	2,183	2,183	1,510	1,505
	9,853	9,594	8,597	8,395

7. **Interest payable**

	Group 31/7/17 £ (000)	Company 31/7/17 £ (000)	Group 31/7/16 £ (000)	Company 31/7/16 £ (000)
On bank overdraft and loans	1,765	1,765	1,920	1,920
On Finance Leases	173	173	195	195
Pension Finance Cost (note 16)	235	235	209	209
	2,173	2,173	2,324	2,324

Interest charges relating to the finance lease and interest on bank loans are allocated to periods over the term of the liability/debt to produce a charge in the Income and Expenditure account that is a constant percentage of the carrying amount of the liability/debt in the Balance Sheet.

8. **Analysis of Campus Services income by activity**

	Group 31/7/17 £ (000)	Company 31/7/17 £ (000)	Group 31/7/16 £ (000)	Company 31/7/16 £ (000)
Retail	1,307	1,307	1,147	1,147
Catering & Bar	726	726	685	685
Residences	10,550	10,550	9,538	9,538
Nursery	382	382	250	250
Fitness Centre	374	374	254	254
Reprographics	459	459	469	469
Campus and Commercial Events	1,065	-	738	-
	14,863	13,798	13,081	12,343

9. Fixed Assets

Group	Assets in the course of construction £ (000)	Long Leasehold Buildings £ (000)	Short Leasehold Buildings £ (000)	Equipment £ (000)	Total £ (000)
Cost					
B/f as at 1 August 2016	394	83,730	2,899	3,156	90,179
Additions for the Year	163	797	-	2,063	3,023
Disposals for the Year	(165)	-	-	(67)	(232)
Transfers	(229)	37	-	192	-
C/f as at 31 July 2017	163	84,564	2,899	5,344	92,970
Depreciation					
B/f as at 1 August 2016	-	3,194	1,741	1,664	6,599
Charge for the Year	-	1,714	145	1,190	3,049
Depreciation on Disposals	-	-	-	(56)	(56)
C/f as at 31 July 2017	-	4,908	1,886	2,798	9,592
Net book value					
As at 31 July 2016	394	80,536	1,158	1,492	83,580
As at 31 July 2017	163	79,656	1,013	2,546	83,378

Company	Assets in the course of construction £ (000)	Long Leasehold Buildings £ (000)	Short Leasehold Buildings £ (000)	Equipment £ (000)	Total £ (000)
Cost					
B/f as at 1 August 2016	394	83,730	2,899	3,135	90,158
Additions for the Year	163	797	-	2,063	3,023
Disposals for the Year	(165)	-	-	(67)	(232)
Transfers	(229)	37	-	192	-
C/f as at 31 July 2017	163	84,564	2,899	5,323	92,949
Depreciation					
B/f as at 1 August 2016	-	3,194	1,741	1,659	6,594
Charge for the Year	-	1,714	145	1,185	3,044
Depreciation on Disposals	-	-	-	(56)	(56)
C/f as at 31 July 2017	-	4,908	1,886	2,788	9,582
Net book value					
As at 31 July 2016	394	80,536	1,158	1,476	83,564
As at 31 July 2017	163	79,656	1,013	2,535	83,367

The cumulative amount of interest capitalised at 31 July 2017 was £1,011,000 (2016: £1,011,000).

9. **Fixed Assets (continued)**

Land and buildings have previously been revalued in accordance with the old basis of accounting (2007 SORP) and on transition to FRS 102. The valuations as at the date of transition have been taken as deemed cost.

Long leasehold buildings were revalued by Alder King, Chartered Surveyors on the basis of existing use value on 31 July 2014 at a value of £82,909K. The existing use value does not include directly attributable selling/acquisition costs.

The Tuke House lease (in short leasehold buildings above) was assessed by Vickery Holman Chartered Surveyors on the basis of existing use on 31 March 2005 and was valued at £2,899K. The valuers are external to the Group.

