

Meeting of the South Bank University Enterprises Ltd Board

2.00 pm on Tuesday, 10 November 2020
via MS Teams

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		PI
2.	Declarations of interest <i>Members are requested to declare any interest in any item on the agenda.</i>		PI
3.	Minutes of the previous meeting	3 - 6	PI
4.	Matters arising	7 - 8	PI
Year end matters			
5.	Draft financial statements <ul style="list-style-type: none"> • External audit letter of representation • External audit findings 	9 - 36	RW
Matters for approval			
6.	Pension proposals	37 - 38	RF

Date of next meeting
2.00 pm on Tuesday, 16 November 2021

Members: Paul Ivey (Chair) and Richard Flatman

In attendance: Michael Broadway, Kerry Johnson and Rebecca Warren

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**Minutes of the meeting of the South Bank University Enterprises Ltd Board
held at 2.00 pm on Tuesday, 14 July 2020
via MS Teams**

Present

Paul Ivey (Chair)
Michael Cutbill

Apologies

Richard Flatman
Rebecca Warren

In attendance

Michael Broadway
Linsey Cole
Kerry Johnson
Keith Would

1. Welcome and apologies

The Board noted the above apologies.

2. Declarations of interest

No member declared an interest in any agenda item.

3. Minutes of the previous meeting

The Board approved the minutes of the meeting of 30 April 2020.

4. Matters arising

All matters arising had been completed or were on the agenda for the meeting.

Employment Agency

With Rosie Holden and Kulvinder Birring

The Board received a verbal update on the Employment Agency run by the Student Services department, noting that 1,054 roles had been filled throughout 2019/20. The Board noted a summary of future strategy for the agency, including plans to focus on employment opportunities for LSBU students, graduates and alumni. The Agency was an important part of the Student Services offer to students.

5. CEO Report

The Board discussed the CEO report, in particular the work being undertaken to mitigate risks associated with the coronavirus pandemic. It was noted that

the pandemic had also created new funding opportunities and new ways to support businesses.

The Board noted the reduced bidding activity as a result of the pandemic. Work was underway to analyse the reduced enterprise income for 2019/20, and a full report would be made to a future meeting. The need to continue working closely with schools to encourage knowledge exchange and enterprise activities was noted.

The Board discussed the work with the School of Engineering to reshape the Innovation Centre, noting that a two year exit process was in place in order to exit the relationship with TWI.

6. Management accounts

The Board discussed the June 2020 management accounts, which reported a positive income variance versus budget on 'business as usual' of £340k. The positive income variance had been reduced by £400k by the closure of Technopark and the Clarence Centre, required due to the coronavirus pandemic. It was noted that tenants continued to be invoiced, though not all were able to pay.

The Board supported the proposed management charge to LSBU of £700k, which would change the forecast to a surplus of £305k.

7. Shareholdings update

The Board noted the update on SBUEL shareholdings, which included recommendations on how the relationships with the companies should be managed in the future.

It was noted that Biox Systems Ltd paid a dividend of £4,000 to SBUEL in the financial year, 2018/19.

The Board agreed that a review should be undertaken of the active companies, after which an update would be brought to a future Board meeting.

8. Enterprise Advisory Board

The Board discussed in detail the proposal to establish an Enterprise Advisory Board (EAB) and the consequent amendments to the governance of SBUEL.

The Board noted that the EAB would have no governance responsibility but would operate as an advisory body which would have oversight of enterprise development.

The Board noted that it would continue to exist in some form but that its powers would be delegated to management as much as possible under the Companies Act and the company's articles. The SBUEL Board would

continue to meet for approval of the annual accounts in November of each year.

Following discussion, the Board agreed to support the establishment of an EAB and the subsequent amendments to the governance of SBUEL. The proposal would be submitted to the LSBU Board of Governors for approval at its meeting of 16 July 2020.

9. REI update

The Board noted the update on REI performance and activity to 31 May 2020. The update included summaries of current projects and bidding activity.

