

Falmouth Exeter Plus

FXP-18-38

Falmouth Exeter Plus
(a Company Limited by Guarantee)

Registered number: 5103240

Consolidated Financial Statements
for the Year to 31 July 2018

FALMOUTH
UNIVERSITY

UNIVERSITY OF
EXETER

Falmouth Exeter Plus

Directors (as at date
of signing):

Andrew Connolly
Peter Cox
Alan Hill (*Alternate Director*)
Professor David Hosken
Daniel Jones
Dr Robin Kirby
Professor Alan Murray
Craig Nowell
Antony Sanders
Michael Shore-Nye

Secretary:

Sharron Parsons

Auditor:

KPMG LLP
Plym House
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Registered Number:

5103240

Registered Office:

Penryn Campus
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**Falmouth Exeter Plus
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Falmouth Exeter Plus
Strategic Report (incorporating the Financial and Operating Review)
For the Year ended 31 July 2018

Strategic Report (incorporating the Financial and Operating Review)

The Directors submit their report and the financial statements for the year ended 31 July 2018.

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 1,449 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 and during the year took on responsibility for the Falmouth Campus. 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

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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 2017/18 are shown below:

	£ (000)	£ (000)
Income		
Central Support, Estates, Library, IT and Student Services		
Income from Falmouth/UoE	14,184	
Commercial Services	14,986	
Investment Income	16	
		<u>29,186</u>
Expenditure		
Central Support, Estates, Library, IT and Student Services costs	(14,184)	
Estates, Library and IT unfunded depreciation	(516)	
Commercial Services		
Staffing and other costs	(10,463)	
Interest	(2,091)	
Depreciation	(2,504)	
	<u>(15,058)</u>	
		(29,758)
Losses on disposal of fixed assets		<u>(109)</u>
Loss for the year		(681)
Re-measurements in respect of Pension Scheme		<u>1,718</u>
Total comprehensive income for the year		<u>1,037</u>

The loss for the year of £681K (2016/17 - £741K surplus) is due to additional staff costs advised by the actuaries (£1,532K) as part of the annual pension valuation. Without this charge the surplus generated relates to Commercial Services which comprise 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 is excluded for management accounts purposes and the adjusted surplus would be £851K (2016/17 - £1,718K).

Overview

Overall income rose by just under 1% through direct services provided to the two universities income from Commercial Services which increased primarily due to a full year of trading from the Sports Centre and Nursery which opened their doors for business in September 2016.

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Financial strategy KPI	Actual	Forecast	Calculation basis
External Income Targets £'000	814	1,000	Cornwall Plus Limited income
External Income Surplus £'000	188	370	Cornwall Plus Limited surplus
Surplus Target £'000	(681)	(544)	Net Group surplus
Gross cost per student fte £	1,890	1,848	Costs shared/student numbers
Total property costs per student fte £	944	919	Non residences estates costs/student numbers
Adjusted EBITDA £m	£7.2m	£6.0m	Surplus less investment income plus depreciation plus interest payable plus additional pension staff costs
Liquidity	72 days	77 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 by less than 1% even after new buildings coming on-stream (SERSF and Games Academy) and following the transfer of activities from Falmouth Estates to FX Plus. This transfer has involved TUPE arrangements for staff who moved onto the payroll from November 2017 and are being consolidated into the broader Estates and Facilities management structures.

Other increases were approved for investment including Student Services (chaplaincy, wellbeing and accessibility).

User Satisfaction

NSS Scores	2016/17	2017/18	Variance
Falmouth	83%	80%	-3%
Exeter	88%	87%	-1%
National	84%	83%	-1%

As can be seen the NSS satisfaction scores have declined by between 1% and 3% compared with a national decline of 1%. The Falmouth drop primarily relates to organisation and management but the elements that fall with the remit of FX Plus include:

- Academic support (including advice and guidance) – Falmouth down 3%, Exeter down 1%, national down 1%
- Organisation and management (including timetabling) – Falmouth down 4%, Exeter up 1%, national down 1%
- Learning resources (IT) – Falmouth down 3%, Exeter down 1%, national static
- Learning resources (library) – Falmouth, Exeter, national were all static although the Exeter score for Library in Cornwall increased

People and leaders

During the year the Group continued to operate a number of initiatives:

- Geared for Growth Phase 2 training is underway, with most managers having undertaken at least two/three of the modules being offered.
- FX Plus' Vision and Values was launched to all staff members, and departmental mission statements and behaviours are now being developed. This has been fed into the new PDR process, which has been developed to have a greater forward looking emphasis as well as align to the new Vision and Values.
- A new benefits portal for all staff was launched in March 2018, with 162 staff members enrolled as of April 2018. Work is also continuing on the review of the grading system within FX Plus.