10. **Investments**

The Company owns 100% of the issued share capital of 100 £1 Ordinary shares of the Tremough Development Vehicle Ltd (TDV). TDV was established to provide the construction of earlier buildings at the Penryn Campus.

The Company also owns 100% of the issued share capital of 2 £1 Ordinary shares of Cornwall Plus Limited. The company was established to operate non student letting of residences, non-academic conferences, external events and corporate hospitality and started trading on 1 August 2013.

11. **Stock**

	Group 2017 £ (000)	Company 2017 £ (000)	Group 2016 £ (000)	Company 2016 £ (000)
Shop	38	38	39	39
Refectory	20	20	17	17
Bar	12	12	21	21
Other	22	22	31	31
	92	92	108	108

12. **Trade and other receivables**

	Group 2017 £ (000)	Company 2017 £ (000)	Group 2016 £ (000)	Company 2016 £ (000)
Trade Debtors	516	485	701	700
Bad Debt Provision	(129)	(129)	(117)	(117)
Amounts Owed by Group Undertakings	-	52	-	228
Amounts Owed by Related Undertakings -				
University of Exeter	917	917	1,527	1,521
Falmouth University	699	699	-	-
Other Debtors	69	5	70	42
Prepayments & Accrued Income	661	661	518	517
Derivatives	-	-	22	22
	2,733	2,690	2,721	2,913

13. Creditors - amounts falling due in one year

	Group 2017 £ (000)	Company 2017 £ (000)	Group 2016 £ (000)	Company 2016 £ (000)
Bank Overdraft	598	598	500	500
Bank Loans	2,307	2,307	2,162	2,162
Finance Lease Commitments due in One Year	347	347	337	337
Trade Creditors	1,070	986	1,260	1,192
Amounts Owed to Related Undertakings - Falmouth University	-	-	403	409
Other Taxation and Social Security	375	375	338	308
Other Creditors	158	158	204	204
Salix finance	53	53	105	105
Accruals	2,091	1,915	1,368	1,242
	6,999	6,739	6,677	6,459

14. Creditors - amounts falling due after more than one year

	Group and Company 2017 £ (000)	Group and Company 2016 £ (000)
Not wholly repayable within five years:		
Bank Loan 1	14,750	15,380
Bank Loan 2	10,312	10,656
Bank Loan 3	16,414	17,198
Bank Loan 4	6,289	6,789
Salix finance	-	53
Finance Lease Commitments after One Year	1,702	1,875
	49,467	51,951

	Group and Company 2017 £ (000)	Group and Company 2016 £ (000)
Amounts repayable on loans:		
In one year or less	2,307	2,267
In more than one year but not more than two years	2,364	2,323
In more than two years but not more than five years	7,485	7,186
In more than five years	37,916	40,567
	50,072	52,343

	Group and Company Amount £ (000)	Term	Interest rate %
Lloyds Bank plc (loan 1)	15,380	2032	5.8875
Lloyds Bank plc (loan 2)	10,656	2036	5.215
Barclays Bank plc (loan 3)	17,225	2038	3 month LIBOR +0.275%
European Investment Bank (loan 4)	2,929	2027	2.24% plus lending margin and costs
Lloyds Bank plc (loan 4)	3,882	2031	2.0887%
	50,072		

14. Creditors - amounts falling due after more than one year (continued)

Guarantees covering all bank loans have been given by Falmouth University and the University of Exeter on a 50:50 basis. The two universities also have banking covenants that they are required to meet on an annual basis.

	Group and Company 2017 £ (000)	2016 £ (000)
Amounts repayable on finance leases:		
In one year or less	347	337
In more than one year but not more than two years	357	347
In more than two years but not more than five years	1,137	1,104
In more than five years	816	1,207
Less future finance charges	(608)	(783)
	2,049	2,212

15. Cash and cash equivalents

Group

	At 1 Aug 2016 £ (000)	Cashflows £ (000)	At 31 July 2017 £ (000)
Cash and cash equivalents	4,521	(260)	4,261
Overdraft	(500)	(98)	(598)
Total	4,021	(358)	3,663

16. Pension scheme

The Group's employees belong to the Cornwall Council Superannuation Scheme.

