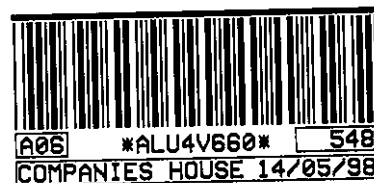


Metropolitan New Media Limited

Directors' Report and Financial Statements for the Year ended 31st July 1997

Registered Office: 31 Jewry Street, London EC3N 2EY
Registered in England and Wales. 3095320



METROPOLITAN NEW MEDIA LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1997

The Directors submit their annual report and the audited financial statements for the period ended 31 July 1997.

CONSTITUTION AND ACTIVITIES

Metropolitan New Media Ltd (MNM) is a company limited by shares, comprising two members limited in liability in the sum of £1 each. It is a subsidiary of London Guildhall University.

The principal activity of MNM is the provision of training courses in multimedia.

REVIEW OF DEVELOPMENTS

MNM aims to be a leader in the field of multimedia training, offering courses with a large element of "hands-on" experience. It also seeks to engage in teaching, consultancy and internet services relating to multimedia. Progress during the year has been slower than anticipated, and MNM continues to rely heavily on grant income and on financial support (in bearing initial losses and via a loan) from London Guildhall University. Nevertheless, income from paying clients, as a proportion of total income, has increased from 4% in the period ended 31 July 1996 to 16% in the year ended 31 July 1997.

Premises

MNM has continued to occupy premises at 8 & 9 Chapel Place, Rivington Street.

Equipment

The multimedia training studios equipped during the period ended 31 July 1996 remained in use with minor upgrading. Capital expenditure of some £16,000 was incurred during the year on a network connection to London Guildhall University's Tower Hill site and a telephone switchboard.

Personnel

During the period MNM employed on average 7 full-time staff. A large number of London Guildhall University staff and other individuals with particular skills carried out work for the company on a temporary or part-time basis.

Marketing

MNM continues to promote itself as an "accredited training centre" for Microsoft and Macromedia, and via trade fairs, press releases, advertising in trade journals, and a Web site. The experience of clients attending courses is also vital and MNM is now beginning to gain repeat business from satisfied clients.

Courses

Course income for the year was £70,000, representing a substantial increase on the previous period. The course portfolio is kept under regular review to ensure that it reflects the needs of clients. Negotiations are currently in progress with several possible partner organisations with a view to offering a greater range of courses and increasing utilisation of the multimedia studios.

Other Activities

MNM also earned small amounts of income during the year from teaching, consultancy and internet services and from granting licences to small IT firms to occupy rooms in the Chapel Place premises.

DIVIDEND

A nil dividend is recommended.

APOINTMENT OF AUDITORS

The Directors recommend that Coopers & Lybrand be reappointed as auditors, and a suitable resolution will be proposed at the next AGM

DIRECTORS

The names of persons who at any time during the year were directors of the company are shown below. In the case of those who became or ceased to be directors during the year the appropriate dates are shown.

Name	Date of Appointment	Date of Resignation
Mr H. van Beinum	15 May 1997	
Mr. A. N. Brown		30 August 1996
Mr. J. M. Goodswen		
Dr. D. R. Hopkin		
Mr. P. A. Revell-Smith (alternate to Mr. J. M. Goodswen)		

None of the directors had any interest during the period in shares of MNM.

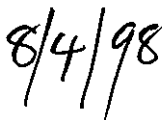
The Chair of the Board throughout the year was Dr. D. R. Hopkin. At a meeting of the Board on 14 October 1997, and following a recommendation from the Board of London Guildhall University that the Chair should be one of the University's Governors, Mr. J. M. Goodswen was appointed as Chair with effect from the following meeting of the Board held on 24 November 1997.

Approved by the Board of Directors and signed on behalf of the Board.

