

METROPOLITAN NEW MEDIA LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2004**

METROPOLITAN NEW MEDIA LIMITED
35 KINGSLAND ROAD
LONDON E2 8AA

REGISTERED OFFICE: 31 JEWRY STREET EC3N 2EY
REGISTERED IN ENGLAND AND WALES: 3095320



METROPOLITAN NEW MEDIA LIMITED

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METROPOLITAN NEW MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2004

The Directors submit their annual report and the audited financial statements for the year ended 31 July 2004.

CONSTITUTION AND ACTIVITIES

Metropolitan New Media Limited (Metro) is a company limited by shares and a wholly owned subsidiary of London Metropolitan University.

From 1 April 2003, the activities of Metro were transferred to London Metropolitan University and its trading subsidiary London Metropolitan University Enterprises Limited (LondonMet Enterprises):

- The Metro building was taken into the general estates management of the University to achieve better space utilisation of the building whilst continuing to comply with grant funding conditions associated with the use of the building
- Regeneration activity was transferred to and managed with the other regeneration activity of the University
- Metro commercial activity was transferred to London Metropolitan University Enterprises Limited
- All Metro staff transferred to the University.

Metro New Media Limited has been semi-dormant from 1 April 2003. The company's main purpose is to hold the building lease until it is assigned to London Metropolitan University during the accounting year 2004/05.

SHARE CAPITAL

There were no changes in the share capital during the year.

FINANCIAL OVERVIEW

Metro's loss on ordinary activities for 2003/2004 was £30,000. For 2002/03 it was £212,000 prior to the transfer of its activities to London Metropolitan University and LondonMet Enterprises Limited on 1 April 2003. All the income generated during the year is from renting office space to small incubators.

DIVIDEND

No dividend is recommended.

DIRECTORS

The names of persons who at any time during the year were Directors of the company are shown over the page. In the case of those who ceased to be Directors during the year, and for the period to the date of the Directors' Report, the appropriate dates are shown.

METROPOLITAN NEW MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2004

| Name | Date of Resignation |
|----------------------|----------------------------|
| Mr. I. Bennett | 13/10/03 |
| Mrs. S. R. Proudfoot | 13/10/03 |
| Mr. M. Weaver | |
| Mr. C. Topley | |

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

In the absence of a Chairman, Mr C. Topley will approve the financial statements.

The Chief Executive for part of the year was Mr I. Bennett. Mr I. Bennett resigned as a director on 13 October 2003 because the company no longer needed a Chief Executive. No replacement has been appointed.

STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the Annual Report. As described below, this includes responsibility for preparing the financial statements, in accordance with the applicable United Kingdom accounting standards. United Kingdom 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 period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates 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 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.

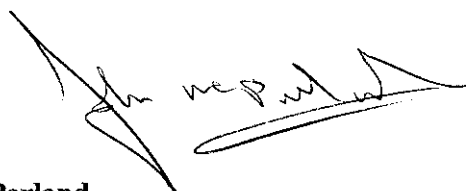
With respect to the publication of the financial statements on the Company's website, the maintenance and integrity of the Company's / University's website is the responsibility of the Directors. The work carried out by the external auditors does not involve consideration of these matters and, accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

APPOINTMENT OF AUDITORS

A resolution regarding the reappointment of PricewaterhouseCoopers LLP, as auditors will be moved at the next Annual General Meeting

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

A handwritten signature in black ink, appearing to read 'J. McParland', written over a horizontal line.

J. McParland

Company Secretary
166-220 Holloway Road
London N7 8DB

Date

16/12/04

METROPOLITAN NEW MEDIA LIMITED

Independent auditors' report to the members of the Metro New Media Ltd

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We 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 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 and the auditable

part of the directors' remuneration report 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 at 31 July 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
[Date] 16 December 2004.