The Group is an admitted body of the Cornwall Council Superannuation Scheme which is a funded defined benefit scheme with the assets held in separate trustee administered funds.

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are shown below.

The Group has set out below the information available on the scheme.

Latest actuarial valuation	31 March 2016
Period of actuarial valuation	3 years
Actuarial method	Prospective benefits
Investment returns per annum	3.9%
Salary scale increases per annum	2.2%
Market value of assets at date of last valuation	£1,475M
Proportion of members' accrued benefits covered by the actuarial value of assets	75%
Employers primary contribution rate (excluding lump sum)	18.3%
Employees average contribution rate	6.2%

16. **Pension scheme (continued)**

The Group contributes to the Cornwall Council Superannuation Scheme, a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2016 and updated to 31 July 2017 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 Jul 2017 % pa	31 Jul 2016 % pa	31 Jul 2015 % pa
Inflation (CPI)	2.4	1.9	2.7
Rate of increase in salaries payment	2.5	3.9	4.6
Rate of increase in pension	2.4	1.9	2.7
Discount rate	2.7	2.5	3.7

The assumed life expectancy is:

	Males	Females
Current pensioners	22.1 years	24.5 years
Future pensioners	24.0 years	26.4 years

The assets and liabilities of the scheme and the expected rates of return were:

	Long-term rate expected 31 July 2017 %	Assets at 31 July 2017 £(000)	Long-term rate expected 31 July 2016 %	Assets at 31 July 2016 £(000)	Long-term rate expected 31 July 2015 %	Assets at 31 July 2015 £(000)
Equities	2.7	7,966	2.5	6,954	3.7	5,256
Bonds	2.7	7,288	2.5	5,702	3.7	5,988
Property	2.7	1,186	2.5	974	3.7	733
Cash	2.7	508	2.5	278	3.7	244
Estimated employer's share of scheme assets		16,948		13,908		12,221
Present value of scheme liabilities		(25,138)		(22,953)		(17,646)
Net pension liability		(8,190)		(9,045)		(5,425)

Analysis of the amount charged/credited to income and expenditure account

	2017 £(000)	2016 £(000)
Current service cost	2,077	1,669
Net liabilities acquired on transfer of staff	-	-
Total operating charge	2,077	1,669

16. **Pension scheme (continued)**

Analysis of the amount charged to pension finance costs/credited to pension finance income

	2017 £(000)	2016 £(000)
Expected return on pension scheme assets	369	481
Interest on pension scheme liabilities	(604)	(690)
Net charge	(235)	(209)

Amount recognised in Other Comprehensive Income (OCI)

	2017 £(000)	2016 £(000)
Actuarial gain/(loss) recognised in OCI in the year	1,832	(2,914)
Cumulative actuarial loss in OCI at 1 August	(6,931)	(4,017)
Cumulative actuarial loss in OCI at 31 July	(5,099)	(6,931)

Reconciliation of defined benefit obligation

	2017 £(000)	2016 £(000)
Opening defined benefit obligation	22,953	17,646
Current service cost	2,077	1,669
Interest cost	604	690
Contributions by members	481	439
Remeasurements	(858)	2,571
Losses on curtailments	-	-
Estimated benefits paid	(119)	(62)
Closing defined benefit obligation	25,138	22,953

Reconciliation of fair value of employer assets

	2017 £(000)	2016 £(000)
Opening fair value of employer assets	13,908	12,221
Expected return on assets	369	481
Contributions by members	481	439
Contributions by the employer	1,335	1,172
Remeasurements	974	(343)
Assets acquired	-	-
Benefits paid	(119)	(62)
Closing fair value of employer assets	16,948	13,908