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- FX Plus has developed an apprenticeship scheme and has nine Apprentices working within the organisation, with the potential for more to be recruited over the coming months.
- Whilst work to review the wellbeing service for students is ongoing, there has also been much work going into developing wellbeing for staff. The Wellbeing Group continues to meet and the Dignity at Work Advisors have been relaunched, with an induction day for newly recruited advisors having taken place.

Service excellence

This continues to be a focus and the company has been working on planning out the customer journey. This has been informed by work carried out by the Senior Executive Team who have developed KPI reporting and business analytics to provide more data-driven decision making.

Much progress has been made during 2017/18 on ensuring that FX Plus are well positioned to provide excellent services in the context of growing demand:

1. Delivery Plans are available at the departmental level, all of which feed into the overarching Strategic Delivery Plan, the 2030 planning cycle and financial planning/controls.
2. Workforce Development project is now underway and a project officer has been appointed.
3. Help Desks/CAFM (computer-aided facility management) – a new IT help desk systems has been implemented and the Estates CAFM system is imminent. The Library upgrade project has also commenced. These systems will assist FX Plus in delivering services to staff and students more effectively and efficiently as demand evolves and grows.
4. GDPR has now come into force and our Data Protection Officer has been working hard on the implementation by running regular information drop-in sessions for staff as well as collecting details on data held by the company.
5. Work is underway to look at marketing and communications. To date, FX Plus has a communications calendar in place, a promotional calendar, and is providing support to the university-led student campaigns.
6. The IT strategic plan was considered by the Board during the year and involves a review of resilience and capacity as well as the data centre upgrade. This will enable the company to ensure that as the institutions grow and services evolve, the appropriate IT infrastructure is in place to support them.

Academic/Research Alignment

This has been a key area of focus during the year with a view to improving the student experience. This resulted in the merger from 1 August 2018 of the Student Services and Library and Academic Skills directorates.

Work continues to deliver study spaces across the campus for student and academic use, and part of this has involved strengthening the communications on availability of spaces. This has helped to alleviate some of the issues that were identified by students in last

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year's NSS. Alongside this, regular meetings are held with academic staff from both universities in order to understand and improve their experiences.

Commercial Services

Trading income for the Group is shown in note 8.

This shows a small increase compared with the previous year with growth in nursery and sports following a full year of operation. Reprographics experienced a decline for the second year in a row as students move away from printed materials to more on-line and Campus & Commercial Events is down by over 20% due to the loss of group booking revenue.

Residences continue to make up over 70% of trading income with the continued provision of shared rooms at Penryn plus some 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.

Balance sheet

Fixed asset investments during the year of £1.7m included upgrades to teaching spaces to increase capacity (£294K), refurbishment of the data centre (£131K) and the replacement of the campus network Phase 1 (£644K).

The overall value of fixed assets fell slightly with depreciation charges offsetting new expenditure.

Depreciation on IT replacements and minor works is charged to the Group surplus rather than recharged to the two institutions.

The net current asset position fell to a deficit of £218K but the overall net asset position rose by just over £1M with cash being generated from ongoing operations. The pension deficit fell slightly to £8M (from £8.2M) as explained in note 16.

Cashflow and liquidity

At the year end the Group's net cash balances were £4.9M (2016/17 - £4.3M). These excess funds continue to be 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 SET member. Risks are ranked in order of importance and flagged using high (red), medium (orange), and low (green) using impact and probability scores.

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Ref	Category	Risk Heading	Previous Score	Current Score	Direction since last review
FXP01	Strategic	Delays in decision making process within universities		12	Falling ↓
FXP02	Strategic	Not meeting University Environmental Targets		12	Steady ↔
FXP03	Financial	Accommodation availability to meet student demand		20	Rising ↑
FXP04	Legal	Statutory compliance in managing the environment		16	Steady ↔
FXP05	Legal	Inability to prove and maintain compliance standards		15	Rising ↑
FXP06	Legal	Risk of failing to deliver the change required to comply with the GDPR		15	Falling ↓
FXP07	Legal	Failure to deliver the change required to manage the impact of inaccessible campus facilities		16	Steady ↔
FXP08	Reputational	Technical and/or physical Security is compromised		25	Rising ↑
FXP09	Operational	Technical Infrastructure Capacity and Resilience		20	Falling ↓
FXP10	Operational	Business Continuity Plans and IT Service Centre Management plans are ineffective in dealing with Multiple or large scale incidents/ outages		16	Steady ↔
FXP11	Operational	Lack of embedded Enterprise Architecture across the technical eco system	*new*	15	Steady ↔
FXP12	Operational	Student Wellbeing		12	Falling ↓
FXP13	Operational	Staff wellbeing		12	Falling ↓
FXP14	Operational	Failure to attract and retain quality staff		12	Falling ↓
FXP15	Operational	Engagement of the university partners with Library & Academic Skills, IT & Digital Services and Student Services		12	Steady ↔
FXP16	Operational	Inability to meet timetabling demands.		16	Rising ↑
FXP17	Operational	Failure to respond to major incident (Business continuity)		16	Steady ↔