METROPOLITAN NEW MEDIA LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 JULY 2004

| | | 2004 | 2003¹ | 2003² | 2003 |
|---|-------------|--------------------|-------------------------|-------------------------|-------------------------|
| | Note | £000 | £000 | £000 | (total) £000 |
| Continuing operations | | | | | |
| Turnover | | 0 | 343 | 0 | 343 |
| Cost of sales | | <u>0</u> | <u>(220)</u> | <u>0</u> | <u>(220)</u> |
| Gross Profit | | 0 | 123 | 0 | 123 |
| Administrative expenses | | (64) | (339) | (70) | (409) |
| Other operating income | | 34 | 0 | 70 | 70 |
| Operating loss | 2 | <u>(30)</u> | <u>(216)</u> | <u>0</u> | <u>(216)</u> |
| Profit on sale of fixed assets | 4 | 0 | 4 | 0 | 4 |
| Loss on ordinary activities before gift aid and taxation | | <u>(30)</u> | <u>(212)</u> | <u>0</u> | <u>(212)</u> |
| Gift aid payment | | 0 | 0 | (23) | (23) |
| Loss on ordinary activities before taxation | | (30) | (212) | (23) | (235) |
| Taxation | | 0 | 0 | 0 | 0 |
| Loss on ordinary activities after taxation | | <u>(30)</u> | <u>(212)</u> | <u>(23)</u> | <u>(235)</u> |

1 - Continuing operations transferred on 1 April 2003 to London Metropolitan University Enterprises Ltd

2 - Continuing operations maintained in Metropolitan New Media Ltd

Note of Historical Cost loss for the year ended 31 July 2003

| | | | |
|---|------|--------------------|---------------------|
| Reported loss for the year | | (30) | (235) |
| Difference between historical cost depreciation charge and the actual charge calculated on valuation of property | 5, 6 | 0 | 0 |
| Historical cost loss | | <u>(30)</u> | <u>(235)</u> |

There were no recognised gains or losses in the period other than the loss shown above.

METROPOLITAN NEW MEDIA LIMITED

BALANCE SHEET AS AT 31 JULY 2004

| | Note | 2004 £000 | 2003 £000 |
|---|------|--------------|--------------|
| FIXED ASSETS | | | |
| Tangible Assets | | | |
| Leasehold Buildings | 5, 6 | 1,068 | 1,087 |
| Equipment and furniture | 5 | <u>0</u> | <u>7</u> |
| | | 1,068 | 1,094 |
| CURRENT ASSETS | | | |
| Trade debtors | | 0 | 9 |
| Amounts owed by group undertakings | | 49 | 8 |
| Prepayments and accrued income | | 0 | 20 |
| Cash at bank and in hand | | <u>0</u> | <u>140</u> |
| | | 49 | 177 |
| CREDITORS: Amounts falling due within one year | | | |
| Trade Creditors | | 0 | (27) |
| Accruals and deferred income | | (29) | (6) |
| Amounts owed to group undertakings | | (713) | (808) |
| Other creditors | | <u>(5)</u> | <u>(30)</u> |
| | | (747) | (871) |
| NET CURRENT LIABILITIES | | <u>(698)</u> | <u>(694)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 370 | 400 |
| TOTAL NET ASSETS | | <u>370</u> | <u>400</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 7 | 3,485 | 3,485 |
| Profit & Loss Account | 8 | (3,115) | (3,085) |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 9 | <u>370</u> | <u>400</u> |

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

C. Topley
Director



Date

16 DEC 2004

METROPOLITAN NEW MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements have been prepared on a historical costs basis as modified by the revaluation of certain assets, and in compliance with applicable Accounting Standards

(b) Turnover & Cost of Sales

During the previous accounting period the ongoing regeneration projects, training activities, production services, IT equipment and software sales together with their attributable liabilities were transferred to the London Metropolitan University and its subsidiaries. Metro New Media Limited is semi-dormant and has no trading income or cost of sales.

(c) Tangible Fixed Assets

The company's policy is to capitalise tangible fixed assets exceeding £6,000 in value.

Capitalised items are included at cost less accumulated depreciation, the company having decided, as permitted under FRS15, not to adopt a policy of revaluation.

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

| | |
|-----------------------------|-----------------------|
| Multimedia and IT equipment | Over 3 years |
| Security equipment | Over 5 years |
| Furniture | Over 5 years |
| Buildings | Over the lease period |

With the exception of the lease, all assets were disposed of during the period.

