

Istituto Marangoni Limited Board of Directors Minutes

14/6/2022 – 09.30-12.30(UK), 10.30-13.30(IT)

Members	Prof Mark Hunt Ms Stefania Valenti Ms Valerie Berdah Levy Prof David Baker Mr Nicola Paronetto Prof David Vaughan Mr Salvatore Sivari Mr Abdullah Abo Milhim	Non-Executive Director(Chair) Director and Managing Director Istituto Marangoni (Vice Chair) Director and London School Director Non-Executive Director IM Ltd Non-Executive Director IM Ltd Non-Executive Director IM Ltd Director and Group Head of Finance Director IM Ltd and Directore of Educaton
Attendees:	Ms Diane Rainsbury Ms Ilenya Antonacci Ms Charlotte Gorse Mr Michael Kerrison	London School Registrar and designated minute taker London School Finance Manager(item 5 & 7.2) Senior Independent Consultant (item 7) DAP Project Manager(item 8)

1. Welcome and purpose of the meeting

The Chair reported that part of the purpose of the meeting was to consider and, if thought fit, approve the payment of an interim dividend of £10 000,000 in respect of the financial period ending on 30 June 2022 (the 'interim dividend') to be paid in cash on 20 June 2022 to the Company's sole shareholder.

The Vice-Chair conveyed a warm welcome to new Board members noting that their appointment would broaden the Board's collective expertise and would achieve further improvement to the operation of the School's governance. The new governance arrangements were considered particularly important in terms of the DAP's project as well as the longer term ambition towards University status. The Group was also entering an ambitious and successful phase with the opening of the Dubai School in September and having also been shortlisted by the Indian Ministry of Education to establish a new degree awarding path in India. Within that context, the acquisition of DAP's would be particularly beneficial across the Group with the longer term opportunity for the development of validation and/or joint and double degree partnerships. The Board noted that the Group had experienced high levels of growth over the year reaching a closing balance of 100 million Euros on all revenues. The London School in particular performed well over the last academic year. The expectation for the London School was to post a year end closing budget of £2.5 million in terms of revenues and £1.5 million in terms of EBITDA

The Chair encouraged other Board members to provide any feedback to him directly on the meeting and it's overall effectiveness. It was noted that there may need to be some adjustment to the governance arrangements based on future operational experience.

ACTION

2. Declarations of interest

None relating to the specific agenda items.

3. Minutes of the previous meeting held on 4 May 2021 BoD(22)3

Subject to the inclusion of pagination, the minutes of the previous meeting held on the 4th of May were approved as an accurate record. ACTION

4. Matters arising

BoD(22)4A

4.1 The Board received and noted the report of matters arising and completed actions since the previous meeting.

Pending

BoD21/6.2 The meeting between the Chair and NED's regarding template for the School Director's salary justification statement.

4.2 BoD22/5.4 There were no further updates to report regarding the outcome and any follow up from the Health and Safety Executive visit.

Completed

BoD/22/5.1 and 5.2 Confirmation was made of the appointment of the new School Director following completion of the due diligence and fit and proper status test. Notification of the reportable event to the OfS and the Board's nomination as Accountable Officer, completion of the Companies House filings and notification and change of authorising officer to the UKVI.

BoD/22/6.2 Presentation of the new Articles of Association for shareholder approval.

BoD22/6.3 Adoption of the Statement of Primary Responsibilities.

BoD22/6.3 and 6.4 Appointment of the independent Chair and replacement of the Group Finance Manager as a Board Director and Pinsent Masons to act as sole Company Secretary.

Bod22/6.6.2 Authorisation and signing of the Governance Agreement.

BoD22/8.1 Appointment of Prof Baker and Nicola Paronetto as Non-Executive Directors following completion of the required due diligence and fit and proper status.

4.3 BoD22/8.2 Appointment of Salvatore Sivari and Abdullah Abo Milhim as Executive Directors following completion of the required due diligence and fit and proper status.

The Chair reported that following the interview of the two candidates for the academic student governor vacancy the final appointments panel recommended appointment of Chiara- Maria Noelle. The Board noted that Chiara was an experienced student representative who had been at the School since 2018 having initially studied on the Foundation programme. The Board confirmed the appointment of Chiara-Maria Noelle to the role of Academic Student Governor to commence from the start of the next academic year. In discussion, it was agreed that the other final shortlisted candidate, Yvonna

Poleivani be offered the opportunity to shadow the Academic Student Governor that could provide an important development opportunity with the potential to be appointed the following academic year.

5. The Board commented on the advisability of restructuring future agendas with reserved items of business either appearing at the start or end of the agenda and agreed to implement the change from the next academic year.

