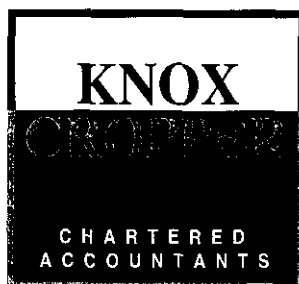


# LONDON METROPOLITAN NETWORK LIMITED

Registration Number : 3913274

**REPORT  
AND  
FINANCIAL STATEMENTS  
YEAR ENDED 31<sup>ST</sup> JULY 2004**



**LONDON METROPOLITAN NETWORK LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31<sup>ST</sup> JULY 2004**

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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  
Mr. Philip Harding  
Mr. Michael Kahn  
Ms. Maggie Knights  
Professor Roland Rosner  
Mr. Michael John Stone  
Ms. Jean Sykes

**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 2004.

**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 period was the provision of network facilities for colleges and universities in London.

**3. Results for the Period**

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  
Mr. Philip Harding  
Mr. Michael Kahn  
Ms. Maggie Knights  
Professor Roland Rosner  
Mr. Michael John Stone  
Ms. Jean Sykes

**LONDON METROPOLITAN NETWORK LIMITED**

**DIRECTORS' REPORT (Continued)**

**5. Review of the Business**

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

During the period London Metropolitan Network Limited continued to operate the network providing services to UKERNA, LMN members and its first external customers. Online backup and mail filtering services were piloted.

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 21<sup>st</sup> December 2004 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 31<sup>st</sup> July 2004 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.

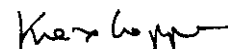
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity 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 31<sup>st</sup> July 2004 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

21<sup>st</sup> December 2004



Knox Cropper  
Chartered Accountants  
Registered Auditors

**LONDON METROPOLITAN NETWORK LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2004**

	Notes	2004 £	2003 £
Turnover	2	1,985,472	2,025,340
Cost of Sales		(1,708,069)	(1,817,144)
<b>Gross Profit</b>		277,403	208,196
Administration Expenses		(246,882)	(212,895)
<b>Operating Profit/(Loss)</b>	4	30,521	(4,699)
Interest Receivable and Similar Income	3	4,252	2,876
<b>Profit/(Loss) on Ordinary Activities before taxation</b>		34,773	(1,823)
Tax on Profit on Ordinary Activities	5	-	-
<b>Retained Profit/(Loss) for the Financial Period</b>		34,773	(1,823)
<b>Retained Profit Brought Forward</b>		113,781	115,604
<b>Retained Profit Carried Forward</b>		£148,554	£ 113,781

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 31<sup>ST</sup> JULY 2004**

	Notes	2004		2003	
		£	£	£	£
<b>Fixed Assets</b>					
Computer Equipment	7		-		92,115
<b>Current Assets</b>					
Debtors	8	710,036		654,303	
Cash at Bank and in Hand		453,276		94,777	
		<u>1,163,312</u>		<u>749,080</u>	
Creditors : Amounts falling due within one year	9	(471,740)		(343,951)	
<b>Net Current Assets</b>			691,572		405,129
Creditors : Amounts falling due after more than one year	10		(543,018)		(383,463)
<b>Total Assets Less Liabilities</b>			<u>£148,554</u>		<u>£ 113,781</u>
<b>Reserves</b>					
Profit and Loss Account			148,554		113,781
<b>Total Funds</b>			<u>£148,554</u>		<u>£ 113,781</u>

These Financial Statements were approved by the Board of Directors on 21<sup>st</sup> December 2004 and were signed on its behalf by:

*Richard H Trainor*

Professor Rick Trainor  
(Director)

**LONDON METROPOLITAN NETWORK LIMITED****CASH FLOW STATEMENT FOR THE YEAR****ENDED 31<sup>ST</sup> JULY 2004**

	<b>Notes</b>	<b>2004</b>		<b>2003</b>	
		£	£	£	£
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	11		354,711		(83,161)
<b>Returns on Investments and Servicing of Finance</b>					
Interest Received	3	<u>3,788</u>		<u>2,608</u>	
<b>Net Cash Inflow from Returns on Investments and Servicing of Finance</b>			3,788		2,608
<b>Capital Expenditure</b>					
Additions of Fixed Assets	7	<u>-</u>		<u>-</u>	
Taxation Paid			-		(121)
			<u>£ 358,499</u>		<u>£ (80,674)</u>
<b>Increase/(Decrease) in Cash for the Period</b>	12		<u>£ 358,499</u>		<u>£ (80,674)</u>

**LONDON METROPOLITAN NETWORK LIMITED****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2004****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 a net deferred asset of £3,234 arose as a result of carried forward trading losses exceeding the deferred liability arising on accelerated capital allowances and no provision was therefore 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:

	<b>2004</b>		<b>2003</b>	
	<b>Turnover</b>	<b>Operating Profit</b>	<b>Turnover</b>	<b>Operating (Loss)</b>
	£	£	£	£
Amortisation of deferred capital grants and Other Income	83,781	-	262,373	-
Grant funding	1,796,866	-	1,648,073	-
Subscriptions	104,825	30,521	114,894	(4,699)
	<u>£1,985,472</u>	<u>£30,521</u>	<u>£2,025,340</u>	<u>£(4,699)</u>

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2004</b>	<b>2003</b>
	£	£
Accrued Bank Interest Brought Forward	(519)	(251)
Bank Interest Received	3,788	2,608
Accrued Bank Interest Carried Forward	983	519
	<u>£4,252</u>	<u>£ 2,876</u>

