

LONDON METROPOLITAN NETWORK LIMITED

Registration Number : 3913274

REPORT

AND

FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2005

LONDON METROPOLITAN NETWORK LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2005

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LONDON METROPOLITAN NETWORK LIMITED

COMPANY INFORMATION

Directors at the date of this report:

Professor Rick Trainor (Chair of Board)
Mr. Russell Altendorff
Mr. Ed Carter
Mrs. Theresa Drowley
Mr. Philip Harding
Ms. Caroline Jones
Ms. Maggie Knights
Mr. John Robinson
Professor Roland Rosner
Mr. Tony Rybacki
Mr. Michael John Stone

Company Secretary at the date of this report:

Mr. Philip Harding

Registered Office :

20 Guilford Street
London
WC1N 1DZ

Auditors :

Knox Cropper
16 New Bridge Street
London
EC4V 6AX

Bankers :

Barclays Bank PLC
P.O. Box 1006
Barking
IG11 8AT

Solicitors :

Farrer & Co.
66 Lincoln's Inn Field,
London
WC2A 3LH

LONDON METROPOLITAN NETWORK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st July 2005.

1. Legal Status

The company is an incorporated company limited by guarantee with a memorandum and articles of association. The Members of the company are Higher Education Institutions and Further Education Colleges in the Greater London region. The liability of each Member is limited to such amount not exceeding one pound.

2. Activities

The principal activity of the company in the year was the provision of network facilities for colleges and universities in London.

3. Results for the Year

The result for the year is shown in the Profit and Loss Account on page 6 and the financial position of the company at the year end is shown in the Balance Sheet on page 7.

4. Directors

The directors in office during the period and up to the date of this report were as follows :

Professor Rick Trainor (Chair of Board)
Mr. Russell Altendorff
Mr. Ed Carter
Mrs. Theresa Drowley (Appointed 31 January 2005)
Mr. Philip Harding
Ms. Caroline Jones (Appointed 31 January 2005)
Mr. Michael Kahn (Resigned 30 April 2005)
Ms. Maggie Knights
Mr. John Robinson (Appointed 6 July 2004)
Professor Roland Rosner
Mr. Tony Rybacki (Appointed 11 April 2005)
Mr. Michael John Stone
Ms. Jean Sykes (Resigned 31 January 2005)

LONDON METROPOLITAN NETWORK LIMITED

DIRECTORS' REPORT (Continued)

5. Review of the Business

The Directors consider the company's performance for the year and its financial position at the year end to be satisfactory.

During the year London Metropolitan Network Limited continued to operate the network providing services to UKERNA, LMN members and external customers. Online backup and mail filtering services were in full operation.

The company has taken out Directors and Officers liability insurance at a cost of £1,365 for the year.

6. Auditors

Knox Cropper have indicated their willingness to continue in office and a resolution to propose their reappointment will be put to the members at the Annual General Meeting.

7. Use of Public Funds

The Directors confirm that payments received either directly or through UKERNA from the higher and further education funding councils have been applied for the purposes for which they were provided.

Approved by the Board of Directors on 9th December 2005 and signed on behalf of the Board by:

Philip Harding
(Secretary)

LONDON METROPOLITAN NETWORK LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT**TO THE MEMBERS OF LONDON METROPOLITAN NETWORK LIMITED**

We have audited the financial statements of London Metropolitan Network Limited for the year ended 31st July 2005 set out on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the financial statements, and consider whether it is consistent with the audited financial statements. This information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

16 New Bridge Street
London EC4V 6AX

9th December 2005

Knox Cropper
Chartered Accountants
Registered Auditors

LONDON METROPOLITAN NETWORK LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST JULY 2005**

	Notes	2005 £	2004 £
Turnover	2	2,381,336	1,985,472
Cost of Sales		(2,139,270)	(1,708,069)
Gross Profit		242,066	277,403
Administration Expenses		(223,890)	(246,882)
Operating Profit	4	18,176	30,521
Interest Receivable and Similar Income	3	11,840	4,252
Profit on Ordinary Activities before taxation		30,016	34,773
Tax on Profit on Ordinary Activities	5	(1,301)	-
Retained Profit for the Financial Year		28,715	34,773
Retained Profit Brought Forward		148,554	113,781
Retained Profit Carried Forward		£177,269	£148,554

There were no recognised gains or losses other than those shown above. Therefore no separate Statement of Total Recognised Gains and Losses is produced.

All activities reflected above represent continuing operations.