D. R. Hopkin
Director



Date



DIRECTORS' RESPONSIBILITIES FOR PREPARATION OF THE FINANCIAL STATEMENTS

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements that are reasonable and prudent;
- prepare the financial statements on the 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 which 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF METROPOLITAN NEW MEDIA LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We have conducted our audit in accordance with 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 as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, 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 July 1997 and of its loss ~~for the year ended 31 July 1997~~ and have been properly prepared in accordance with the Companies Act 1985.

* and cash flows for the year then ended



Coopers & Lybrand
Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6NN

Date 15 April 1998

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METROPOLITAN NEW MEDIA LTD

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 JULY 1997

Continuing operations	Note	1997 £000	1996 £000
Turnover		77	12
Cost of Sales		(40)	(29)
Administrative expenses		(588)	(536)
Other Operating Income	2	402	317
Operating loss	3	(149)	(236)
Interest payable and similar charges		34	12
Loss before and after taxation retained for the period		(183)	(248)

There were no recognised gains or losses in the period other than the loss shown above. There were no movements in shareholders' funds other than the loss for the period.

METROPOLITAN NEW MEDIA LTD

BALANCE SHEET AS AT 31 JULY 1996

	Note	1997 £000	1997 £000	1996 £000	1996 £000
FIXED ASSETS					
Tangible Assets					
Equipment and furniture	5		<u>182</u>		<u>329</u>
CURRENT ASSETS					
Trade debtors		7		9	
Prepayments and accrued income		370		95	
Cash at bank and in hand		<u>87</u>		-	
			464		104
CREDITORS: Amounts falling due within 1 year					
Trade creditors		(142)		(20)	
Amount owed to parent company		<u>(843)</u>		<u>(474)</u>	
			(985)		(494)
NET CURRENT LIABILITIES			<u>(521)</u>		<u>(390)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(339)		(61)
CREDITORS: Amounts falling due after more than 1 year			0		0
PROVISIONS FOR LIABILITIES AND OTHER CHARGES			<u>0</u>		<u>0</u>
TOTAL ASSETS LESS LIABILITIES			(339)		(61)
DEFERRED CAPITAL GRANTS	6		<u>(92)</u>		<u>(187)</u>
TOTAL NET LIABILITIES			<u>(431)</u>		<u>(248)</u>
CAPITAL AND RESERVES					
Called up share capital	7		-		-
Profit & Loss Account	8		(431)		(248)
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>(431)</u>		<u>(248)</u>

Approved by the Board of Directors and signed on behalf of the Board

D. R. Hopkin
Director



Date

8/4/98

METROPOLITAN NEW MEDIA LTD

CASH FLOW STATEMENT

	Note	1997 £000	1997 £000	1996 £000	1996 £000
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	9		(292)		(246)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest charge			(34)		(12)
TAXATION			0		0
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS					
Payments to acquire tangible assets	5	44		(403)	
Deferred portion of grants received	6	<u>0</u>		<u>187</u>	
			44		(216)
ACQUISITIONS AND DISPOSALS			<u>0</u>		<u>0</u>
CASH INFLOW / (OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING			(294)		(474)
MANAGEMENT OF LIQUID RESOURCES			0		0
FINANCING					
Called up share capital	7	0		0	
Loan from parent company		<u>369</u>		<u>474</u>	
			369		474
INCREASE / (DECREASE) IN CASH			<u>87</u>		<u>0</u>

METROPOLITAN NEW MEDIA LTD

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements have been prepared on a historical costs basis and in compliance with applicable Accounting Standards. Metropolitan New Media Ltd have received assurances of continued financial support from London Guildhall University and therefore the financial statements have been prepared on a going concern basis.

(b) Turnover

Turnover comprises of fees receivable for courses run during the year together with income from teaching, consultancy, and internet services.

(c) Grant Income

Grants which are applied to acquire tangible fixed assets are credited to the Profit and Loss account over the estimated useful lives of the related assets. Grants which will be credited to the Profit and Loss account in subsequent periods are disclosed in the balance sheet as Deferred Capital Grants.

European Regional Development Fund grant is subject to particular uncertainty. Attention is drawn to note 10a.

