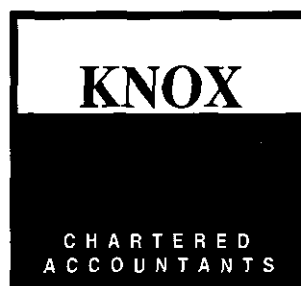


LONDON METROPOLITAN NETWORK LIMITED

Registration Number : 3913274

**REPORT
AND
FINANCIAL STATEMENTS
YEAR ENDED 31ST JULY 2003**



LONDON METROPOLITAN NETWORK LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2003

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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 2003.

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)	(Chair from 1 October 2002)
Professor Tim O'Shea (Chair of Board)	(Resigned 30 September 2002)

Mr. Russell Altendorff

Mr. Ed Carter

Mr. Geoff Cooper

(Resigned 31 January 2003)

Ms. Susan Gove

(Resigned 28 January 2003)

Mr. Philip Harding

Mr. Michael Kahn

Ms. Maggie Knights

(Appointed 2 May 2003)

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 took full financial and operational responsibility for the operation of the network including the maintenance of the routing equipment. This has required a revised contract with UKERNA who fully fund this activity.

The company has taken out Directors and Officers liability insurance at a cost of £ 1,260 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 20th January 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 31st July 2003 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 2003 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

20th January 2004


Knox Cropper
Chartered Accountants
Registered Auditors

LONDON METROPOLITAN NETWORK LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR****ENDED 31ST JULY 2003**

	Notes	2003 £	2002 £
Turnover	2	2,025,340	1,013,728
Cost of Sales		(1,817,144)	(918,099)
Gross Profit		<hr/> 208,196	<hr/> 95,629
Administration Expenses		(212,895)	(68,232)
Operating (Loss)/Profit	4	<hr/> (4,699)	<hr/> 27,397
Interest Receivable and Similar Income	3	2,876	1,816
(Loss) / Profit on Ordinary Activities before taxation		<hr/> (1,823)	<hr/> 29,213
Tax on Profit on Ordinary Activities	5	-	(121)
Retained (Loss)/Profit for the Financial Period		<hr/> (1,823)	<hr/> 29,092
Retained Profit Brought Forward		115,604	86,512
Retained Profit Carried Forward		<hr/> <hr/> £ 113,781	<hr/> <hr/> £115,604

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 2003**

	Notes	2003		2002	
		£	£	£	£
Fixed Assets					
Computer Equipment	7		92,115		365,304
Current Assets					
Debtors	8	654,303		335,859	
Cash at Bank and in Hand		94,777		175,451	
		<u>749,080</u>		<u>511,310</u>	
Creditors : Amounts falling due within one year	9	(343,951)		(115,174)	
Net Current Assets			405,129		396,136
Creditors : Amounts falling due after more than one year	10		(383,463)		(645,836)
Total Assets Less Liabilities			<u>£ 113,781</u>		<u>£115,604</u>
Reserves					
Profit and Loss Account			113,781		115,604
Total Funds			<u>£ 113,781</u>		<u>£115,604</u>

These Financial Statements were approved by the Board of Directors on 20th January 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 31ST JULY 2003**

	Notes	2003		2002	
		£	£	£	£
Net Cash (Outflow)/Inflow from Operating Activities	11		(83,161)		271,138
Returns on Investments and Servicing of Finance					
Interest Received	3	<u>2,608</u>		<u>1,854</u>	
Net Cash Inflow from Returns on Investments and Servicing of Finance			2,608		1,854
Capital Expenditure					
Additions of Fixed Assets	7	<u>-</u>		<u>276,345</u>	
Taxation Paid			<u>(121)</u>		<u>-</u>
			<u>£ (80,674)</u>		<u>£ (3,353)</u>
Decrease in Cash for the Period	12		<u>£ (80,674)</u>		<u>£ (3,353)</u>

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR****ENDED 31ST JULY 2003****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 £8,015 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:

	2003		2002	
	Turnover	Operating Loss	Turnover	Operating Profit
	£	£	£	£
Amortisation of deferred capital grants	262,373	-	262,374	-
Grant funding	1,648,073	-	734,333	27,397
Subscriptions	114,894	(4,699)	17,021	-
	<u>£2,025,340</u>	<u>£(4,699)</u>	<u>£1,013,728</u>	<u>£ 27,397</u>

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2002
	£	£
Accrued Bank Interest Brought Forward	(251)	(289)
Bank Interest Received	2,608	1,854
Accrued Bank Interest Carried Forward	519	251
	<u>£ 2,876</u>	<u>£ 1,816</u>

