

LONDON METROPOLITAN NETWORK LIMITED

Registration Number : 3913274

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JULY 2006**



LONDON METROPOLITAN NETWORK LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2006

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LONDON METROPOLITAN NETWORK LIMITED

COMPANY INFORMATION

Directors at the date of this report:

Professor Peter Scott (Chair of Board)
Mr. Russell Altendorff
Mr. Ed Carter
Mrs. Theresa Drowley
Ms. Maggie Knights
Professor Roland Rosner
Mr. Andrew Connel Burns
Dr. Jasbir Gill
Mr. Satnam Gill

Registered Office :

7th Floor
50 Hanson Street
London
W1W 6UP

Auditors :

Knox Cropper
16 New Bridge Street
London
EC4V 6AX

Bankers :

Barclays Bank PLC
P.O. Box 1006
Barking
IG11 8AT

Bank of Scotland PLC
Community Banking
38 St. Andrews Square
EH2 2YR

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 2006.

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 year was the provision of network facilities for colleges and universities in London.

3. Results for the Year

The result for the year is shown in the Profit and Loss Account whilst the financial position of the company at the year end is indicated by the Balance Sheet.

4. Directors

The directors in office during the year and up to the date of this report were as follows :

Professor Rick Trainor (Former Chair of Board) (Resigned 9th June 2006)
Professor Peter Scott (Chair of Board) (Appointed 9th June 2006)
Mr. Russell Altendorff
Mr. Ed Carter
Mrs. Theresa Drowley
Mr. Philip Harding (Company Secretary) (Resigned 28th November 2006)
Ms. Caroline Jones (Resigned 8th March 2006)
Ms. Maggie Knights
Mr. John Robinson (Resigned 27th January 2006)
Professor Roland Rosner
Mr. Tony Rybacki (Resigned 28th February 2006)
Mr. Michael John Stone (Resigned 27th January 2006)
Mr. Andrew Connel Burns (Appointed 9th March 2006)
Dr. Jasbir Gill (Appointed 27th January 2006, resigned 8th January 2007)
Mr. