

The Directors,
London Metropolitan Network Limited,
20 Guilford Street,
London
WC1N 1DZ

JDJ/RBB/PB/038502

10th November 2005

Dear Sirs,

**LONDON METROPOLITAN NETWORK LIMITED
– AUDIT FOR THE YEAR ENDED 31ST JULY 2005**

As we have now completed our work in connection with the above, in accordance with best professional practice, I write to inform you of the matters of note that came to our attention during the conduct of our work. These matters are included in the Appendix to this letter.

It should be noted that these matters came to light as a result of the application of normal audit procedures which are designed primarily to allow us to express an opinion on the financial statements of the company. As such they cannot be relied upon to provide comprehensive coverage of all systems weaknesses which may exist and which would only come to light by undertaking a full systems review.

This report has been compiled for the sole use of the company's directors and whilst we consent to the report being communicated to third parties at the company's discretion this is done on the basis that we, as auditors, assume no responsibility to any third party.

We would, of course, be pleased to discuss any of the matters raised with the Board should you so require.

In closing I would like to take this opportunity of thanking your staff for the assistance given to us during the conduct of our work.

Yours sincerely,

J.D. Jones

LONDON METROPOLITAN NETWORK LIMITED
MATTERS ARISING FROM AUDIT
FOR THE YEAR ENDED 31ST JULY 2005

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LONDON METROPOLITAN NETWORK LIMITED

MATTERS ARISING FROM THE AUDIT

FOR THE YEAR ENDED 31ST JULY 2005

1. INTRODUCTION

This letter is produced under Statement of Auditing Standards 610 and its content reflects the requirements of the standard. The purpose of this document is to communicate to those charged with governance the findings of the audit.

The document consists of :

- (i) details of any modifications to the auditors report;
- (ii) details of any unadjusted misstatements;
- (iii) details of any significant weaknesses in accounting systems and internal controls;
- (iv) comments on qualitative aspects of accounting practices and financial reporting;
and
- (v) details of any other matters arising from the audit.

We are required as external auditors to report whether the financial statements show a true and fair view. Our work has been carried out in accordance with relevant legislation, auditing standards and guidelines and as agreed in our letter of engagement.

We confirm that our audit has been completed to our satisfaction.

2. MODIFICATIONS TO THE AUDIT REPORT

We are pleased to report that our audit report will be unqualified and the text of the report included in the accounts is identical to the text prescribed by the Institute of Chartered Accountants for unqualified reports.

3. DETAILS OF UNADJUSTED MISSTATEMENTS IN THE ACCOUNTS

We confirm that no errors were detected by the audit which have remained unadjusted other than matters which are clearly trifling both in isolation and in aggregate.

4. SIGNIFICANT WEAKNESSES IN ACCOUNTING SYSTEMS AND INTERNAL CONTROLS

Our audit did not detect any significant weaknesses in accounting systems and internal controls.

LONDON METROPOLITAN NETWORK LIMITED

MATTERS ARISING FROM THE AUDIT

FOR THE YEAR ENDED 31ST JULY 2005

5. QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING

We are pleased to report that the accounting policies adopted by the Company are, in our opinion, appropriate to its circumstances and adequately disclosed. These policies have been consistently applied year on year. Furthermore, in our view, the judgements exercised by management in the preparation of the accounts have been exercised in a prudent and even handed manner.

6. OTHER MATTERS ARISING FROM THE AUDIT

(i) Staff changes during the year

The company's management changed completely during the year and as a result continuity over some accounting procedures was lost. The principal problems identified were as follows :

- (a) No bank reconciliations for the year could be provided to us and we were required to perform the reconciliation for the whole year. Our reconciliation was further complicated by post year end receipts and payments being recorded on the nominal ledger as transactions prior to the year end and it was necessary to correct these entries.
- (b) The outstanding balance held on the rpan reserve at 31st July 2005 could not be readily identified at the time of the audit. Further work was required by Tony Rybacki, Neil Dickinson and ourselves to agree this balance.

(ii) Related Party Transactions

The company deals principally with its members, and its directors are generally representatives of some of those members. The company is required to disclose in its financial statements any transactions with related parties and to help ensure that all relevant transactions are identified. Best practice suggests that the company should maintain a register of interests of all its directors and senior management. Our review of these records indicated that they needed to be updated and we understand that this will be done shortly.

(iii) Charitable Status

We understand that the company is currently considering ways to reduce its tax liability and one route being considered is applying for charitable status. There are a number of implications of this and we are currently advising management on the advantages and disadvantages of this change in status.