5.1

Statement of Primary Responsibilities

- 5.2 The Board noted its Statement of Primary Responsibilities approved at the previous meeting and instructed that they be published on the governance pages of the website. All confirmed minutes would be reviewed to identify any redaction needed prior to their publication on the school website.

BoD(22)5

ACTION

The Board noted the terms of reference of the Board Committees, (Audit and Risk Committee, Finance and Resources Committee and Academic Board) approved at the previous meeting.

6. Sales update

- 6.1 The School Director gave a sales update noting the continued growth in all programmes apart from Interiors and Product Design. The Board noted the expectation that interiors would recover once the market conditions in India improved while various marketing interventions were being undertaken to improve the visibility of specialist design programmes and extending progression from feeder schools. By contrast, Design overall had performed well. The Board further noted that although there had been a decline in European recruitment following Brexit, the actual downturn had been lower than many competitors with strong recruitment elsewhere and particularly from Asia and the Pacific.

BoD(22)6

BoD(22)6.1

7. Financial update

- 7.1 The Group Head of Finance gave a financial update based on the management accounts and projected balance sheet as at the financial year end of 30 June 2022. The Board noted the School's strong financial performance with it having performed exceptionally well in terms of continued growth in student recruitment. This had resulted in the school being £1.5 million above budget, in terms of EBITDA. The Group Head of Finance confirmed that the projected net profit for the year ending 30 June would be £6,247,630. Cumulative profit reserves, including also the net profit projected for the year ending 30 June, are expected to be around £21.5 and just over £11,5 million with the proposed dividend payment, being based on the School's continuing strong financial performance, including a highly successful year and its overall sustainability.

BoD(22)7

BoD(22)7.1

- 7.1.1 In response to a question regarding the advisability of awarding an interim dividend ahead of the closing of the financial statements, the Board noted the proposed dividend payment would not affect the School's ability to meet its financial commitments, liquidity and its ability to access cash.. The Board was also assured that the dividend would still leave sufficient monies to meet next year's operational

costs, with sufficient liquidity remaining to cover any associated capital expenditure, such as the project's costs planned for the TDAP project and the new tool Thesys.

7.1.2 The Board received and noted the proposed 2022/2023 budget including the investment in additional staffing and consultancy to support the DAP project. Planned future growth, in terms of students, was projected at 7% thereby continuing to support the School's overall sustainability. The final budget was subject to final shareholder approval anticipated for completion by the first week of July.

ACTION

Dividend

7.2 The Board received and considered for approval the proposed payment of an interim dividend payment of £10 000,000 in respect of the 12 month period ending on 30 June 2022 (the **Interim Dividend**).

BoD(22)7.2

7.2.1 The Chair noted that the Articles provide that, subject to certain authorisations being obtained, a director is entitled to vote and be counted in the quorum on a matter in which they are interested and that none of the Directors present were otherwise prevented from doing so. The Chair further noted the authorisations required by the Articles had been obtained and, taking this into account, there was a quorum present for each matter to be considered at the Meeting.

Payment of the interim Dividend

The Chair noted that the directors would need to consider:

- 7.2.2
- i) the Articles for, amongst other things, any rights and obligations in respect of dividends that they contain;
 - ii) the requirements of the Companies Act 2006 ("CA 2006");
 - iii) the amount of profits available for distribution by the Company, determined in accordance with the relevant accounting principles; and
 - iv) the Company's financial position both before and after payment of the Interim Dividend and, in particular, whether the Company will be able to continue trading solvent.

Articles

7.2.3 The Articles were received and presented to the meeting and it was noted that Article 51 empowers the directors to approve an interim dividend to be paid in cash to the shareholders of the Company.

Statutory Requirements and profits available for distribution

The Chair noted and reported the following:

- 7.2.4 i) the Company may only make a distribution out of profits available for the purpose; those profits are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital;
- ii) whether a profit or loss in respect of a particular accounting period is treated as 'realised' is determined by the relevant accounting principles in force at the time the relevant accounts (within the meaning of section 836 CA 2006) for that period were prepared; and
- iii) the accounts that are relevant to determine what profits may be distributed are usually the annual accounts of the company that were last circulated to its shareholders (the "**Latest Annual Accounts**"), unless the Latest Annual Accounts are out of date for the purposes of determining the profits available for distribution, in which case the Company should use its interim accounts (which must be accounts that enable a reasonable judgment to be made in relation to determining the profits available for distribution, taking into account the items listed in paragraph 7.2.4 above).