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR****ENDED 31ST JULY 2003 (Continued)****4. OPERATING (LOSS)/PROFIT IS STATED AFTER CHARGING**

	2003	2002
Auditors' Remuneration	£	£
Audit	2,700	2,650
Depreciation	273,189	273,190
Directors Liability Insurance	1,260	1,050
	<u> </u>	<u> </u>

5. TAXATION

UK Corporation Tax at 0% (2002:10%)	-	121
Under provision for preceding year	-	-
Total Current Charge	-	121
Deferred Taxation Originating from the reversal of Timing Differences	-	-
	<u>£ -</u>	<u>£ 121</u>

Tax Charge Reconciliation:

(Losses)/Profits on Ordinary Activities before Tax	<u>£ (1,823)</u>	<u>£ 29,213</u>
--	------------------	-----------------

Profit on Ordinary Activities at the Starting Rate of Corporation Tax, 0% (2002: 10% for 8 months and 0% for 4 months)	-	1,948
Capital Allowances less than Depreciation Charge for Year	-	17,347
Exempt Deferred Capital Grants	-	(17,492)
Utilisation of Tax Losses	-	(1,682)
	<u>£ -</u>	<u>£ 121</u>

6. EMPLOYEES' AND DIRECTORS' REMUNERATION

The company has no employees. None of the Directors are remunerated for their services (2002:Nil). No Directors were reimbursed expenses (2002: £ 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 £157,269 (2002 : £47,197). One of the company's directors is an employee of this member company and amounts recharged in respect of this person amounted to £41,624 (2002 : £44,745).

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR****ENDED 31ST JULY 2003 (Continued)****7. FIXED ASSETS**

	Computer Hardware and Software	
	2003	2002
	£	£
Cost brought forward	819,569	543,224
Additions	-	276,345
Cost carried forward	<u>819,569</u>	<u>819,569</u>
Accumulated depreciation brought forward	454,265	181,075
Charge for year	273,189	273,190
Accumulated depreciation carried forward	<u>727,454</u>	<u>454,265</u>
Net Book Value 31 st July 2003	<u>£92,115</u>	<u>£365,304</u>

8. DEBTORS

	2003	2002
	£	£
Trade Debtors	515,034	6,000
Prepayments and Accrued Income		
Prepayments	138,750	-
Accrued Income	-	329,608
Interest Receivable	519	251
	<u>£654,303</u>	<u>£335,859</u>

Trade debtors consist of members subscriptions and the costs recharged to members of linking to the network invoiced predominantly in July 2003.

Prepayments represent maintenance contracts for the network.

Accrued income in the preceding year represented outstanding grants due from UKERNA.

9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Payments Received on Account	171,072	-
Trade Creditors	5,875	-
Corporation Tax	-	121
VAT	81,138	4,451
Accruals	<u>85,866</u>	<u>110,602</u>
	<u>£343,951</u>	<u>£115,174</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 31ST JULY 2003 (Continued)****10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	-----2003-----			2002
	Subordinated Loans	Deferred Capital Grant	Total	Total
	£	£	£	£
Balance brought forward	202,000	443,836	645,836	461,149
Receivable	-	-	-	447,061
Release to profit and loss Account	-	(262,373)	(262,373)	(262,374)
	<u>£202,000</u>	<u>£181,463</u>	<u>£383,463</u>	<u>£645,836</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 TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£	£
(Loss)/Profit on ordinary activities before taxation	(1,823)	29,213
Add: Depreciation charge for the period	273,189	273,190
Less: Interest receivable	(2,876)	(1,816)
	<u>268,490</u>	<u>300,587</u>
Increase in debtors	(318,176)	(287,350)
(Decrease)/Increase in creditors	(33,475)	257,901
	<u>£(83,161)</u>	<u>£271,138</u>

12. ANALYSIS OF CHANGES IN NET FUNDS

	At 31 st July 2003	At 31 st July 2002	Cash Outflow
	£	£	£
Cash at Bank and in Hand	<u>£94,777</u>	<u>£175,451</u>	<u>£(80,674)</u>
	At 31 st July 2002	At 31 st July 2001	Cash Outflow
	£	£	£
Cash at Bank and in Hand	<u>£175,451</u>	<u>£178,804</u>	<u>£(3,353)</u>

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR****ENDED 31ST JULY 2003 (Continued)****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 :

	2003	2002
	£	£
Staff Costs	157,269	47,197
Book-keeping fees	6,405	5,688
	<u>£163,674</u>	<u>£ 52,885</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 £41,624 (2002 : £44,745).