16. Pension scheme (continued)

History of experience gains and losses

	Year to 31 July 2017 £(000)	Year to 31 July 2016 £(000)	Year to 31 July 2015 £(000)	Year to 31 July 2014 £(000)	Year to 31 July 2013 £(000)
Difference between the expected and actual return on assets	974	(343)	204	1,555	385
Value of assets	16,948	13,908	12,221	10,018	6,894
Percentage of assets	**5.7%**	**(2.5%)**	**1.7%**	**15.5%**	**5.6%**
Experience gains on liabilities	858	2,571	1,993	3,149	823
Present value of liabilities	25,138	22,953	17,646	13,312	8,172
Percentage of the present value of liabilities	**3.4%**	**11.2%**	**11.3%**	**23.7%**	**10.1%**
Actuarial gains recognised in OCI	1,832	(2,914)	(1,907)	(1,594)	(438)
Present value of liabilities	25,138	22,953	17,646	13,312	8,172
Percentage of the present value of liabilities	**7.3%**	**(12.7%)**	**(10.8%)**	**(12.0%)**	**(5.4%)**
Deficit brought forward	**(9,045)**	**(5,425)**	**(3,294)**	**(1,278)**	**(403)**
Movement	**855**	**(3,620)**	**(2,131)**	**(2,016)**	**(875)**
Deficit carried forward	**(8,190)**	**(9,045)**	**(5,425)**	**(3,294)**	**(1,278)**

Pension scheme –USS

The total cost charged to the Statement of Comprehensive Income is £33K (2016: £23K). No liability has been included for deficit payments as these are not considered to be material.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

Since the Group cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2017	2016
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	2.2%

16. **Pension scheme (continued)**

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables- No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables- rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% p.a long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	**2016**
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	**2016**
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

17. **Capital commitments**

	Group 2017 £ (000)	**Company 2017 £ (000)**	**Group 2016 £ (000)**	**Company 2016 £ (000)**
Authorised but not committed	10,375	10,375	3,625	3,625
Commitments contracted at 31 July	445	445	838	838

Amounts authorised are in respect of various construction and other capital projects at the Penryn Campus less commitments to date.

18. **Financial commitments**

Details of loan agreements are provided in note 14.

Amounts payable under non-cancellable operating leases were as follows:

	Group and Company	
	2017 £ (000)	**2016 £ (000)**
Land and buildings		
In one year or less	1,624	1,547
In more than one year but not more than two years	1,335	2,467
In more than two years but not more than five years	1,137	1,104
In more than five years	816	1,207
Total	4,912	6,325

Total lease payments in the year were £1,614k (£920k).
£2,658k represents the remaining lease commitments for student residences, Henry Scott Tuke House, which commenced on 1 August 1999 and was transferred from Falmouth University to complement the freehold residences at the Penryn Campus. The remaining period of the lease is 7 years and lease payments are linked to the rate of inflation. The amount recognised in the Statement of Comprehensive Income in the year is £173k. The balance represents head leases taken out for additional student residences to fulfil the short-term need.

19. Related party transactions

The Group has taken advantage of the exemption under FRS 102 not to disclose transactions with subsidiaries that are 100% owned.

For other related parties, the Group/company entered into the following transactions which are all shown on an arms' length basis.

Group

	Sales to related parties	Purchases from related parties	Amounts owed by related party	Amounts owed to related party
	£ (000)	£ (000)	£ (000)	£ (000)
Year ended 31/7/17				
University of Exeter	6,664	1	917	-
Falmouth University	9,947	60	699	-
Year ended 31/7/16				
University of Exeter	5,355	10	1,527	-
Falmouth University	8,857	85	-	403

Company

	Sales to related parties	Purchases from related parties	Amounts owed by related party	Amounts owed to related party
	£ (000)	£ (000)	£ (000)	£ (000)
Year ended 31/7/17				
University of Exeter	6,663	1	917	-
Falmouth University	9,947	60	699	-
Year ended 31/7/16				
University of Exeter	5,338	10	1,521	-
Falmouth University	8,830	85	-	409

At the balance sheet date £699,000 was due from Falmouth University (2016: £403,000 due to Falmouth University) and £917,000 (2016: £1,527,000) was due from University of Exeter.