The Chair further noted that the items, as stated in the relevant accounts (within the meaning of section 836 CA 2006), that are relevant to determining the profits available for distribution are:

- I) profits, losses, assets and liabilities; and
- II) provisions of the following kinds:

- 7.2.5 a) where the relevant accounts (within the meaning of section 836 CA 2006) are Companies Act accounts (as defined in the CA 2006), provisions of a kind specified by regulations under section 396 CA 2006;

- 7.2.6 b) where the relevant accounts (within the meaning of section 836 CA 2006) are IAS accounts (as defined in the CA 2006), provisions of any kind; and in any case, share capital and reserves (including undistributable reserves).

- 7.2.7 The Chair noted that since a reasonable length of time has passed since the Latest Annual Accounts of the Company were finalised and circulated to its shareholder, the directors had agreed that it would not be possible for them to accurately determine the amount of profits available for distribution by reference to the latest Annual Accounts and that they needed to do so by reference to a set of accounts that enabled them to make a reasonable judgment of items referred to in paragraph 5.2.3

- 7.2.8 Accordingly, the directors **RESOLVED** to refer to the management accounts of the Company for the period of 12 months ending on 30 June 2022 (the "**Management Accounts**") to determine the amount of profits available for distribution.

The Chair explained that a dividend made in contravention of the provisions of the CA 2006 would be unlawful and that any shareholder receiving an unlawful dividend who knows or has reasonable grounds to believe that the dividend contravenes the statutory rules will be liable to repay it. The Chair also explained that the directors of the Company who were party to an unlawful dividend may be exposing themselves to potential liability to the Company.

7.2.9

The Chair further explained that the payment of a dividend would also be unlawful, and the directors may be exposed to liability, if it was paid out of capital or if the directors knew (or ought to have concluded) that at the date the dividend was paid there was no

7.2.10

reasonable prospect of the company avoiding an insolvent liquidation.

Company's financial position

The Chair noted that whether or not the Management Accounts show that there are sufficient profits available for distribution, the directors must also consider whether payment of the Interim Dividend would leave the Company with sufficient cash and readily realisable assets to meet its future working capital requirements and to remain solvent.

7.2.11

Consideration of accounts

For the purpose of assessing the amount of profits available for distribution by the Company and the Company's financial position before and after the payment of the Interim Dividend, there was produced to the Meeting a statement on the Management Accounts.

7.2.12

It was noted that the Statement of the Management Accounts had been prepared in all respects in accordance with the usual accounting standards and gave a true and fair view of the Company's financial position.

7.2.13

It was noted that by reference to the Management Accounts, it was evident that an amount of not less than £10, 000, 000 was available for distribution and that these accounts would be treated as the 'relevant accounts' for the purposes of section 836 CA 2006.

Approval of Interim Dividend

Taking into account the various matters raised at the Meeting, the directors were of the opinion that:

- i) the amount of profits available for distribution by the Company at the present time were not less than the amount shown in the relevant accounts (within the meaning of section 836 CA 2006); and
- ii) there was no realistic prospect of the Company becoming insolvent as a result of paying the Interim Dividend.

7.2.14

After due and careful consideration of the Interim Dividend and each of the documents produced to the Meeting, **IT WAS RESOLVED** that:

the Interim Dividend would promote the success of the Company for the benefit of its members as a whole; and

the Interim Dividend is approved, being an interim dividend to be paid in cash on 20 June to the Company's sole shareholder.

DAP update and schedule for submission

The Board considered and noted the DAP progress report including the proposed schedule for the finalisation and approval of the submission. The self-assessment had been drafted in its entirety and was in the process of being peer reviewed between the primary and secondary authors and alignment with the supporting evidence prior to seeking wider feedback across the School and relevant stakeholders. The DAP Project Manager confirmed that the submission was well-advanced and feedback had already been sought on earlier drafts from members of staff and the external consultant. Additionally, a recent consultation event with student representatives had been overwhelmingly positive.

Following the earlier decision to make an application for DAP's, the Board approved the proposal to delegate authority to the School Director to progress the initial application and required preliminary supporting evidence including the required Student Protection Plan. Thereafter, the Board agreed that the final appraisal of the self-assessment would be subject to the approval of the Academic Board for formal recommendation to the Board of Directors.

ACTION

BoD(22)8

8.

8.1

It was further agreed that Professor Baker would provide his professional judgement and view of the SAD to the PMO , responsible for the SAD, this would also include consideration of the appendices.

There was a discussion on the importance of the accompanying resource strategy and business plan for DAP's to meet the School's subsequent operational costs and identified future investment from external validation savings. The strategy and accompanying business plan would be submitted for detailed consideration by the Finance and Resources Committee.

8.1.2

The Board noted that a DAP's implementation Plan covering a five year period was also in the process of being developed and would be finalised for inclusion in the SAD narrative. The Board recognised the importance of the plan in identifying further areas of development including those beyond the probationary period.