**Date of next meeting
10 November 2020**

Confirmed as a true record

..... (Chair)

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**SOUTH BANK UNIVERSITY ENTERPRISES LTD BOARD – TUESDAY 14 JULY 2020
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Officer	Action Status
5.	CEO report	Full report on reduced enterprise income for 2019/20 to go to a future meeting.	Linsey Cole	To go to Enterprise Advisory Board
7.	Shareholdings update	Review to be undertaken of active companies and update to go to future meeting.	Linsey Cole	To go to Enterprise Advisory Board
8.	Enterprise Advisory Board (EAB)	EAB proposal to go to Board of Governors for approval at its meeting of 16 July 2020	Paul Ivey	Complete – approved by Board

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Agenda Item 5

	CONFIDENTIAL
Paper title:	South Bank University Enterprises Ltd statutory accounts for the year ended 31 July 2020
Board/Committee:	South Bank University Enterprises Ltd
Date of meeting:	10 November 2020
Author:	Rebecca Warren
Purpose:	For approval
Recommendation:	The Board is requested: <ul style="list-style-type: none">• to approve the statutory accounts for the year ended 31 July 2020;• to approve the letter of representation;• to note the audit findings.

The draft statutory accounts follow. The tax figures, which are being prepared by KPMG, need to be inserted into notes 5 and 6, but will not affect the bottom line.

It is likely that the tax computation will show a taxable profit. Once the computation is finalised, if it shows a taxable profit a Gift Aid payment will be made to eliminate this profit so that no tax is payable.

The letter of representation is also draft as KPMG need to finalise work across the group on Going Concern.

The audit findings document is the page relevant to SBUEL extracted from the group audit findings document. The two misstatements to which it refers have been corrected.

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South Bank University Enterprises Limited

Report and Financial Statements

31 July 2020

DRAFT

South Bank University Enterprises Limited

Report and financial statements 2020

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South Bank University Enterprises Limited

Report and financial statements 2020

Officers and professional advisers

Directors

Professor Paul Ivey (Chair)

Mr Michael Cutbill (resigned 31 July 2020)

Mr Richard Flatman

Secretary

Mr Michael Broadway

Registered Office

103 Borough Road
London
SE1 0AA

Bankers

NatWest
City of London Office
1 Princes Street
London
EC2R 8PA

Solicitors

Shakespeare Martineau LLP, 1 Colmore Square, Birmingham B4 6AA

Shoosmiths LLP, Witan Gate House, 500-600 Witan Gate West, Milton Keynes MK9 1SH

Mills and Reeve LLP, Botanic House, 100 Hills Road, Cambridge CB2 1PH

Michelmores LLP, 48 Chancery Lane, London WC2A 1JF

Veale Wasbrough Vizards LLP, Narrow Quay House, Narrow Quay, Bristol, BS1 4QA

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

South Bank University Enterprises Limited

Company Registration No. 2307211

Directors' report

Ownership

The Company is a wholly owned subsidiary of London South Bank University.

Review of Activities

The Company's principal activities are consultancy, research contracts, the hire of facilities, and property letting. In addition, the Company is involved with the protection and commercialisation of Intellectual Property (IP) arising out of the University's research activities.

During the year the Company continued to meet the patent application costs relating to the commercialisation of the University's research.

Result for the year

Turnover of £3,528,426 was a decrease of 7% from 2019. The company reported a profit before tax of £124,225.

Patent costs incurred in support of the Company's licences, company spin-outs and new opportunities continue to be a part of the Company's annual expenditure.

Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the 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 financial statements in accordance with applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- assess the 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 company or to cease operations, or have no realistic alternative but to do so. [Going concern comment needs to be added to this report]

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 company and to prevent and detect fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Future Prospects

The Company foresees trading conditions to remain challenging over the next 12 months. Strong competition from other universities and external organisations, allied to generally tight trading conditions and cutbacks in Central and

South Bank University Enterprises Limited

Company Registration No. 2307211

Directors' report

Local Government expenditure, are expected to impact upon the Company's activities and income. The Company continues to focus on opportunities to increase and grow its research and enterprise activities. The Company continues to lead and build its commercial engagement with the local community of start-ups and SMEs in South East London and more widely. The Company will continue to support the protection of and commercialisation of intellectual property generated by the University. The activity of the company is currently curtailed due to Covid 19 but the team at SBUEL are confident that the financial controls in place and business development skills that have been developed will ensure that SBUEL will be well placed for future growth once the external environment improves. The Directors are of the opinion that the organisation will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of these accounts.

Directors who served during the year

Professor Paul Ivey (Chair)

Mr Michael Cutbill (resigned 31 July 2020)

Mr Richard Flatman

Directors' Interests

No Director had any interest in any contract which subsisted during the period of the report, other than in the ordinary course of the Company's business (2019: none).