The main risks for the Group are the possible over-supply of accommodation, IT technical infrastructure capacity and resilience, including business continuity planning, and technical and physical security; especially information security.

These IT risks were considered by the Board during the year and a major investment programme has been agreed by the two institutions to support additional resources for both staff and equipment from 2018/19.

Cornwall Plus Limited (Cornwall Plus)

The profit generated by the company is attributable to non-charitable conferencing and events and is referred to under Commercial Services above.

The results for the year show a profit before tax of £187K (2016/17 - £216K), which has been donated under a gift aid agreement to the parent company FX Plus.

The overall results were lower than the previous year and 20% below target following a reduction in accommodation availability and an increase in internal non-commercial events.

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.

Campus 2020 and beyond

The 2020 strategy continues to develop and the 2030 planning process has started. The Accommodation Strategy and the REEF Building and South Campus Infrastructure have now been completed. Falmouth's Launchpad and UoE's SERFS 2/3 are now well underway and almost £2.5M of Summer Works on both campuses have been delivered for the two institutions.

Sustainability on campus

FX Plus has been working on developing a new Sustainability Strategy. This is having far reaching impact with both academics, researchers and students alike, and a suite of sustainability groups have been created; one for operational staff, one run by academics, and another run by students, with all groups reporting into an overarching strategic group.

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2018/19 Delivery Plan:

The development of the 2018/19 Delivery is well in place and key transformational and service improvement plans that have been identified in the delivery plan are in the following areas:

- Values / culture
- Academic and Student Services excellence
- Service excellence
- Digital journey
- "World Class" campus:
 - Estates 2030 plan development
 - Health and Safety governance development
 - Delivery of new Student accommodation
 - Renewable Energy Generation Project
 - Security areas to be developed: Goods In/Out and reception
 - Sustainable campus 2030 plans to be further developed.
- REF/KEF and University Innovation

Conclusion

Overall 2017/18 has been a successful year with a number of initiatives having been launched to support both staff and students on all campuses. This has been achieved despite a lower number of students on campus than planned.

Delivery Plans for all departments have been developed during the year and are now informed by strong metrics and key performance indicators. These provide the focus at each meeting and assist staff to prioritise resources.

All of this has been possible due to the commitment of staff to whom thanks must be expressed.

Looking to the next 10 years, FX Plus has started the planning process, using both universities' 2030 plans to assist with identifying key transformational plans and priorities. From this, SET have been able to distil priorities for 2018/19 to develop a Delivery Plan, which has in turn informed KPI development which is reported regularly to the Board.

By Order of the Board



Peter Cox
Chair

Date: 12 October 2018

**Falmouth Exeter Plus
Directors' Report
For the Year ended 31 July 2018**

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 loss for the year was £681,000 (2016/17 - £741,000 surplus). 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 (resigned 27 April 2018)
Jane Chafer (resigned 14 June 2018)
Andrew Connolly
Peter Cox
Alan Hill
Professor David Hosken
Daniel Jones
Dr Robin Kirby
Professor Alan Murray
Craig Nowell (appointed 14 June 2018)
Antony Sanders
Michael Shore-Nye

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



Peter Cox
Chair

Date: 12 October 2018

Falmouth Exeter Plus Corporate Governance Statement

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 Office for Students.

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 2017/18, the Board met four times, with additional communication between meetings. The Board also held a strategic away day in September 2018.

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 Managing Director 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 2016/17 that the post of CEO should be replaced by the newly-created role of Managing Director (MD). The interim CEO was successful in being recruited to the role of MD as of September 2017.

During the accounting period, the Board oversaw the strategic direction of FX Plus, and the proposed amendments to the governance structure for 2018/19 implementation. 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 three committees reporting directly to it: Joint Systems Committee (JSC), Strategic Infrastructure Committee (SIC) and the Combined Strategic Health and Safety Committee (SHSC). A new group, the Strategic Sustainability Group was created and met for the first time in March 2018. It formally reports to the FX Plus Board.