LONDON METROPOLITAN NETWORK LIMITED**BALANCE SHEET****AS AT 31ST JULY 2005**

	Notes	2005		2004	
		£	£	£	£
Fixed Assets					
Computer Equipment	7		-		-
Current Assets					
Debtors	8	584,695		710,036	
Cash at Bank and in Hand		485,617		453,276	
		<u>1,070,312</u>		<u>1,163,312</u>	
Creditors : Amounts falling due within one year	9	(176,088)		(471,740)	
Net Current Assets			894,224		691,572
Creditors : Amounts falling due after more than one year	10		(716,955)		(543,018)
Total Assets Less Liabilities			<u>£177,269</u>		<u>£148,554</u>
Reserves					
Profit and Loss Account			177,269		148,554
Total Funds			<u>£177,269</u>		<u>£148,554</u>

These Financial Statements were approved by the Board of Directors on 9th December 2005 and were signed on its behalf by:

 Professor Rick Trainor
 (Director)

LONDON METROPOLITAN NETWORK LIMITED**CASH FLOW STATEMENT FOR THE YEAR****ENDED 31ST JULY 2005**

	Notes	2005		2004	
		£	£	£	£
Net Cash Inflow from Operating Activities	11		21,950		354,711
Returns on Investments and Servicing of Finance					
Interest Received	3	<u>10,391</u>		<u>3,788</u>	
Net Cash Inflow from Returns on Investments and Servicing of Finance			10,391		3,788
Capital Expenditure					
Additions of Fixed Assets	7	<u>-</u>		<u>-</u>	
Taxation Paid			<u>-</u>		<u>-</u>
			<u>£32,341</u>		<u>£ 358,499</u>
Increase in Cash for the year	12		<u>£32,341</u>		<u>£ 358,499</u>

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2005****1. ACCOUNTING POLICIES**

- The Financial Statements have been produced in accordance with applicable accounting standards and have been prepared under the historical cost convention.
- Debtors are stated net of full provision for doubtful items.
- Fixed assets which consist entirely of computer hardware and software are depreciated on a straight line basis over 3 years.
- Grants received to finance the purchase of computer hardware and software are treated as deferred capital grants and amortised to the profit and loss account over a three year period to offset the depreciation charge on the assets acquired. The amortisation of deferred capital grants to the profit and loss account is reflected within turnover.
- Items of income and expenditure are accounted for under the accruals concept.
- In accordance with FRS 19 "Deferred Tax" a full deferred tax provision is recognised for all liabilities in respect of short-term reversing timing differences. In the current year no provision was necessary.

2. TURNOVER

Turnover and profit are attributable to one class of business activity of the company undertaken in the United Kingdom. Turnover consists of:

	2005		2004	
	Turnover	Operating Profit	Turnover	Operating Profit
	£	£	£	£
Amortisation of deferred capital grants	-	-	83,781	-
Mail filtering commission	10,544	10,544	-	-
Online backup services	42,120	(2,422)	-	-
Grant funding	2,215,132	-	1,796,866	-
Subscriptions	113,540	10,054	104,825	30,521
	£2,381,336	£18,176	£1,985,472	£30,521

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	2004
	£	£
Accrued Bank Interest Brought Forward	(983)	(519)
Bank Interest Received	10,391	3,788
Accrued Bank Interest Carried Forward	2,432	983
	£11,840	£ 4,252

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2005 (Continued)****4. OPERATING PROFIT IS STATED AFTER CHARGING**

	2005	2004
	£	£
Auditors' Remuneration		
Audit	3,500	3,500
Accountancy	700	-
Depreciation	-	92,115
Directors Liability Insurance	1,365	1,365
	<u>1,365</u>	<u>1,365</u>

5. TAXATION

UK Corporation Tax at 23.75%(2004:0%)	1,301	-
Under/Overprovision for preceding year	-	-
Total Current Charge	<u>1,301</u>	<u>-</u>
Deferred Taxation Originating from the reversal of Timing Differences	-	-
	<u>£1,301</u>	<u>£ -</u>

Tax Charge Reconciliation:

Profit on Ordinary Activities before Tax	<u>£30,016</u>	<u>£ 34,773</u>
Profit on Ordinary Activities at the lower marginal rate of Corporation Tax, 23.75% (2004: small companies rate of 19%)	7,129	6,607
Capital Allowances less than Depreciation Charge for Year	-	17,502
Exempt Deferred Capital Grants	-	(15,918)
Utilisation of Tax Losses	(3,453)	(7,382)
Effect of zero rating of first £10,000	<u>(2,375)</u>	<u>(809)</u>
	<u>£1,301</u>	<u>£ -</u>

6. EMPLOYEES' AND DIRECTORS' REMUNERATION

The company employed two members of staff in the current year. One of the Directors was remunerated £21,667 for his services (2004 : Nil). No Directors were reimbursed expenses (2004 : £ nil).

The company utilised the services of employees of one of its members during part of the year and accepted recharges in respect of their payroll costs. Costs recharged in the current year amounted to £166,354 (2004 : £203,822). One of the company's directors during the year is an employee of this member company and amounts recharged in respect of this person amounted to £37,390 (2004 : £48,825).

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2005 (Continued)****6. EMPLOYEES' AND DIRECTORS' REMUNERATION (Continued)**

STAFF COSTS	2005	2004
	£	£
Gross Pay	24,444	-
Social Security Costs	2,868	-
Pension Costs	-	-
	<u>£27,312</u>	<u>£ -</u>

7. FIXED ASSETS

	Computer Hardware and Software	
	2005	2004
	£	£
Cost brought forward	819,569	819,569
Additions	-	-
Cost carried forward	<u>819,569</u>	<u>819,569</u>
Accumulated depreciation brought forward	819,569	727,454
Charge for year	-	92,115
Accumulated depreciation carried forward	<u>819,569</u>	<u>819,569</u>
Net Book Value 31 st July 2005	<u>£ -</u>	<u>£ -</u>

8. DEBTORS

	2005	2004
	£	£
Trade Debtors	377,283	551,861
Sundry Debtors	2,007	5,775
VAT Recoverable	64,223	-
Prepayments and Accrued Income		
Prepayments	138,750	151,417
Interest Receivable	2,432	983
	<u>£584,695</u>	<u>£710,036</u>

Trade debtors consist of members subscriptions and the costs recharged to members of linking to the network.

Prepayments represent maintenance contracts for the network.

9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

Payments Received on Account	20,500	45,893
Trade Creditors	140,423	309,286
Corporation Tax	1,301	-
VAT	-	99,592
Accruals	13,864	16,969
	<u>£176,088</u>	<u>£471,740</u>

Payments received on account represent revenue grants received in advance from UKERNA.

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2005 (Continued)****10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	-----2005-----			2004	
	Subordinat- ed Loans £	Deferred Capital Grant £	UKERNA RPAN Reserve £	Total £	Total £
Balance brought forward	196,000	100,164	246,854	543,018	383,463
Receivable in the year	6,000	-	167,937	173,937	246,854
Loans previously recognised not received	-	-	-	-	(6,000)
Released to Profit and Loss Account	-	-	-	-	(81,299)
	<u>£202,000</u>	<u>£100,164</u>	<u>£414,791</u>	<u>£716,955</u>	<u>£543,018</u>

The subordinated loans are interest free loans provided by all the members of the company and they are refundable to members in the event of the company winding up but only after all other creditors have been settled in full.

The deferred capital grant represents a grant received from UKERNA to finance the purchase of equipment.

The UKERNA RPAN reserve represents grant funding received from UKERNA to be expended by the company on the provision or enhancement of the service it has agreed to provide.

11. RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Profit on ordinary activities before taxation	30,016	34,773
Add: Depreciation charge for the period	-	92,115
Less: Interest receivable	(11,840)	(4,252)
	<u>18,176</u>	<u>122,636</u>
Decrease/(Increase) in debtors	126,790	(55,269)
(Decrease)/Increase in creditors	(123,016)	287,344
Net cash inflow from operating activities	<u>£21,950</u>	<u>£354,711</u>

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2005 (Continued)****12. ANALYSIS OF CHANGES IN NET FUNDS**

	At 31st July 2005 £	At 31st July 2004 £	Cash Inflow £
Cash at Bank and in Hand	£485,617	£453,276	£32,341
	At 31st July 2004 £	At 31st July 2003 £	Cash Inflow £
Cash at Bank and in Hand	£453,276	£94,777	£358,499

13. RELATED PARTY TRANSACTIONS

The company utilised the services of employees of one of its members and accepts recharges in respect of payroll costs and book-keeping services.

Costs recharged are as follows :

	2005 £	2004 £
Staff Costs	166,354	203,822
Book-keeping fees	5,838	7,755
	<u>£172,192</u>	<u>£211,577</u>

One of the company's directors during the year is an employee of this member company and amounts recharged in respect of this person, and included in Staff Costs above, amounted to £37,390 (2004: £48,825).