# METROPOLITAN NEW MEDIA LIMITED

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2003

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 2003

The Directors submit their annual report and the audited financial statements for the year ended 31 July 2003.

### CONSTITUTION AND ACTIVITIES

Metropolitan New Media Limited (Metro) is a company limited by shares. The company has the trading name Metro New Media. It is a wholly owned subsidiary of London Metropolitan University, which changed its name from London Guildhall University on 1 August 2002 at the point of merger of London Guildhall University with the University of North London.

The principal trading activity of Metro is the provision of training courses in internet and multimedia skills.

With effect from 1 April 2003, following professional advice, the activities of Metro were transferred to London Metropolitan University and its trading subsidiary LondonMet Enterprises Limited:

- 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 building use
- Regeneration activity was transferred to and managed with the other regeneration activity of the University
- Metro commercial activity was transferred to LondonMet Enterprises Limited
- All Metro staff transferred to the University.

With effect from 1 April 2003, Metro New Media Limited has been a semi-dormant company, whose main purpose is to hold the building lease. It is the intention of the directors to issue a sub-lease to LondonMet Enterprises Ltd in 2003-04.

### SHARE CAPITAL

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

### FINANCIAL OVERVIEW

Metro's loss on ordinary activities for 2002/2003, prior to the transfer of its activities to London Metropolitan University and LondonMet Enterprises Limited was £212,000 (2001/2002 £165,000). Turnover has fallen by 35% on the previous year, firstly because it represents only 8 months trading to 31. March 2003 and secondly because of adverse market conditions in the economic sector in which Metro operates.

### DIVIDEND

No dividend is recommended.

### 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, 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 2003**

| Name | Date of Appointment | Date of Resignation |
|---|---|---|
| Mr. S. I. Aziz | | 29/03/03 |
| Mr. I. Bennett | 3/9/02 | 13/10/03 |
| Mr. J. C. Carrington | | 30/09/02 |
| Mr. J. M. Goodswen | | 25/03/03 |
| Mr. N. Maude | | 22/01/03 |
| Mrs. S. R. Proudfoot | | 13/10/03 |
| Mr. P. A. Revell-Smith | | 25/03/03 |
| Mr. M. Weaver | | |
| Mr. C. Topley | 22/7/03 | |

Mr. N. Maude held 1 share on behalf of London Metropolitan University until 18/07/03 when the share was transferred to Mr Brian Roper, Chief Executive of London Metropolitan University. With this exception, none of the directors had any interest in shares of Metro during the period.

The Chair of the Board until 30 September 2002 was Mr. J.C. Carrington. He was replaced by Mr. J.M. Goodswen until his resignation on 25 March 2003. No replacement has been appointed but Mr M Weaver acts as the director of the company and will approve the financial statements as such.

The Chief Executive throughout the year was Mr I. Bennett. Mr I. Bennett resigned as a director on 13 October 2003 because the company no longer needs one. 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**

Following the conversion of our auditors PricewaterhouseCoopers to a limited liability partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the University appointed its successor, PricewaterhouseCoopers LLP, as 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.

**J.McParland**

Company Secretary
31 Jewry Street
London EC3N 2EY

METROPOLITAN NEW MEDIA LIMITED

## Independent Auditors' report to the members of Metropolitan New Media Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, and the relevant notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

### Respective responsibilities of directors and auditors

The director's 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 judgments 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the 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 2003 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 14 May 2004

METROPOLITAN NEW MEDIA LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 JULY 2003

| | Note | *2003*[1] £000 | *2003*[2] £000 | 2003 *(total)* £000 | 2002 £000 |
|---|---|---|---|---|---|
| **Turnover** | | **343** | **0** | **343** | **527** |
| Cost of sales | | (220) | 0 | (220) | (327) |
| **Gross Profit** | | **123** | **0** | 123 | **200** |
| Administrative expenses | | (339) | (70) | (409) | (588) |
| Exceptional Gain | 3 | 0 | 0 | 0 | 120 |
| Other operating income | 2 | 0 | 70 | 70 | 93 |
| **Operating loss** | 3 | **(216)** | **0** | **(216)** | **(175)** |
| Profit on sale of fixed assets | 5 | 4 | 0 | 4 | 10 |
| **Loss on ordinary activities before gift aid and taxation** | | **(212)** | **0** | (212) | **(165)** |
| **Gift aid payment** | | **0** | **(23)** | (23) | **0** |
| **Loss on ordinary activities before taxation** | | **(212)** | **(23)** | (235) | **0** |
| Taxation | | **0** | **0** | 0 | **0** |
| Loss on ordinary activities after taxation | | (212) | (23) | (235) | (165) |

**1 - Discontinued 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**

| | | 2003 | 2002 |
|---|---|---|---|
| Reported loss for the year | | (235) | (165) |
| Difference between historical cost depreciation charge and the actual charge calculated on valuation of property | 6, 7 | 0 | 0 |
| Historical cost loss | | (235) | (165) |