The group will receive reports from the Operational Sustainability Group, which formally reports to it, as well as from the Academic/Research Sustainability Group. The Liaison Groups and Student Groups and Societies feed into the Operational Sustainability Group, who will send reports to the Strategic Sustainability Group as appropriate.

Terms of Reference

The Strategic Sustainability Group is the consultation forum for strategic sustainability matters at both Falmouth and Penryn campuses.

**Falmouth Exeter Plus
Corporate Governance Statement**

The group's remit includes aligning current academic research with operations at the Falmouth and Penryn campuses and identifying opportunities for a more collaborative approach towards sustainability both on campus and in the wider local area.

The membership of both JSC and SIC includes a Board Director from each of the university partners and the MD. 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 May 2018 in terms of membership, where three "attendees" became full members. 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 MD was directly responsible to the Board. There was no change to the schedule of powers delegated to the MD in the accounting period. The MD 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 MD was supported by SET, which generally met monthly during the accounting period. SET also held an away day in the year focused on the digital journey and strategic planning for the next 10 years. SET comprised the following staff:

David Dickinson, Director of Student Services
Fiona Foster, Director of Campus Experience (*to September 2018*)
Stuart Gaslonde, Director of IT and Digital
Oliver Lane, Director of Accommodation and Facilities
Dominic O'Neill, Acting Director of Estates (*to December 2017*)
Doreen Pinfold, Director of Library & Academic Skills (*to August 2018*)
Sarah Roby, Director of Estates (*from January 2018*)

Senior representatives from Finance and Human Resources attend most meetings.

The MD 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 MD on health and safety matters, and the MD, in turn, reports key health and safety related matters to the Board at each ordinary meeting.



Sharron Parsons
Board Secretary

Date: 12 October 2018

**Statement of Responsibilities of the Directors of
Falmouth Exeter Plus**

**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 2018 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 2018 and of the group's deficit 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 12, 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.



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

12 October 2018

Falmouth Exeter Plus
Consolidated and Company
Statement of Comprehensive Income
For the Year ended 31 July 2018

	Note	Year to 31/7/18 Group £ (000)	Year to 31/7/18 Company £ (000)	Year to 31/7/17 Group £ (000)	Year to 31/7/17 Company £ (000)
Income					
Operating Income	2	29,170	28,543	28,955	28,106
Investment Income	3	16	15	18	18
Total Income		29,186	28,558	28,973	28,124
Expenditure					
Cost of Sales	4	1,697	1,394	1,430	1,047
Staff Costs	5	12,828	12,690	11,765	11,563
Other Operating Expenses	6	10,122	9,936	9,853	9,594
Depreciation	9	3,020	3,015	3,049	3,044
Interest Payable	7	2,091	2,091	2,173	2,173
Total Expenditure		29,758	29,126	28,270	27,421
(Deficit)/Surplus before other Gains and Losses		(572)	(568)	703	703
Gains on Disposal of Fixed Assets		(109)	(109)	38	38
(Deficit)/Surplus on Continuing Operations Before and After Tax		(681)	(677)	741	741
(Deficit)/Surplus for the Year		(681)	(677)	741	741
Actuarial gain in respect of pension scheme		1,718	1,718	1,832	1,832
Change in fair value of hedging financial instruments		-	-	(22)	(22)
Total comprehensive income for the year		1,037	1,041	2,551	2,551
Represented by					
Unrestricted comprehensive income for the year		1,037	1,041	2,551	2,551

All items of income and expenditure relate to continuing activities.

The accompanying notes on pages 19 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 2018

Group

	Income & Expenditure Account <i>Unrestricted</i> £ (000)	Revaluation reserve £ (000)	Total £ (000)
Balance at 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/ 1 August 2017	(2,658)	28,466	25,808
Deficit from the income and expenditure statement	(681)	-	(681)
Other comprehensive income	1,718	-	1,718
Transfers between revaluation and income and expenditure reserve	519	(519)	-
Balance at 31 July 2018	(1,102)	27,947	26,845

Company

	Income & Expenditure Account <i>Unrestricted</i> £ (000)	Revaluation reserve £ (000)	Total £ (000)
Balance at 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/ 1 August 2017	(2,633)	28,466	25,833
Deficit from the income and expenditure statement	(677)	-	(677)
Other comprehensive income	1,718	-	1,718
Transfers between revaluation and income and expenditure reserve	519	(519)	-
Balance at 31 July 2018	(1,073)	27,947	26,874

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 35 form an integral part of the financial statements.

