



**metro new media**

## Metropolitan New Media Limited

### Directors' Report and Financial Statements for the Year ended 31st July 1998

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



## **METROPOLITAN NEW MEDIA LTD**

### **OFFICERS**

Chairman: J. M. Goodswen

Chief Executive and Director of Finance: N. Maude

Centre Director: N. Crombie

Company Secretary: J. Grinstead

### **ADVISERS**

Bankers: NatWest Bank plc

Auditors: PricewaterhouseCoopers

Solicitors: Ashurst, Morris, Crisp

## **METROPOLITAN NEW MEDIA LTD**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1998**

The Directors submit their annual report and the audited financial statements for the period ended 31 July 1998.

#### **CONSTITUTION AND ACTIVITIES**

Metropolitan New Media Ltd (MNML) is a company limited by shares. It is a subsidiary of London Guildhall University.

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

#### **SHARE CAPITAL**

Changes to the share capital of the company are set out in note 9 to the financial statements.

#### **REVIEW OF DEVELOPMENTS**

MNML 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. MNML continues to rely heavily on grant income and on continued equity investment by London Guildhall University.

##### **Premises**

MNML has continued to occupy premises at 8 & 9 Chapel Place, Rivington Street. It is planned that MNML will move early in 1999 to occupy a share of purpose-built premises in Shoreditch (for further details see note 6 to the financial statements).

##### **Equipment**

The multimedia training studios equipped during the period ended 31 July 1996 remained in use with minor upgrading. No capital expenditure was incurred during the year.

##### **Personnel**

During the period MNML employed on average 8 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**

MNML continues to promote itself as an "accredited training centre" for Softimage and Steinberg, and via database marketing, trade fairs, display advertising, special events, the MNML website, leaflet and brochure distribution and press/media relations. The marketing function has been strengthened by the recruitment of a full-time Marketing Manager.

##### **Courses**

Course income for the year was £66,000. The course portfolio is kept under regular review to ensure that it reflects the needs of clients.

##### **Other Activities**

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

Year 2000

MNML is addressing the issue of ensuring that its computer and related systems are ready for Year 2000 in the context of arrangements established by its holding company, London Guildhall University. These arrangements include the designation of a Year 2000 coordinator who has issued appropriate guidance.

#### **FIXED ASSETS**

Details of movements in fixed assets are given in note 5 to the financial statements. In the opinion of the directors the market value of fixed assets does not materially differ from their book value.

#### **DIVIDEND**

No dividend is recommended.

#### **APPOINTMENT OF AUDITORS**

During the year the auditors, Coopers & Lybrand, merged with Price Waterhouse. To satisfy company law Coopers & Lybrand resigned as auditors and were replaced by the newly merged firm, ie. PricewaterhouseCoopers.

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

#### **DIRECTORS**

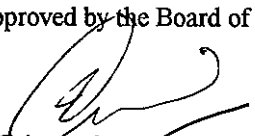
The names of persons who at any time during the year were directors of the company are shown below. In the case of those who became or ceased to be directors during the year the appropriate dates are shown.

Name	Date of Appointment	Date of Resignation
Mr S. I. Aziz	14 October 1997	
Mr H. van Beinum		29 July 1998
Mr. J. M. Goodswen		
Dr. D. R. Hopkin		
Mr. N. Maude	24 March 1998	
Mr. P. A. Revell-Smith	14 October 1997 (previously alternate to Mr. J. M. Goodswen)	

Mr. N. Maude held 1 share from 12 May 1998. With this exception, none of the directors had any interest during the period in shares of MNML.

The Chair of the Board until 24 November 1997 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.

  
J. Grinstead  
Company Secretary

Date 23 February 1999

## **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 6 to 12 which have been prepared under the historical cost convention as modified by the revaluation of certain assets, and the accounting policies set out on page 8.

### Respective responsibilities of directors and auditors

As described on page 4 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.

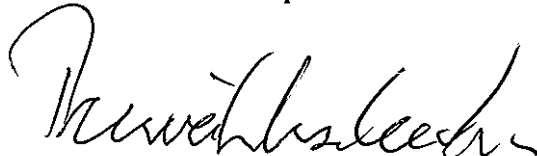
### Basis of opinion

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 1998 and of its loss for the year ended 31 July 1998 and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London WC2N 6NN

Date 4 March 1999

**METROPOLITAN NEW MEDIA LTD**

**PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 31 JULY 1998**

<b>Continuing operations</b>	<b>Note</b>	<b>1998 £000</b>	<b>1997 £000</b>
<b>Turnover</b>		<b>86</b>	<b>77</b>
Cost of Sales		(53)	(40)
Administrative expenses		(575)	(588)
Other Operating Income	2	169	402
<b>Operating loss</b>	<b>3</b>	<b>(373)</b>	<b>(149)</b>
Interest payable and similar charges		34	34
<b>Loss on ordinary activities before and after taxation retained for the period</b>		<b>(407)</b>	<b>(183)</b>
Exceptional item	6	639	0
<b>Loss for the financial year</b>		<b>(1,046)</b>	<b>(183)</b>