There were no recognised gains or losses in the period other than the loss shown above. From 1st. April 2003 the activities of Metro New Media were continued through London Metropolitan University and its subsidiary companies. (See note 18)

**METROPOLITAN NEW MEDIA LIMITED**

**BALANCE SHEET AS AT 31 JULY 2003**

| | Note | 2003 £000 | 2003 £000 | 2002 £000 | 2002 £000 |
|---|---|---|---|---|---|
| FIXED ASSETS | | | | | |
| Tangible Assets | | | | | |
| Leasehold Buildings | 6, 7 | | 1,087 | | 1,106 |
| Equipment and furniture | 6 | | 7 | | 20 |
| | | | 1,094 | | 1,126 |
| CURRENT ASSETS | | | | | |
| Trade debtors | | 9 | | 35 | |
| Amount due from ultimate parent undertaking | | 8 | | 50 | |
| Prepayments and accrued income | | 20 | | 144 | |
| Cash at bank and in hand | | 140 | | 29 | |
| | | | 177 | | 258 |
| CREDITORS: Amounts falling due within one year | | | | | |
| Trade Creditors | | (27) | | (29) | |
| Accruals and deferred income | | (6) | | (52) | |
| Amount due to ultimate parent undertaking | | (808) | | (666) | |
| Other creditors | 8 | (30) | | (2) | |
| | | | (871) | | (749) |
| NET CURRENT ASSETS / (LIABILITIES) | | | (694) | | (491) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 400 | | 635 |
| TOTAL NET ASSETS | | | 400 | | 635 |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 10 | | 3,485 | | 3,485 |
| Profit & Loss Account | 11 | | (3,085) | | (2,850) |
| *TOTAL EQUITY SHAREHOLDERS' FUNDS* | 12 | | 400 | | 635 |

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

M Weaver
Director

Max Weaver

Date 27 April 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. The financial statements have been prepared on the going concern basis (see note 18).

### (b) Turnover & Cost of Sales

Turnover comprises fees receivable for courses run during the year together with income from conferences, the hire of facilities, production, internet and other technical services.

Cost of sales represents the direct costs of providing the services identified within turnover, including trainers costs, staff, printing, hospitality services, advertising, exhibitions and events.

### (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, the company having decided, as permitted under FRS15, not to adopt a policy of revaluation. Software costs have not been capitalised except where purchased as part of the Information Technology (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 and IT equipment | Over 3 years |
| Security equipment | Over 5 years |
| Furniture | Over 5 years |
| Buildings | Over the lease period |

### (e) 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 7.

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 revaluation.

**(f) Operating lease**
The annual rental of the premises is charged to the profit and loss account as incurred.

**(g) 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.

**(h) Cashflow and Related Party Transactions**
The Company has taken advantage of the exemption granted by FRS1 not to publish a cashflow 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.

## 2. OTHER OPERATING INCOME

| | 2003 | 2002 |
|---|---|---|
| | £000 | £000 |
| Grant income - capital | 0 | 34 |
| Rents and licenses | 70 | 59 |
| | 70 | 93 |

## 3. OPERATING LOSS FOR THE PERIOD

| | 2003 | 2002 |
|---|---|---|
| | £000 | £000 |
| **Operating loss for the period is stated after charging /( crediting):** | | |
| Auditors' remuneration | 8 | 11 |
| Fees payable to auditor for non-audit services | 0 | 0 |
| Depreciation of tangible assets (owned) | 13 | 13 |
| Depreciation of tangible assets (leased) | 19 | 19 |
| Rent | 10 | 10 |
| Retrospective relief | 0 | 40(120) |
| Rental income | 70 | (59) |

The retrospective relief is solely related to a downward reassessment of rates. £120,000 was attributable to the period from 1st. April 1999 to 31st. July 2002. £40,000 is attributable to the year ending 31st. July 2002.

## 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 2003 | 2002 |
|---|---|---|
| | £000 | £000 |
| **(a) Directors' Emoluments** | 29 | 24 |

The existing Chief Executive was appointed in August 2002. Three other directors received emoluments during 2002/03 in their capacity as employees of London Metropolitan University, but no part of the cost incurred by the University was charged to the company. The cost if included would have been £13,000 (2001/02: £14,500).

| | 2003 | 2002 |
|---|---|---|
| | £000 | £000 |
| Highest paid director | 29 | 24 |

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

| | 2003 | 2002 |
|---|---|---|
| | £000 | £000 |
| Wages and salaries | 209 | 366 |
| Social security costs | 20 | 35 |
| Other pensions costs | 0 | 0 |
| | 229 | 401 |

Costs shown exclude agency and self-employed staff.

Employee Costs (including directors' emoluments) - continued

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. During the previous year some employees worked for the company under employment contracts with London Guildhall University while the remaining employees had employment contracts directly with the company.

All employees, whether formerly under a London Guildhall University employment contract or a company contract, have been offered a stakeholder pension as required under government legislation. The company does not contribute to stakeholder pensions. Take up of such pensions is not mandatory.