Falmouth Exeter Plus
Balance Sheets as at 31 July 2018

		Group 2018 £ (000)	Company 2018 £ (000)	Group 2017 £ (000)	Company 2017 £ (000)
	Note				
Fixed Assets					
Tangible Assets	9	81,965	81,959	83,378	83,367
Investment Assets	10	-	-	-	-
		81,965	81,959	83,378	83,367
Current Assets					
Stock	11	120	120	92	92
Trade and other receivables	12	1,093	1,356	2,733	2,690
Cash and cash equivalents		4,978	4,509	4,261	4,080
		6,191	5,985	7,086	6,862
Creditors - amounts falling due within one year	13	(6,409)	(6,168)	(6,999)	(6,739)
Net Current Assets		(218)	(183)	87	123
Total Assets less Current Liabilities		81,747	81,776	83,465	83,490
Creditors - amounts falling due after more than one year	14	(46,898)	(46,898)	(49,467)	(49,467)
Provisions					
Pension Provision	16	(8,004)	(8,004)	(8,190)	(8,190)
Total Net Assets		26,845	26,874	25,808	25,833
Unrestricted Reserves					
Income and Expenditure Reserve- unrestricted		(1,102)	(1,073)	(2,658)	(2,633)
Revaluation Reserve		27,947	27,947	28,466	28,466
Total Reserves		26,845	26,874	25,808	25,833

The financial statements on pages 16 to 35 were approved by the Board of Directors on 12 October 2018.


.....
Peter Cox
Chair


.....
Michael Shore-Nye
Deputy Chair

The accompanying notes on pages 20 to 35 form an integral part of the financial statements.

Falmouth Exeter Plus
Consolidated Cash Flow Statement
For the Year ended 31 July 2018

	Year to 31/7/18 £ (000)	Year to 31/7/17 £ (000)
Cash flow from operating activities		
(Deficit)/Surplus for the year	(681)	741
Adjustment for non-cash items		
Depreciation	3,020	3,049
(Increase)/Decrease in stock	(28)	16
Decrease/(Increase) in debtors	1,642	(36)
Increase/(Decrease) in creditors	198	(577)
Decrease in pension provision	1,294	742
Loss/(Gain) on disposal of fixed assets	109	(38)
Adjustment for investing or financing items		
Investment income	(16)	(18)
Interest payable	2,091	2,173
Net cash inflow from operating activities	<u>7,629</u>	<u>6,052</u>
Cash flow from investing activities		
Proceeds from sale of fixed assets	4	214
Payments made to acquire fixed assets	<u>(2,536)</u>	<u>(2,308)</u>
	(2,532)	(2,094)
Cash flows from financing activities		
Investment income	16	18
Interest paid	(1,698)	(1,780)
Interest element of finance lease	(152)	(173)
Repayment of amounts borrowed	(2,359)	(2,218)
Capital element of finance lease	<u>(196)</u>	<u>(163)</u>
	(4,389)	(4,316)
Increase/(Decrease) in cash and cash equivalents in the year	708	(358)
Cash and cash equivalents at the beginning of the year	3,663	4,021
Cash and cash equivalents at the end of the year	<u><u>4,371</u></u>	<u><u>3,663</u></u>

The accompanying notes on pages 20 to 35 form an integral part of the financial statements.

Falmouth Exeter Plus
Notes to the Consolidated Financial Statements
For the Year ended 31 July 2018

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, 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.

Falmouth Exeter Plus
Notes to the Consolidated Financial Statements
For the Year ended 31 July 2018

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 positive comprehensive income 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

Falmouth Exeter Plus
Notes to the Consolidated Financial Statements
For the Year ended 31 July 2018

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.

Falmouth Exeter Plus
Notes to the Consolidated Financial Statements
For the Year ended 31 July 2018

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	- between 4 and 7 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.

Falmouth Exeter Plus
Notes to the Consolidated Financial Statements
For the Year ended 31 July 2018

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.

2. Operating income

	Group	Company	Group	Company
	31/7/18	31/7/18	31/7/17	31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
Central Support Services	561	561	814	814
Estates Services	7,218	7,218	7,167	7,167
Library, IT and Student Services	6,405	6,405	6,111	6,111
Campus Services (note 8)	14,986	14,172	14,863	13,798
Gift Aid	-	187	-	216
	<u>29,170</u>	<u>28,543</u>	<u>28,955</u>	<u>28,106</u>

3. Interest receivable

	Group	Company	Group	Company
	31/7/18	31/7/18	31/7/17	31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
Bank deposit interest	16	15	18	18

4. Cost of sales

	Group	Company	Group	Company
	31/7/18	31/7/18	31/7/17	31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
Material Purchases	1,697	1,394	1,430	1,047