No Director had any interests in the shares of the Company or any other group company (2019: none).

Employees

As at the year-end the Company had 48 employees. All other persons associated with the Company are employees of London South Bank University.

Auditors

A resolution to re-appoint KPMG LLP as auditors of the company will be proposed.

In preparing this report, the directors have taken advantage of the small companies exemption in Part 15 of the Companies Act 2006.

Approval

Authorised and approved by the Board of Directors and signed on behalf of the Board by:

Paul Ivey

Chair

19 November 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH BANK UNIVERSITY ENTERPRISES LIMITED

Opinion

We have audited the financial statements of South Bank University Enterprises Ltd (“the company”) for the year ended 31 July 2020, which comprise the Statement of income and retained earnings, the Balance sheet and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 July 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of 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. Details of the company’s future prospects and assessment of going concern, including the impact of Covid-19, are included in the Director’s report.

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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report on these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 2-3, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Fleur Nieboer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

19 November 2020

South Bank University Enterprises Limited

Statement of income and retained earnings Year ended 31 July 2020

		2020	2019
	Note	£	£
Turnover	1	3,528,426	3,801,096
Cost of sales		(1,517,292)	(1,682,309)
Gross profit		2,011,134	2,118,787
Administrative expenses		(1,886,909)	(2,014,194)
Operating profit	2	124,225	104,593
Interest receivable	4	-	1,051
Profit on ordinary activities before taxation for the financial year		124,225	105,644
Tax on profits on ordinary activities	6	-	-
Profit for the financial year after taxation		124,225	105,644
Retained profit at 1 August		159,569	571,776
Gift aid paid	5	(117,249)	(517,851)
Retained profit at 31 July		166,545	159,569

All activities relate to continuing operations.

There are no gains or losses other than those reported in the profit and loss account.

South Bank University Enterprises Limited
Company Registration No. 2307211

Balance sheet
As at 31 July 2020

	Note	2020	2019
		£	£
Fixed assets			
Investments	7	24	24
Current assets			
Debtors	8	931,368	1,204,656
Cash at bank and in hand		20,557	104,360
		951,925	1,309,016
Creditors: amounts falling due within one year	9	(785,394)	(1,149,461)
Net current assets		166,531	159,555
Total assets less current liabilities		166,555	159,579
Net assets		160,555	159,579
Capital and reserves			
Called up share capital	10	10	10
Profit and loss account	11	166,545	159,569
Total equity shareholders' funds		166,555	159,579

These financial statements have been prepared in accordance with the special provisions in part 15 of the Companies Act 2006 relating to small companies.

These financial statements were authorised and approved by the Board of Directors on 19 November 2020.

Signed on behalf of the Board of Directors

Paul Ivey
Chair

South Bank University Enterprises Limited

Principal accounting policies Year ended 31 July 2020

Basis of Preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Section 1A of Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The individual accounts of South Bank University Enterprises Limited have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes

All members of the company have consented to the preparation of an abridged balance sheet.

Accounting Convention

The accounts have been prepared under the historical cost convention.

Going Concern

The company has net assets at the year-end. The directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover, net of value added tax, comprises sales in relation to consultancy work, contract research, sale of materials and letting facilities.

Cost of Sales

Cost of sales comprises costs of consultancy work, contract research, sale of materials and letting facilities.

Fixed Asset Investments

Investments are carried at cost, less provision for any impairment in value.

Cash Flow Statement

As a wholly owned subsidiary, the company is exempt under Financial Reporting Standard number 1 "Cash flow statements" from the requirement to prepare a cash flow statement. The cash flows of the company are included in the consolidated accounts.

Taxation

The Company makes a Gift Aid payment to London South Bank University during the year intended to be sufficient to reduce any taxable profit for the year to zero, subject to the requirement not to cause the reserves of the Company to become negative. Following a change in accounting treatment, this policy in relation to taxation has changed to treat the gift aid payment as a movement in reserves rather than a reduction in profit before tax. This movement is shown on the face of the Statement of income and retained earnings, where the gift aid paid is shown as a movement in retained profit rather than as expenditure prior to taxation.

Taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

South Bank University Enterprises Limited

Principal accounting policies Year ended 31 July 2020

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

South Bank University Enterprises Limited

Notes to the accounts Year ended 31 July 2020

1. Turnover

Turnover and pre-tax profits are attributable to the principal activities of the Company. An analysis of turnover by geographical destination is as follows:

	2020	2019
	£	£
United Kingdom	3,267,103	3,601,096
Europe	3,835	-
North America	202,300	200,000
Asia	55,188	-
	<u>3,528,426</u>	<u>3,801,096</u>

2. Operating profit/(loss)

	2020	2019
	£	£
Operating profit/(loss) is stated after charging		
Fees payable to the Company's auditor:		
- for tax assurance work	4,920	5,397
	<u>4,920</u>	<u>5,397</u>

The Company's audit fee of £2,915 has been included in the audit fee charged to London South Bank University. (2019: £2,866). The fee paid for tax assurance work is £4,920 exclusive of VAT (2019: £4,525).

3. Staff costs and Directors' remuneration

The Company had 48 employees at the year-end (2019: 35). All other persons associated with the Company are employees of London South Bank University.

	2020	2019
	£	£
Costs:		
Wages and salaries	2,005,943	1,685,503
Social security costs	207,149	167,156
Employers' pension contributions	175,039	133,823
	<u>2,388,131</u>	<u>1,986,482</u>

One Director employed by the company received remuneration totalling £162,016 (2019: one Director employed by the company received remuneration totalling £142,997).

4. Interest receivable

	2020	2019
	£	£
Bank interest receivable	-	1,051
	<u>-</u>	<u>1,051</u>

South Bank University Enterprises Limited

Notes to the accounts Year ended 31 July 2020

5. Payment under Gift Aid

For the year ending 31 July 2020 the company approved post-year-end to pay **** of its taxable profit under the Gift Aid scheme to London South Bank University (2019: £117,249).

6. Taxation

The 2020 tax charge is nil (2019: nil).

	2020	2019
	£	£
Profit/(loss) on ordinary activities before tax	105,644	105,644
Taxation on profit/loss on ordinary activities at 19.00% (2019: 19.00 %)	20,072	20,072
Effects of:		
Fixed asset differences	2,917	2,917
Expenses not deductible for taxation purposes	1,642	1,642
Income not taxable for taxation purposes	(401)	(401)
Amounts (charged)/credited directly to equity or otherwise transferred	(22,277)	(22,277)
Adjustments to tax charge in respect of previous periods	-	-
Adjust closing deferred tax to average rate of 19.00% (2019: 19.00 %)	786	786
Adjust opening deferred tax to average rate of 19.00%	(991)	(991)
Unrelieved tax losses and other deductions	(1,748)	(1,748)
Current tax	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances and trading losses as there is insufficient evidence that the asset will be recovered.

The amount of the asset not recognised is £6,679 (2019: £6,679).

The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

South Bank University Enterprises Limited

Notes to the accounts Year ended 31 July 2020

7. Fixed Asset Investments

At 1 August 2019	£ 24
At 31 July 2020	24

Details of companies, all registered in England, in which South Bank University Enterprises Limited holds more than 20% of the nominal ordinary share capital are as follows:

Name of company	Percentage holding of ordinary shares	Nature of business	Date of last accounts	Profit/(loss)	Reserves
				£	£
Biox Systems Limited	24%	Development of medical products	31 Oct 2019	218,387	469,889

8. Debtors

	2020	2019
	£	£
Trade debtors	364,284	692,553
Prepayments and accrued income	565,404	510,497
Other debtors	1,680	1,606
	<u>931,368</u>	<u>1,204,656</u>

9. Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	24,302	-
Amounts owed to parent company	186,028	537,503
Other creditors	59,586	59,586
Accruals and deferred income	386,824	464,182
Payroll creditors	128,654	88,190
	<u>785,394</u>	<u>1,149,461</u>

South Bank University Enterprises Limited

Notes to the accounts Year ended 31 July 2020

10. Called up share capital

	2020 £	2019 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Called up, allotted and fully paid		
10 ordinary shares of £1 each	10	10
	<u> </u>	<u> </u>

11. Movement on total reserves

	Share capital £	Profit and loss account £	Total shareholders surplus £
At 1 August 2019	10	159,569	159,579
Profit for financial year after taxation	-	124,225	124,225
Gift aid payment	-	(117,249)	(117,249)
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2020	<u> </u> 10	<u> </u> 166,545	<u> </u> 166,555

12. Related party transactions

The Company has taken advantage of the exemption which is conferred by Financial Reporting Standard number 102 that allows it not to disclose related party transactions with wholly owned subsidiaries within the group.