**4. (c) Average Number of Persons Employed**

| | **2003** No. | **2002** No. |
|---|---|---|
| Academic staff | 0 | 0 |
| Administrative, professional and technical staff | 13 | 14 |
| | 13 | 14 |

**5. PROFIT ON THE SALE OF FIXED ASSETS**

| | **2003** £000 | **2002** £000 |
|---|---|---|
| Profit on the sale of tangible fixed assets | | |
| Equipment disposal | 4 | 10 |

**6. TANGIBLE FIXED ASSETS**

| | Leasehold Buildings £000 | Equipment and Furniture £000 | Total £000 |
|---|---|---|---|
| **Cost / Valuation** | | | |
| At 1 August 2002 | 1,175 | 590 | 1,765 |
| Additions | 0 | 0 | 0 |
| Disposals | 0 | (68) | (68) |
| At 31 July 2003 | 1,175 | 522 | 1,697 |
| **Depreciation** | | | |
| At 1 August 2002 | 69 | 570 | 639 |
| Charge for the year | 19 | 13 | 32 |
| Disposals | 0 | (68) | (68) |
| At 31 July 2003 | 88 | 515 | 603 |
| **Net Book Value** | | | |
| At 1 August 2002 | **1,106** | **20** | **1,126** |
| At 31 July 2003 | **1,087** | **7** | **1,094** |

## 7. 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).

## 8. OTHER CREDITORS

| | 2003 | 2002 |
|---|---|---|
| | £000 | £000 |
| VAT Liability | 0 | 0 |
| Other creditors | 30 | 2 |
| | 30 | 2 |

## 9. CAPITAL GRANTS

| | 2003 | 2002 |
|---|---|---|
| | £000 | £000 |
| Deferred capital grant at beginning of period | 0 | 34 |
| Grant receivable for period | 0 | 0 |
| Grant on disposals | 0 | 0 |
| Grant released to Profit & Loss account | 0 | (34) |
| Deferred capital grant at end of period | 0 | 0 |
| of which: | | |
| To be released within 1 year | 0 | 0 |

## 10. SHARE CAPITAL

| | 2003 | 2002 |
|---|---|---|
| | £ | £ |
| Authorised: 4,000,000 ordinary shares of £1 | 4,000,000 | 4,000,000 |
| Allotted, called up and fully paid: 3,485,010 ordinary shares of £1 | 3,485,010 | 3,485,010 |

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

## 11. PROFIT & LOSS ACCOUNT

| | 2003 | 2002 |
|---|---|---|
| | £000 | £000 |
| Deficit at beginning of period | (2,850) | (2,685) |
| Deficit for period | (235) | (165) |
| Deficit at end of period | (3,085) | (2,850) |

## 12. MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2003 | 2002 |
|---|---|---|
| | £000 | £000 |
| As at 1 August | 635 | 800 |
| Loss for year | (235) | (165) |
| As at 31 July | 400 | 635 |

## 13. FINANCIAL COMMITMENTS

| | 2003 | 2002 |
|---|---|---|
| | £000 | £000 |
| (a) Annual commitments under non-cancellable leases | | |
| Lease expiring after 5 years | 10 | 10 |

The above commitments relate to the agreement with Hackney Community College (see note 7).

## 14. TAXATION

There is no tax charge for the year ended 31 July 2003 (2002 £ nil) due to accumulated losses and utilisation of gift aid payments. No trading losses have been carried forward at the end of the year as they have been transferred to LondonMet Enterprises Limited during the year along with the trade to which they relate.

A deferred tax liability/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 tax profits in the foreseeable future from which the reversal of the underlying timing differences can de deducted.

## 15. RELATED PARTY TRANSACTIONS

There are no related party transactions with Directors or Officers.

## 16. CONTINGENT LIABILITY

The company has been accounting for input VAT as fully recoverable. However, advice has been received which raises the possibility that a small proportion of input VAT recoverable may have to be treated as irrecoverable. The amount potentially repayable is estimated as unlikely to exceed £50,000.

The contractual conditions applying to the European Regional Development Fund (ERDF) revenue 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 projects for which grants were awarded or towards associated performance targets. Since the company's formation, a total of £632,000 has been received up to 31 July 2003 (£632,000 to 31 July 2002). No new grants were awarded or received in cash during the year. Any risk of having to repay any material sum is now considered as past.

## 17. 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. Copies of the consolidated financial statements of London Metropolitan University are available from 31 Jewry Street, London EC3N 2EY.

On 1 August 2002 London Guildhall University merged with the University of North London to form London Metropolitan University. 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.

## 18. GOING CONCERN

From 1st. April 2003 all on going 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. The transfer was at net book value based on the going concern basis used for the preparation of the accounts. With effect from 1 April 2003, Metro New Media Limited has been a semi-dormant company, whose main purpose is to hold the building lease. It is the intention of the directors to issue a sub-lease to London Metropolitan University in 2003-04. The creditor due to the ultimate parent undertaking is to be transferred to London Metropolitan University.