5. Staff costs

	Group	Company	Group	Company
	31/7/18	31/7/18	31/7/17	31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
Wages and Salaries	9,260	9,122	8,911	8,709
Social Security Costs	797	797	766	766
Other Pension Costs	2,771	2,771	2,088	2,088
	<u>12,828</u>	<u>12,690</u>	<u>11,765</u>	<u>11,563</u>

Average Staff Numbers (FTEs) by Major Category:

Group and Company	31/7/18	31/7/17
Management	14	13
Estates and facilities	124	93
Library, IT and Student Services	142	133
Campus Services	85	94
	<u>365</u>	<u>333</u>

Falmouth Exeter Plus
Notes to the Consolidated Financial Statements
For the Year ended 31 July 2018

Directors' remuneration
Group and Company

	31/7/18	31/7/17
	£ (000)	£ (000)
Aggregate Remuneration	203	181
Compensation for loss of office	-	32
Pension Contributions	40	32
	<u>243</u>	<u>245</u>

Two Directors within the Group were accruing benefits under the company's defined benefit pension scheme. The highest paid director received remuneration of £137K (2016/17: £122k). The value of the Company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £27k (2016/17: £22K). The directors have considered whether there are any further key management personnel and no such parties were identified.

6. Other Operating expenses

	Group	Company	Group	Company
	31/7/18	31/7/18	31/7/17	31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
General Office Costs	309	153	337	114
Marketing & Promotions	154	131	133	103
Premises Costs	6,915	6,915	6,900	6,900
Insurance	154	154	142	142
Audit Fee	42	38	38	32
Management Costs	122	122	120	120
Other Professional Fees	2,426	2,423	2,183	2,183
	<u>10,122</u>	<u>9,936</u>	<u>9,853</u>	<u>9,594</u>

7. Interest payable

	Group	Company	Group	Company
	31/7/18	31/7/18	31/7/17	31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
On bank overdraft and loans	1,701	1,701	1,765	1,765
On Finance Leases	152	152	173	173
Pension Finance Cost (note 16)	238	238	235	235
	<u>2,091</u>	<u>2,091</u>	<u>2,173</u>	<u>2,173</u>

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	Company	Group	Company
	31/7/18	31/7/18	31/7/17	31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
Retail	1,328	1,328	1,307	1,307
Catering & Bar	776	776	726	726
Residences	10,651	10,651	10,550	10,550
Nursery	554	554	382	382
Fitness Centre	427	427	374	374
Reprographics	436	436	459	459
Campus and Commercial Events	814	-	1,065	-
	<u>14,986</u>	<u>14,172</u>	<u>14,863</u>	<u>13,798</u>

Falmouth Exeter Plus
Notes to the Consolidated Financial Statements
For the Year ended 31 July 2018

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 2017	163	84,564	2,899	5,344	92,970
Additions for the Year	140	523	-	1,057	1,720
Disposals for the Year	(33)	(67)	-	(55)	(155)
Transfers	(117)	92	-	25	-
C/f as at 31 July 2018	153	85,112	2,899	6,371	94,535

Depreciation

B/f as at 1 August 2017	-	4,908	1,886	2,798	9,592
Charge for the Year	-	1,769	145	1,106	3,020
Depreciation on Disposals	-	(20)	-	(22)	(42)
C/f as at 31 July 2018	-	6,657	2,031	3,882	12,570

Net book value

As at 31 July 2017	163	79,656	1,013	2,546	83,378
As at 31 July 2018	153	78,455	868	2,489	81,965

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 2017	163	84,564	2,899	5,323	92,949
Additions for the Year	140	523	-	1,057	1,720
Disposals for the Year	(33)	(67)	-	(55)	(155)
Transfers	(117)	92	-	25	-
C/f as at 31 July 2018	153	85,112	2,899	6,350	94,514

Depreciation

B/f as at 1 August 2017	-	4,908	1,886	2,788	9,582
Charge for the Year	-	1,769	145	1,101	3,015
Depreciation on Disposals	-	(20)	-	(22)	(42)
C/f as at 31 July 2018	-	6,657	2,031	3,867	12,555

Net book value

As at 31 July 2017	163	79,656	1,013	2,535	83,367
As at 31 July 2018	153	78,455	868	2,483	81,959

The cumulative amount of interest capitalised at 31 July 2018 was £1,011,000 (2017: £1,011,000).