Revenue grants are released to the Profit and Loss account in the year to which they relate.

(d) Tangible Fixed Assets

Tangible fixed assets acquired in 1996/97 and exceeding £6,000 have been capitalised.

This represents a change in accounting policy from that applied in the period ended 31 July 1996, with the effect of ensuring consistency with the accounting policy of the holding company. A different policy was applied in the period ended 31 July 1996 in which substantial expenditure was incurred in the initial equipping of the multimedia PC studios, because a significant number of items below £6,000 were essentially part of that single project.

Capitalised items are included at cost less accumulated depreciation. Software costs have not been capitalised except where purchased as part of the I.T. equipment specification.

Depreciation is provided to write off the cost in equal annual instalments over the estimated useful lives of the assets as follows:

Multimedia equipment	Over 3 years
Security equipment	Over 5 years
Furniture	Over 5 years

(e) Taxation

The company is able to recover value added tax on its purchases since it is not an eligible body under Schedule 9 Group 6 of the VAT Act 1994 and its trading income is taxable.

In the financial statements for the period ended 31 July 1996, it was assumed that no value added tax would be recoverable. Accordingly the value added tax recoverable in respect of purchases during that period has been accounted for in the year ended 31 July 1997. The net effect on the profit and loss account of this value added tax relating to the previous period is to reduce the loss by £57,000.

The company has provided for rates on the basis that it is not eligible for charitable relief. However, payments to the rating authority have been made on the basis that the company is eligible for relief. The excess of the provision over amounts paid is included within trade creditors. The company is continuing to seek advice on the issue of charitable relief.

In the financial statements for the period ended 31 July 1996, it was assumed that charitable relief was available. Accordingly the additional cost in respect of general rates during that period arising from the unavailability of charitable relief has been accounted for in the year ended 31 July 1997. The net effect on the profit and loss account of these general rates relating to the previous period is to increase the loss by £30,000.

(f) Maintenance

No provision has been made for future building maintenance expenditure.

METROPOLITAN NEW MEDIA LTD

2. OTHER OPERATING INCOME

	1997 £000	1996 £000
Grant income	385	315
Rent and hire of facilities income	17	2
	<u>402</u>	<u>317</u>

3. OPERATING LOSS FOR THE PERIOD

	1997 £000	1996 £000
Operating loss for the period is stated after charging:		
Auditors' remuneration: previous year	4	0
Auditors' remuneration: current year	3	1
Fees payable to Auditor for non-audit services	3	0
Depreciation of tangible assets (all owned)	103	74
Rent of land and buildings	<u>69</u>	<u>36</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997 £000	1996 £000
(a) Directors' Emoluments	51	18

No directors received emoluments in their capacity as directors. One director received emoluments in his capacity as an employee and two directors received emoluments in their capacity as employees of the parent company, London Guildhall University. The figures shown above and below represent the portions of the salaries of these three employees charged to MNM Ltd on the basis of the proportion of their time spent on work for MNM Ltd.

	£000	£000
Chairman	13	17
Highest paid director	38	17
Other director	No.	No.
£0 - £5,000	1	1

(b) Employee Costs (including directors' emoluments)

	£000	£000
Wages and salaries	200	137
Social security costs	18	12
Other pensions costs (see below)	15	10
	<u>233</u>	<u>159</u>

Payments are made to the Teachers' Pensions Agency, in accordance with the Teachers' Superannuation Scheme, for academic staff and to the London Pensions Fund Authority for non-academic staff. Employers' pension contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the University.