**Note of Historical Cost loss for the year ended 31 July 1998**

Reported loss for the year		(1,046)	(183)
Difference between historical cost and valuation of assets under construction	6	639	-
<b>Historical cost loss</b>		<b>(407)</b>	<b>(183)</b>

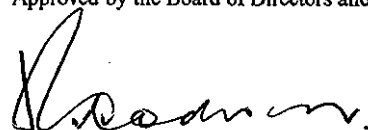
There were no recognised gains or losses in the period other than the loss shown above.

**METROPOLITAN NEW MEDIA LTD**

**BALANCE SHEET AS AT 31 JULY 1998**

	Note	1998 £000	1998 £000	1997 £000	1997 £000
<b>FIXED ASSETS</b>					
Tangible Assets					
Asset under construction	5, 6		821		0
Equipment and furniture	5		<u>67</u>		<u>182</u>
			888		182
<b>CURRENT ASSETS</b>					
Trade debtors		2		7	
Prepayments and accrued income		102		370	
Cash at bank and in hand		<u>356</u>		<u>87</u>	
			460		464
<b>CREDITORS: Amounts falling due within 1 year</b>					
Amount owed to parent company		(19)		(843)	
Other creditors	7	(245)		(43)	
Accruals and deferred income		<u>(390)</u>		<u>(99)</u>	
			(654)		(985)
<b>NET CURRENT ASSETS / (LIABILITIES)</b>			<u>(194)</u>		<u>(521)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			694		(339)
<b>DEFERRED CAPITAL GRANTS</b>	8		<u>(23)</u>		<u>(92)</u>
<b>TOTAL NET ASSETS / (LIABILITIES)</b>			<u>671</u>		<u>(431)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	9		2,148		-
Profit & Loss Account	10		(1,477)		(431)
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	11		<u>671</u>		<u>(431)</u>

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

  
J. M. Goodswen  
Chairman

Date 23rd February 1999



## 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 as modified by the revaluation of certain fixed assets, and in compliance with applicable Accounting Standards. London Guildhall University have stated their intention to continue to invest in MNML on a commercial basis, and the financial statements have therefore 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, production 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.

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

**(d) 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. 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

Depreciation is not provided on assets under construction.

**(e) Leased Assets**

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to MNML (finance leases) are capitalised. Payments under operating leases are expensed through the profit and loss account on a straight-line basis over the term of the lease.

**(f) Rates**

Payments of rates have been made on the basis of bills received which allow for charitable relief. However, in the light of advice received and having regard to the prudence concept, the company has provided for the difference between the gross amount of the rates on its premises since the commencement of occupation and the amount net of relief. This difference, amounting to £127,000, is included within accruals and deferred income.

**(g) Maintenance**

No provision is made for future building maintenance expenditure.

**(h) Cashflow Statement**

MNML has taken advantage of the exemption from preparing a cashflow statement, available to subsidiary undertakings within the terms of FRS 1.

# METROPOLITAN NEW MEDIA LTD

## 2. OTHER OPERATING INCOME

	1998 £000	1997 £000
Grant income	152	385
Rent and hire of facilities income	17	17
	<u>169</u>	<u>402</u>

## 3. OPERATING LOSS FOR THE PERIOD

	1998 £000	1997 £000
<b>Operating loss for the period is stated after charging:</b>		
Auditors' remuneration	3	7
Fees payable to Auditor for non-audit services	3	3
Depreciation of tangible assets (all owned)	115	103
Rent of land and buildings	<u>74</u>	<u>69</u>

## 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £000	1997 £000
<b>(a) Directors' Emoluments</b>	53	51

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
<b>Chairman</b>		
Dr. D. R. Hopkin (until 24 November 1997)	7	13
Mr. J. M. Goodswen (from 24 November 1997)	-	-
Highest paid director	43	38
<b>Other directors</b>	No.	No.
£0 - £5,000	3	1

### (b) Employee Costs (including directors' emoluments)

	£000	£000
Wages and salaries	196	200
Social security costs	17	18
Other pensions costs (see below)	14	15
	<u>227</u>	<u>233</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.
<b>(c) Average Number of Persons Employed</b>		
Academic staff	1	1
Administrative, professional and technical staff	6	7
Premises staff	<u>1</u>	<u>1</u>
	<u>8</u>	<u>9</u>