(d) Leased Assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised and are depreciated over the shorter of the lease term or the estimated useful economic life. The annual payment relating to the leased premises is disclosed in note 6.

The leased premises as disclosed in note 6 are included in the balance sheet at the same valuation as in the 1998/99 accounts, the company having decided, as permitted under FRS15, not to adopt a policy of ongoing revaluation.

(e) Operating lease

The annual rental of the premises is charged to the profit and loss account as incurred.

(f) Maintenance

In accordance with FRS12, no provision has been made for future building maintenance expenditure. Under the terms of the lease for the building an annual service charge, fixed for 20 years, is paid to the landlord, a significant portion of which is for building maintenance of a periodic or anticipated nature.

(g) Cash Flow and Related Party Transactions

The Company has taken advantage of the exemption granted by FRS1 not to publish a cash flow statement. The Company, as a wholly owned subsidiary of London Metropolitan University, has taken advantage of the exemption granted by FRS8 from disclosure of transactions with other group members who qualify as related parties.

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(h) Deferred Income

Rents and Licences are invoiced and payable at the beginning of each month or quarter. All income is included in the financial statements in accordance with the accruals concept. Income is recognised in the Income and Expenditure Account at the same time as the expenditure to which it relates becomes payable. Any income received in advance is carried forward as deferred income for recognition in the future period to which it relates.

| | 2004 £000 | 2003 £000 |
|---|--------------|--------------|
| 2. OPERATING LOSS FOR THE PERIOD | | |
| Operating loss for the period is stated after charging /(crediting): | | |
| Auditors' remuneration | 4 | 8 |
| Fees payable to auditor for non-audit services | 7 | 0 |
| Depreciation of tangible assets (owned) | 7 | 7 |
| Depreciation of tangible assets (leased) | 19 | 19 |
| Rent | 2 | 10 |
| Rental income | (34) | (70) |
| | <hr/> | <hr/> |

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | | |
|----------------------------------|-------|-------|
| (a) Directors' Emoluments | 0 | 29 |
| | <hr/> | <hr/> |

Throughout the preceding year the Chief Executive was Mr. I. Bennett. Mr. I. Bennett resigned as Chief Executive and a director on 13 October 2003 because the company no longer needed a Chief Executive. No replacement has been appointed.

Three other directors served and received emoluments during 2003/04 in their capacity as employees of London Metropolitan University, but no part of the cost incurred by the University was charged to the company. If the cost had been charged it would have been £3,000 (2002/03: £13,000) for all three directors.

| | | |
|-----------------------|---|----|
| Highest paid director | 0 | 29 |
|-----------------------|---|----|

(b) Employee Costs (including directors' emoluments)

| | | |
|-----------------------|-------|-------|
| Wages and salaries | 0 | 209 |
| Social security costs | 0 | 20 |
| | <hr/> | <hr/> |
| | 0 | 229 |

Costs shown exclude agency and self-employed staff.

Employee salaries are paid in the first instance by London Metropolitan University which provides payroll services for the company and these costs are subsequently recharged to the company.

All the employees working for the company on 1st. April 2003 had their contracts of employment terminated and transferred to the London Metropolitan University.

All the employees had been offered a stakeholder pension as required under government legislation. The company did

not contribute to stakeholder pensions. Take up of such pensions is not mandatory.

(c) Average Number of Persons Employed

| | 2004 No. | 2003 No. |
|--|-------------|-------------|
| Administrative, professional and technical staff | <u>0</u> | <u>13</u> |

METROPOLITAN NEW MEDIA LIMITED

4. PROFIT ON THE SALE OF FIXED ASSETS

| | 2004 £000 | 2003 £000 |
|---|--------------|--------------|
| Profit on the sale of tangible fixed assets | | |
| Equipment disposal | <u>0</u> | <u>4</u> |