DAP financial scenarios

8.1.3

The Board received and noted the update on financial matters relating to DAP's and further scenario planning based on the risk of not attaining DAPs, in particular the need to retain flexibility regarding the project's duration and completion post application. The Vice-Chair explained that the proposed partnership with Regents would provide the required contingency and risk mitigation strategy beyond the initial three years. Whereas MMU had been less flexible in its approach to date. This new approach can also allow to have optimization in validation costs, and in services provided to the students and more flexibility to support the timescale of the project.

ACTION

8.1.4

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ACTION

8.1.5

ACTION

Proposed validation partnership development

8.2

The Vice-Chair reported on strategic discussions taking place between Regents and IML over the development of a long-term partnership with Regents University and drew attention to the following benefits:

ACTION

8.2.1

- i) being part of the GGE network of cognate higher education would form part of the School's strategy;
- ii) greater opportunity for academic collaboration including in business related subjects;
- iii) students would benefit from being able to access additional, more locally based support services;
- iv) reduced validation costs would enable savings to be re-invested in the DAP project;
- v) greater efficiency and responsiveness compared to the anonymity of the significantly larger MMU operation;
- vi) recovery plan if DAP will take longer than expected to have an academic validation in place

9.

9.1.

The Chair drew attention to the importance of ensuring there was a demonstrable academic rationale as well as a business case for the development of any new validation partnership and the potential complexity within the context of the DAP project. In discussion, the Board noted management's intention not to renew its partnership with MMU the next renewal period being due in August 2023 and the importance of having alternative validation arrangements in place during the progression of DAP's. In that regard, Regents was well-placed to mitigate any potential risk.

BoD(22)9

The Board concluded that notwithstanding the potential strategic benefit of the proposed partnership, there were potential risks in terms of timing and complexity within the context of the DAP's application. The board approved the new validator Regent's. In that regard the Board drew attention to the importance of carefully thinking through the proposed sequencing underpinned by a clear roadmap [which had already been developed by management] for presentation to the next board of Directors.

9.2

In discussion a range of views were expressed regarding the management of the potential narrative in the SAD, dependent on the status of the negotiations at the time of initial application and any subsequent developments during progression of the application and scrutiny.

9.3

9.4		ACTION
10.	Regulatory and Public Health Updates	BoD(21)10
10.1	The Board received and noted the regulatory and public health updates including the forthcoming return deadlines and the recently published CUC Guidance on Tackling Harrassment and Sexual Misconduct. The Board agreed to include the report on the recent governance event organised by GuildHE attended by Prof Baker.	BoD(21)10.1 ACTION
11.	Governance and Policies	
	Annual Reports	BoD(22)11
11.1	The Board considered the following Annual Reports and their recommendations arising therefrom:	
	Board of Governors Annual Report	
11.1(i)	The Board noted the report's recommendations and agreed on the importance of them being addressed as part of the implementation of the new governance arrangements.	BoD(21)11.1 (i)
	Audit Committee Annual Report	ACTION
11.2(ii)	The Board endorsed the report's areas for development to be taken forward including the further development of the Risk Management Framework and finalisation and approval of the Risk Appetite Statement.	BoD(22)11.2(ii)
11.3	While it was acknowledged that future reports were likely to be shorter, the detailed report provided a useful account of the difficulties encountered with the previous auditors and the outcome from the mapping against the CUC and IHE governance Codes.	ACTION
	Governance Handbook	
12.	The Board considered and approved the Governance Handbook including the Board's policy on managing conflicts of interest.	
12.1	Minutes of meetings of Board sub-committees	BoD(22)12
13.	The Board noted the minutes of the meetings of the following Board and committees:	
13.1	Minutes of the meetings of the Board of Governors held on 11 November 2021 and 3 May 2022 Minutes of the meetings of the Audit Committee held on 20 January 2022 Minutes of the School Board held on 25 January 2022 and 12 April 2022.	BoD(22)13

13.2 The Chair of the Audit and Risk Committee drew attention to some remaining business arising from the recent audit of administrative and financial procedures. The Board noted the management response and detailed action plan was being followed up and would be presented to ARC's next meeting.

14. **Any other business**

There being no further business the Chair closed the meeting.

ACTION

15. **Date of next meeting and 2022/2023 meeting schedule**

Week commencing 26 September 2022 or 3 October

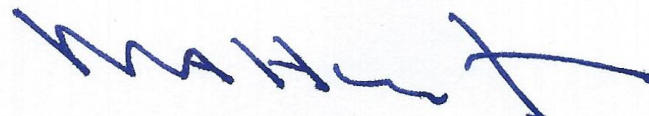
2022/2023 Schedule of meetings

Week/commencing 28 November 2022

6 February 2023

26 or 27 June 2023

Signed.....



Prof Mark Hunt (Chair).

Date: 02-09-2022