13. Ultimate parent company

South Bank University Enterprises Ltd is a wholly owned subsidiary of London South Bank University, a company limited by guarantee, incorporated in Great Britain and registered in England and Wales.

London South Bank University is the ultimate parent and controlling company and is the parent company of the only group of which the company is a member for which consolidated financial statements are prepared. The consolidated financial statements of London South Bank University can be obtained from 103 Borough Road, London, SE1 0AA.

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(SBUEL Letterhead)

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
21 November 2019

Dear Fleur

This representation letter is provided in connection with your audit of the financial statements of South Bank University Enterprises Limited (“the Company”), for the year ended 31 July 2019, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Company’s affairs as at year end and of the Company’s profit or loss for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller Entities (being Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (“Section 1A of FRS 102”)); and
- iii. whether the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

These financial statements comprise the Statement of Income and Retained Earnings, the Balance Sheet and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the Company meets the definition of a small entity and therefore is permitted to prepare its financial statements in accordance with Section 1A of FRS 102.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Board has fulfilled its responsibilities, as set out in the terms of the audit engagement dated 30 March 2017, for the preparation of financial statements that:
 - i. give a true and fair view of the state of the Company’s affairs as at the end of its financial year and of its profit or loss for that financial year;
 - ii. have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller Entities (being Section 1A of FRS 102); and
 - iii. have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition,

measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the financial statements and for which section 32 of FRS 102 requires adjustment or paragraph 1AC.39 of Section 1A of FRS 102 requires disclosure (have been adjusted or disclosed).
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Board has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Board for the purpose of the audit; and
 - unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Board confirms the following:
 - i) The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Board has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Company and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Board has disclosed to you and has appropriately accounted for in the financial statements, in accordance with section 21 of FRS 102 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and/or disclosed (as under Section 1A of FRS 102 disclosure using the Section 21 of FRS 102 disclosure requirements may be required under paragraph 1A.17 of Section 1A of FRS 102 in order to meet the requirements set out in paragraphs 1A.5 and 1A.16 of Section 1A of FRS 102).
10. The Board has disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with paragraph 1AC.35 of Section 1A of FRS 102 and that may be required to be disclosed under Section 33 of FRS 102 (due to the fact that under paragraph 1A.17 of Section 1A of FRS 102 disclosure may be required under Section 33 of FRS 102 in order to meet the requirements set out in paragraphs 1A.5 and 1A.16 of Section 1A of FRS 102).
11. Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in FRS 102.
12. The Board confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Company's ability to continue as a going concern as required to provide a true and fair view.
 - b) No material events or conditions exist that may cast significant doubt on the ability of the Company to continue as a going concern.
 - c) 'The Board confirms that the financial statements disclose its plans for future action relevant to the Company's ability to continue as a going concern, and its assessment of the feasibility of these plans.'
13. On the basis of the process established by the Board and having made appropriate enquiries, the Board is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and in accordance with the requirements of section 28 of FRS 102.

The Board further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Board of Directors on [date].

Yours faithfully,

[Chairman]

Appendix to the Board Representation Letter of South Bank Enterprises Limited: Definitions

Financial Statements

A complete set of financial statements comprises:

- a Balance Sheet as at the end of the period;
- a Profit and Loss account for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

FRS 102 states that:

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in FRS 102 as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions apply:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Summary of unadjusted audit differences

Summary of Unadjusted Audit Differences

Under the requirements of ISA 260 we are required to present any unadjusted audit differences, other than those which are clearly trifling, to the Audit Committee.

There are no unadjusted audit differences.

Summary of Adjusted Audit Differences

ISA 260 also requires us to report differences found during our audit which have been adjusted by management in arriving at the final results for the Group and the University. These adjusted amounts need to be considered by the Audit Committee as they may indicate broader failures in systems of controls which will need addressing.

	SOCIE		Balance Sheet	
	£000	£000	£000	£000
Adjusted misstatements				
Deferred Income	33			33
Turnover				
Administrative Expenses	51			
Trade Debtors				51
Total Effect	84	-		84

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Subsidiaries



SW4

For the year ended 31 July 2020 we have undertaken the statutory audit of SW4.

We have carried out our audit on SW4 pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.