5. TANGIBLE FIXED ASSETS

| | Leasehold Buildings £000 | Equipment and Furniture £000 | Total £000 |
|--|--------------------------------|------------------------------------|---------------|
| Cost / Valuation | | | |
| At 1 August 2003 | 1,175 | 522 | 1,697 |
| Additions | 0 | 0 | 0 |
| Transferred to LMU Enterprises Limited | 0 | (522) | (522) |
| At 31 July 2004 | <u>1,175</u> | <u>0</u> | <u>1,175</u> |
| Depreciation | | | |
| At 1 August 2003 | 88 | 515 | 603 |
| Charge for the year | 19 | 7 | 26 |
| Transferred to LMU Enterprises Limited | 0 | (522) | (522) |
| At 31 July 2004 | <u>107</u> | <u>0</u> | <u>107</u> |
| Net Book Value | | | |
| At 1 August 2003 | <u>1,087</u> | <u>7</u> | <u>1,094</u> |
| At 31 July 2004 | <u>1,068</u> | <u>0</u> | <u>1,068</u> |

6. LEASEHOLD BUILDINGS

The company occupies premises which are held on a 60 year lease from Hackney Community College. The lease premium,

which was paid in instalments during 1997/98 and 1998/99, was £2,085,000. The company also pays an annual rental of £10,000 for the first 20 years and a service charge. On the basis of advice from a professional valuer, the value of the lease was assessed at £1,175,000 in preparing the 1997/98 accounts. The difference between the lease premium and assessed value was charged to the profit and loss account in 1997/98 (£639,000) and 1998/99 (£271,000). The lease is to be assigned to London Metropolitan University during the accounting year 2004/05.

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7. SHARE CAPITAL

| | 2004 | 2003 |
|--------------------------------------|------------------|------------------|
| | £ | £ |
| Authorised: | | |
| 4,000,000 ordinary shares of £1 each | 4,000,000 | 4,000,000 |
| Allotted, called up and fully paid: | | |
| 3,485,010 ordinary shares of £1 each | <u>3,485,010</u> | <u>3,485,010</u> |

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

8. PROFIT & LOSS ACCOUNT

| | 2004 | 2003 |
|--------------------------------|----------------|----------------|
| | £000 | £000 |
| Deficit at beginning of period | (3,085) | (2,850) |
| Deficit for period | <u>(30)</u> | <u>(235)</u> |
| Deficit at end of period | <u>(3,115)</u> | <u>(3,085)</u> |

9. MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2004 | 2003 |
|----------------|-------------|--------------|
| | £000 | £000 |
| As at 1 August | 400 | 635 |
| Loss for year | <u>(30)</u> | <u>(235)</u> |
| As at 31 July | <u>370</u> | <u>400</u> |

10. FINANCIAL COMMITMENTS

| | 2004 | 2003 |
|---|-----------|-----------|
| | £000 | £000 |
| (a) Annual commitments under non-cancellable leases | | |
| Lease expiring after 5 years | <u>10</u> | <u>10</u> |

The above commitments relate to the agreement with Hackney Community College (see note 6).

11. TAXATION

A deferred tax asset has not been recognised because the directors do not believe that on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Factors affecting tax charge for the period

The tax assessed for the period is lower than the small companies rate applying in the UK (19%). The differences are explained below;

| | 2004 | 2003 |
|---|----------|-------------|
| | £'000 | £'000 |
| Profit/(Loss) on ordinary activities multiplied by tax rate in the UK | (5) | (45) |
| Effects of; | | |
| Expenses not deductible for tax purposes | 4 | 0 |
| Accelerated capital allowances and other timing differences | 2 | 9 |
| Group relief surrendered not paid | <u>0</u> | <u>0</u> |
| Current tax charge | <u>1</u> | <u>(36)</u> |

12. RELATED PARTY TRANSACTIONS

There are no related party transactions with Directors or Officers.

13. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of Metropolitan New Media Limited is London Metropolitan University. The only group of which Metropolitan New Media Limited is a member is the London Metropolitan University group. The University was formed on 1 August 2002 when London Guildhall University merged with the University of North London. The process of the merger entailed London Guildhall University acquiring the University of North London and then changing its own name to London Metropolitan University. London Metropolitan University continues to hold 100% of the share capital and voting rights of the company. Copies of the consolidated financial statements of London Metropolitan University are available from 31 Jewry Street, London EC3N 2EY.

14. GOING CONCERN

Throughout the accounting period, Metro New Media Limited has been a semi-dormant company whose main purpose is to hold the building lease until it can be assigned to London Metropolitan University in the accounting year 2004/05.