Falmouth Exeter Plus
Notes to the Consolidated Financial Statements
For the Year ended 31 July 2018

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 2018 £ (000)	Company 2018 £ (000)	Group 2017 £ (000)	Company 2017 £ (000)
Shop	52	52	38	38
Refectory	27	27	20	20
Bar	21	21	12	12
Other	20	20	22	22
	<u>120</u>	<u>120</u>	<u>92</u>	<u>92</u>

12. Trade and other receivables

	Group 2018 £ (000)	Company 2018 £ (000)	Group 2017 £ (000)	Company 2017 £ (000)
Trade Debtors	298	294	516	485
Bad Debt Provision	(150)	(150)	(129)	(129)
Amounts Owed by Group Undertakings	-	372	-	52
Amounts Owed by Related Undertakings -				
University of Exeter	240	208	917	917
Falmouth University	-	-	699	699
Other Debtors	83	10	69	5
Prepayments & Accrued Income	622	622	661	661
	<u>1,093</u>	<u>1,356</u>	<u>2,733</u>	<u>2,690</u>

Falmouth Exeter Plus
Notes to the Consolidated Financial Statements
For the Year ended 31 July 2018

13. Creditors - amounts falling due in one year

	Group 2018 £ (000)	Company 2018 £ (000)	Group 2017 £ (000)	Company 2017 £ (000)
Bank Overdraft	607	607	598	598
Bank Loans	2,364	2,364	2,307	2,307
Finance Lease Commitments due in One Year	357	357	347	347
Trade Creditors	920	862	1,070	986
Amounts Owed to Related Undertakings -				
University of Exeter	-	-	-	-
Falmouth University	127	127	-	-
Other Taxation and Social Security	439	439	375	375
Other Creditors	167	167	158	158
Salix finance	-	-	53	53
Accruals	1,428	1,245	2,091	1,915
	<u>6,409</u>	<u>6,168</u>	<u>6,999</u>	<u>6,739</u>

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

	Group and Company 2018 £ (000)	2017 £ (000)
Not wholly repayable within five years:		
Bank Loan 1	14,083	14,750
Bank Loan 2	9,954	10,312
Bank Loan 3	15,603	16,414
Bank Loan 4	5,762	6,289
Finance Lease Commitments after One Year	1,496	1,702
	<u>46,898</u>	<u>49,467</u>

	Group and Company 2018 £ (000)	2017 £ (000)
Amounts repayable on loans:		
In one year or less	2,364	2,307
In more than one year but not more than two years	2,423	2,364
In more than two years but not more than five years	7,705	7,485
In more than five years	35,274	37,916
	<u>47,766</u>	<u>50,072</u>

	Group and Company Amount £ (000)	Term	Interest rate %
Lloyds Bank plc (loan 1)	14,751	2032	5.8875
Lloyds Bank plc (loan 2)	10,312	2036	5.215
Barclays Bank plc (loan 3)	16,414	2038	3 month LIBOR + 0.275%
			2.24% plus lending margin and costs
European Investment Bank (loan 4)	2,643	2027	
Lloyds Bank plc (loan 4)	3,646	2031	2.0887%
	<u>47,766</u>		

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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	
	2018	2017
	£ (000)	£ (000)
Amounts repayable on finance leases:		
In one year or less	357	347
In more than one year but not more than two years	368	357
In more than two years but not more than five years	1,172	1,137
In more than five years	414	816
Less future finance charges	(458)	(608)
	<u>1,853</u>	<u>2,049</u>

15. Cash and cash equivalents

Group

	At 1 Aug 2017	Cashflows	At 31 July 2018
	£ (000)	£ (000)	£ (000)
Cash and cash equivalents	4,261	717	4,978
Overdraft	(598)	(9)	(607)
Total	<u>3,663</u>	<u>708</u>	<u>4,371</u>

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%

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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 2018 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 Jul 2018	31 Jul 2017	31 Jul 2016
	% pa	% pa	% pa
Inflation (CPI)	2.4	2.4	1.9
Rate of increase in salaries payment	2.5	2.5	3.9
Rate of increase in pension	2.4	2.4	1.9
Discount rate	2.8	2.7	2.5

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 2018	Assets at 31 July 2018	Long-term rate expected 31 July 2017	Assets at 31 July 2017	Long-term rate expected 31 July 2016	Assets at 31 July 2016
	%	£(000)	%	£(000)	%	£(000)
Equities	2.8	9,471	2.7	7,966	2.5	6,954
Bonds	2.8	8,867	2.7	7,288	2.5	5,702
Property	2.8	1,612	2.7	1,186	2.5	974
Cash	2.8	202	2.7	508	2.5	278
Estimated employer's share of scheme assets		20,152		16,948		13,908
Present value of scheme liabilities		(28,156)		(25,138)		(22,953)
Net pension liability		(8,004)		(8,190)		(9,045)