Our group audit has considered the accuracy of the consolidation of this company into the group accounts.

Planned response

Significant risks

As set out in our audit plan presented on we recognised significant risks relating to management override of controls and fraud from revenue recognition.

Outcome from audit work

Outstanding matters: Completion of KPMG internal review checks and review of final Accounts

Findings in response to significant risks:

- *Management override – as a result of our procedures, including testing of journal entries, accounting estimates and significant transactions outside the normal course of business, no instances of fraud or management override were identified.*
- *Fraudulent Revenue Recognition - We did not identify any instances of fraudulent revenue recognition through testing of SW4 income.*

We raised one audit adjustment relating to posting error where £141k of SW4 staff costs were posted to SBC. This has eliminated on consolidation, therefore no net impact on the LSBU Group Accounts.

There are no other significant findings.

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SBUEL

For the year ended 31 July 2020 we have undertaken the statutory audit of SBUEL.

We have carried out our audit on SBUEL pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.

Our group audit has considered the accuracy of the consolidation of this company into the group accounts.

Planned response

Significant risks

As set out in our audit plan presented on we recognised significant risks relating to management override of controls and fraud from revenue recognition.

Outcome from audit work

Outstanding matters: Completion of KPMG internal review checks and review of final Accounts

- Management Override of control – we have not identified any instances of management override.
- Fraudulent Revenue Recognition – we identified two misstatements. There were several invoices raised on 31/7/2020 amounting to a total value of £33k which related to August 2020. This has not yet been adjusted. We also identified that adjustment to provide for 90% of all sales ledger debts still outstanding had not been processed.

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	CONFIDENTIAL
Paper title:	Pension proposal
Board/Committee:	South Bank University Enterprises Board
Date of meeting:	10 November 2020
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Approval
Recommendation:	The Committee is requested to approve the implementation of a new defined contribution pension scheme for employees of SBUEL and for existing staff to be moved over to the new scheme from January 2021.

Proposed pension scheme

The University Group has been considering the options for a group wide defined contribution pension scheme and a final proposal was presented to the Group Pensions Sub Committee at their October meeting. For LSBU and SBC, the proposed scheme, operated by Aviva, will be offered to all new professional services staff, in place of the current LGPS scheme and existing staff in LSBU and SBC can choose to join the new scheme as an alternative to the LGPS if they wish. The University Group is doing this in order to manage the financial risks around contributions and deficits in the LGPS scheme.

The proposed contribution structure will be:

	Lower rate	Default	Maximum Match
Employee	2	5	7
Employer	8	8	10
Total Contributions	10	13	17

The scheme is designed to be:

- PQM compliant consistent with rest of sector
- Default contribution for employers (8%) is higher than employee (5%)
- Includes employer matched contributions up to a maximum of an additional 2% on top of the default level, encouraging savings and fostering employee/employer partnership

- There is scope for the employee (at their discretion) to reduce contributions below the default level.
- Other benefits such as ill health and death in service will be provided.

New staff will also be enrolled into that new scheme from January 2021.

Transfer of existing pension arrangements

SBUEL staff are already in a defined benefit pension scheme. However, the new proposed DC scheme is an enhancement of this previous scheme and it is therefore proposed that existing staff be automatically transferred into the new scheme. Employees will be enrolled using the default contribution rates with the employee paying 5% and SBUEL paying in 8% making a total contribution into the scheme of 13%. Once staff have moved to the new scheme, all of the options within the scheme will be available, such as flexing the contribution rate.

Contribution rates for the existing scheme are shown in the table below and the additional benefits of ill health protection death in service will be at the same level or better than existing provision. (currently life cover: 4 x basic annual salary, income protection: 65% of salary)

Employee	Employer	Total contributions
3%	6%	9%
6%	9%	15%
More than 6%	9%	n/a

It is proposed that this transfer will happen with effect from 1 January 2021.

Communication with Staff

The proposal has been shared with staff and unions across the LSBU group. All staff, including those in SBUEL, have been communicated with throughout the process via emails, internet updates, and presentations from Aviva, the scheme provider. In addition, 'drop in' sessions were arranged for any member of staff who wanted more information and questions were answered via a dedicated email account.

Recommendation

The Committee is requested to approve the implementation of a new defined contribution pension scheme for employees of SBUEL and for existing staff to be automatically moved to the new scheme from January 2021.