	No.	No.
(c) Average Number of Persons Employed		
Academic staff	1	0
Administrative, professional and technical staff	7	4
Premises staff	1	1
	<u>9</u>	<u>5</u>

METROPOLITAN NEW MEDIA LTD

5. TANGIBLE FIXED ASSETS

	Equipment and Furniture £000	Total £000
Cost		
At 1 August 1996	403	403
Recoverable VAT not accounted for in the period ended 31 July 1996	(60)	(60)
Additions	16	16
At 31 July 1997	<u>359</u>	<u>359</u>
Depreciation		
At 1 August 1996	74	74
Charge for year	103	103
At 31 July 1997	<u>177</u>	<u>177</u>
Net Book Value		
At 1 August 1996	329	329
At 31 July 1997	<u>182</u>	<u>182</u>

6. CAPITAL AND REVENUE GRANTS

	1997 £000	1996 £000
Deferred capital grant at beginning of period	187	0
Grant receivable for period	290	502
Grant released to Profit & Loss account	(385)	(315)
Deferred capital grant at end of period	<u>92</u>	<u>187</u>
of which:		
To be released within 1 year	68	81
To be released after more than 1 year	24	106

7. SHARE CAPITAL

	1997 £	1996 £
Authorised (1,000 ordinary shares of £1)	1,000	1,000
Issued and called up (2 ordinary shares of £1)	<u>2</u>	<u>2</u>

Two ordinary shares of £1 each were issued at par for cash upon incorporation.

8. PROFIT & LOSS ACCOUNT

	1997 £000	1996 £000
Deficit at beginning of period	(248)	0
Deficit for period	<u>(183)</u>	<u>(248)</u>
Deficit at end of period	<u>(431)</u>	<u>(248)</u>

METROPOLITAN NEW MEDIA LTD

9. CASH FLOW STATEMENT

Reconciliation of operating loss to net cash flow from operating activities.

	1997 £000	1996 £000
Operating loss before interest	(149)	(236)
Release of deferred grants	(95)	0
Depreciation charge	103	74
Increase in operating debtors	(273)	(104)
Increase in operating creditors	122	20
Net cash outflow from operating activities	<u>(292)</u>	<u>(246)</u>

10. CONTINGENT LIABILITY

The contractual conditions applying to European Regional Development Fund grant enable the Secretary of State for Trade and Industry to withhold payment or to require part or all of the grant to be repaid in the event of unsatisfactory progress towards completing the project for which the grant was awarded or towards performance targets involving the creation of businesses and jobs by 31 August 1998. The financial statements assume a total ERDF grant receivable for periods to 31 July 1997 of £426,000 of which £379,000 has been released to the Profit & Loss account and £47,000 carried forward in the Balance Sheet as Deferred Capital Grant.

11. POST BALANCE SHEET EVENTS

Negotiations have been successfully concluded between London Guildhall University, MNM and Hackney Community College regarding the use by London Guildhall University and MNM of part of a planned development by Hackney Community College. The project will involve payments by MNM to Hackney Community College totalling £2,085,000 in return for a 60 year interest in a new and purpose-built building of 1,400 sq. m. at a rent of £10,000 per annum for the first 20 years only and a service charge. Payments totalling £505,889 plus VAT have been made to date. The cash to meet these payments is being met by the issue of additional shares to London Guildhall University.

At an Extraordinary General Meeting on 14 October 1997, the authorised share capital was increased to £3,500,000 by the creation of an additional £3,499,000 ordinary shares of £1 each identical to and ranking pari passu with the existing ordinary shares of £1 each. This sum was intended to provide both for the payments to Hackney Community College and for the replacement of the loan from London Guildhall University by a share issue.

To date, 505,892 additional ordinary shares have been allotted to London Guildhall University and have been paid in full. Further allotments of shares to London Guildhall University are planned.

12. PARENT COMPANY

The ultimate parent undertaking of Metropolitan New Media Ltd is London Guildhall University. The only group of which Metropolitan New Media Ltd is a member is the London Guildhall University group. Copies of the consolidated financial statements of London Guildhall University are available from 31 Jewry Street, London EC3N 2EY.

In accordance with a permitted exemption under FRS8, related party transactions between Metropolitan New Media Ltd and London Guildhall University have not been specifically disclosed in the notes to the financial statements although such transactions are included within relevant amounts in the financial statements.