# METROPOLITAN NEW MEDIA LTD

## 5. TANGIBLE FIXED ASSETS

Cost / Valuation	Asset under construction £000	Equipment and Furniture £000	Total £000
At 1 August 1997	0	359	359
Additions	821	0	821
At 31 July 1998	821	359	1,180
<b>Depreciation</b>			
At 1 August 1997	0	177	177
Charge for year	0	115	115
At 31 July 1998	0	292	292
<b>Net Book Value</b>			
At 1 August 1997	0	182	182
At 31 July 1998	821	67	888

## 6. ASSET UNDER CONSTRUCTION

This item relates to an agreement between London Guildhall University, MNML and Hackney Community College regarding the use by London Guildhall University and MNML of part of a planned development by Hackney Community College. The project involves payments by MNML to Hackney Community College totalling £2,085,000 in return for a 60 year lease of 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 are being made by monthly instalment on a formula basis related to the project expenditure and the total amount due in respect of project expenditure to 31 July 1998 was £1,460,000 plus VAT, of which £972,000 plus VAT had been paid on or before 31 July 1998.

The cash to meet these payments is being met by the issue of additional shares to London Guildhall University (see note 9).

On the basis of advice from a professional valuer, the estimated market value of the fully-paid lease is £1,175,000. The value of the partly paid lease, which appears in the balance sheet as an Asset under Construction, has been calculated pro rata to the amount due to 31 July 1998. The difference between the amount due to 31 July 1998 and the value of the partly paid lease has been charged to the profit and loss account as an exceptional item.

## 7. OTHER CREDITORS

	1998 £000	1997 £000
Hackney Community College (see note 6)	232	0
Other creditors	13	43
	<u>245</u>	<u>43</u>

## 8. CAPITAL AND REVENUE GRANTS

	1998 £000	1997 £000
Deferred capital grant at beginning of period	92	187
Grant receivable for period	83	290
Grant released to Profit & Loss account	(152)	(385)
Deferred capital grant at end of period	<u>23</u>	<u>92</u>
of which:		
To be released within 1 year	21	69
To be released after more than 1 year	2	23

# METROPOLITAN NEW MEDIA LTD

## 9. SHARE CAPITAL

	1998 £	1997 £
Authorised: 3,500,000 (1997 1,000) ordinary shares of £1	3,500,000	1,000
Allotted, called up and fully paid: 2,147,939 (1997 2) ordinary shares of £1	<u>2,147,939</u>	<u>2</u>

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

At an Extraordinary General Meeting on 14 October 1997 it was resolved to increase the authorised share capital by the creation of an additional 3,499,000 ordinary shares of £1 each ranking pari passu with the existing ordinary shares, and to authorise the Directors to allot shares up to an aggregate nominal amount of £3,499,998 (excluding the 2 shares already issued).

During the year ending 31 July 1998, a total of 2,147,937 ordinary shares were allotted to London Guildhall University at par for cash, the dates of allotment and numbers of shares being as below:

Date	No.
23 October 1997	221,277
3 December 1997	63,144
6 January 1998	74,614
3 February 1998	68,093
3 March 1998	78,764
8 April 1998	933,796
21 May 1998	99,441
5 June 1998	120,618
7 July 1998	256,210
29 July 1998	<u>231,980</u>
Total	<u>2,147,937</u>

## 10. PROFIT & LOSS ACCOUNT

	1998 £000	1997 £000
Deficit at beginning of period	(431)	(248)
Deficit for period	<u>(1,046)</u>	<u>(183)</u>
Deficit at end of period	<u>(1,477)</u>	<u>(431)</u>

## 11. MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £000	1997 £000
As at 1 August	(431)	(248)
Share issues	2,148	0
Loss for year	<u>(1,046)</u>	<u>(183)</u>
As at 31 July	<u>671</u>	<u>(431)</u>

## **METROPOLITAN NEW MEDIA LTD**

### **12. FINANCIAL COMMITMENTS**

- (a) Commitments under non-cancellable operating leases falling due within 1 year, as at 31 July 1998, total £6,000 (1996/97 nil). These all relate to the annual rent payable under the agreement with Hackney Community College (see note 6). There is an ongoing commitment of £10,000 per annum for the subsequent 19 years.
- (b) Capital commitments falling due within 1 year, as at 31 July 1998, total £625,000 (1996/97 nil). These all relate to the development with Hackney Community College (see note 6). There are no capital commitments in respect of subsequent years.

### **13. 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 1998 of £422,000 of which £408,000 has been released to the Profit & Loss account and £14,000 carried forward in the Balance Sheet as Deferred Capital Grant. The risk of having to repay any material sum is, however, considered to be very small.

### **14. POST BALANCE SHEET EVENTS**

Further payments totalling £743,000 plus VAT have been made to Hackney Community College under the arrangement described in note 6. This includes £487,000 provided for within Creditors in 1997/98.

A further 595,732 ordinary shares have been allotted to London Guildhall University and have been paid in full.

### **15. 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.