**LONDON METROPOLITAN NETWORK LIMITED****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2004 (Continued)****4. OPERATING PROFIT/(LOSS) IS STATED AFTER CHARGING**

	<b>2004</b>	<b>2003</b>
	£	£
Auditors' Remuneration		
Audit	3,500	2,700
Depreciation	92,115	273,189
Directors Liability Insurance	1,365	1,260
	<u>          </u>	<u>          </u>

**5. TAXATION**

UK Corporation Tax at 0% (2003:0%)	-	-
Under provision for preceding year	-	-
Total Current Charge	-	-
Deferred Taxation Originating from the reversal of Timing Differences	-	-
	<u>          </u>	<u>          </u>
	£ -	£ -
	<u>          </u>	<u>          </u>

## Tax Charge Reconciliation:

Profits/(Losses) on Ordinary Activities before Tax	£ 34,773	£ (1,823)
Profit on Ordinary Activities at the Starting Rate of Corporation Tax, 19% (2003: 0%)	6,607	-
Capital Allowances less than Depreciation Charge for Year	17,502	-
Exempt Deferred Capital Grants	(15,918)	-
Utilisation of Tax Losses	(7,382)	-
Interest Receivable taxed at small companies rate of 0%	(809)	-
	<u>          </u>	<u>          </u>
	£ -	£ -
	<u>          </u>	<u>          </u>

**6. EMPLOYEES' AND DIRECTORS' REMUNERATION**

The company has no employees. None of the Directors are remunerated for their services (2003 : Nil). No Directors were reimbursed expenses (2003 : £ nil).

The company utilises the services of employees of one of its members and accepts recharges in respect of payroll costs. Costs recharged in the current year amounted to £ 203,822 (2003 : £157,269). One of the company's directors is an employee of this member company and amounts recharged in respect of this person amounted to £48,825 (2003 : £41,624).

**LONDON METROPOLITAN NETWORK LIMITED****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2004 (Continued)****7. FIXED ASSETS**

	<b>Computer Hardware and Software</b>	
	<b>2004</b>	<b>2003</b>
	£	£
Cost brought forward	819,569	819,569
Additions	-	-
Cost carried forward	<u>819,569</u>	<u>819,569</u>
Accumulated depreciation brought forward	727,454	454,265
Charge for year	92,115	273,189
Accumulated depreciation carried forward	<u>819,569</u>	<u>727,454</u>
Net Book Value 31 <sup>st</sup> July 2004	<u>£ -</u>	<u>£92,115</u>

**8. DEBTORS**

	<b>2004</b>	<b>2003</b>
	£	£
Trade Debtors	551,861	515,034
Sundry Debtors	5,775	-
Prepayments and Accrued Income		
Prepayments	151,417	138,750
Interest Receivable	983	519
	<u>£710,036</u>	<u>£654,303</u>

Trade debtors consist of members subscriptions and the costs recharged to members of linking to the network invoiced predominantly in July 2004.

Prepayments represent maintenance contracts for the network.

**9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2004</b>	<b>2003</b>
	£	£
Payments Received on Account	45,893	171,072
Trade Creditors	309,286	5,875
Corporation Tax	-	-
VAT	99,592	81,138
Accruals	16,969	85,866
	<u>£471,740</u>	<u>£343,951</u>

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

**LONDON METROPOLITAN NETWORK LIMITED****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2004 (Continued)****10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	-----2004-----			2003
	Subordinated Loans	Deferred Capital Grant	Total	Total
	£	£	£	£
Balance brought forward	202,000	181,463	383,463	645,836
Receivable	-	246,854	246,854	-
Loans previously recognised not received	(6,000)	-	(6,000)	-
Released to Profit and Loss Account	-	(81,299)	(81,299)	(262,373)
	<u>£196,000</u>	<u>£ 347,018</u>	<u>£543,018</u>	<u>£383,463</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.

**11. RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	2004	2003
	£	£
Profit/(Loss) on ordinary activities before taxation	34,773	(1,823)
Add: Depreciation charge for the period	92,115	273,189
Less: Interest receivable	(4,252)	(2,876)
	<u>122,636</u>	<u>268,490</u>
(Increase) in debtors	(55,269)	(318,176)
Increase/(Decrease) in creditors	287,344	(33,475)
Net cash inflow/(outflow) from operating activities	<u>£354,711</u>	<u>£(83,161)</u>

**LONDON METROPOLITAN NETWORK LIMITED****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2004 (Continued)****12. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At 31<sup>st</sup> July 2004 £</b>	<b>At 31<sup>st</sup> July 2003 £</b>	<b>Cash Inflow £</b>
Cash at Bank and in Hand	<u>£453,276</u>	<u>£94,777</u>	<u>£358,499</u>

	<b>At 31<sup>st</sup> July 2003 £</b>	<b>At 31<sup>st</sup> July 2002 £</b>	<b>Cash Outflow £</b>
Cash at Bank and in Hand	<u>£94,777</u>	<u>£175,451</u>	<u>£(80,674)</u>

**13. RELATED PARTY TRANSACTIONS**

The company utilises the services of employees of one of its member's and accepts recharges in respect of payroll costs and book-keeping services.

Costs recharged are as follows :

	<b>2004 £</b>	<b>2003 £</b>
Staff Costs	203,822	157,269
Book-keeping fees	<u>7,755</u>	<u>6,405</u>
	<u>£211,577</u>	<u>£163,674</u>

One of the company's directors is an employee of this member company and amounts recharged in respect of this person, and included in Staff Costs above, amounted to £48,825 (2003 : £41,624).