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

	2018	2017
	£(000)	£(000)
Current service cost	2,730	2,077
Net liabilities acquired on transfer of staff	-	-
Total operating charge	2,730	2,077

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16. **Pension scheme (continued)**

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

	2018 £(000)	2017 £(000)
Expected return on pension scheme assets	481	369
Interest on pension scheme liabilities	(719)	(604)
Net charge	(238)	(235)

Amount recognised in Other Comprehensive Income (OCI)

	2018 £(000)	2017 £(000)
Actuarial gain/(loss) recognised in OCI in the year	1,718	1,832
Cumulative actuarial loss in OCI at 1 August	(5,099)	(6,931)
Cumulative actuarial loss in OCI at 31 July	(3,381)	(5,099)

Reconciliation of defined benefit obligation

	2018 £(000)	2017 £(000)
Opening defined benefit obligation	25,138	22,953
Current service cost	2,730	2,077
Interest cost	719	604
Contributions by members	468	481
Remeasurements	(779)	(858)
Losses on curtailments	-	-
Estimated benefits paid	(120)	(119)
Closing defined benefit obligation	28,156	25,138

Reconciliation of fair value of employer assets

	2018 £(000)	2017 £(000)
Opening fair value of employer assets	16,948	13,908
Expected return on assets	481	369
Contributions by members	468	481
Contributions by the employer	1,436	1,335
Remeasurements	939	974
Assets acquired	-	-
Benefits paid	(120)	(119)
Closing fair value of employer assets	20,152	16,948

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16. Pension scheme (continued)

History of experience gains and losses

	Year to 31 July 2018 £(000)	Year to 31 July 2017 £(000)	Year to 31 July 2016 £(000)	Year to 31 July 2015 £(000)	Year to 31 July 2014 £(000)
Difference between the expected and actual return on assets	939	974	(343)	204	1,555
Value of assets	20,152	16,948	13,908	12,221	10,018
Percentage of assets	4.7%	5.7%	(2.5%)	1.7%	15.5%
Experience gains on liabilities	779	858	2,571	1,993	3,149
Present value of liabilities	28,156	25,138	22,953	17,646	13,312
Percentage of the present value of liabilities	2.8%	3.4%	11.2%	11.3%	23.7%
Actuarial gains recognised in OCI	1,718	1,832	(2,914)	(1,907)	(1,594)
Present value of liabilities	28,156	25,138	22,953	17,646	13,312
Percentage of the present value of liabilities	6.1%	7.3%	(12.7%)	(10.8%)	(12.0%)
Deficit brought forward	(8,190)	(9,045)	(5,425)	(3,294)	(1,278)
Movement	186	855	(3,620)	(2,131)	(2,016)
Deficit carried forward	(8,004)	(8,190)	(9,045)	(5,425)	(3,294)

Pension scheme – USS

The total cost charged to the Statement of Comprehensive Income is £25K (2017: £33K). 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. The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed.

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:

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

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16. Pension scheme (continued)

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	98% of SAPS S1NA "light" YOB unadjusted for males. 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

17. Capital commitments

	Group 2018 £ (000)	Company 2018 £ (000)	Group 2017 £ (000)	Company 2017 £ (000)
Authorised but not committed	8,255	8,255	10,375	10,375
Commitments contracted at 31 July	512	512	445	445

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

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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	
	2018	2017
	£ (000)	£ (000)
Land and buildings		
In one year or less	1,341	1,624
In more than one year but not more than two years	368	1,335
In more than two years but not more than five years	1,172	1,137
In more than five years	414	816
Total	3,295	4,912

Total lease payments in the year were £1,911k (2017:£1,614k).

£2,310k 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 6 years and lease payments are linked to the rate of inflation. The amount recognised in the Statement of Comprehensive Income in the year is £152k.

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 31/7/18				
University of Exeter	6,822	68	240	-
Falmouth University	11,210	165	-	127
Year ended 31/7/17				
University of Exeter	6,664	1	917	-
Falmouth University	9,947	60	699	-

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19. Related party transactions (continued)

Company	Sales to related parties £ (000)	Purchases from related parties £ (000)	Amounts owed by related party £ (000)	Amounts owed to related party £ (000)
Year ended 31/7/18				
University of Exeter	6,790	68	208	-
Falmouth University	11,210	164	-	127
Year ended 31/7/17				
University of Exeter	6,663	1	917	-
Falmouth University	9,947	60	699	-

At the balance sheet date £127,000 was due to Falmouth University (2017: £699,000 due from Falmouth University) and £240,000 (2017: £917,000) was due from University of Exeter.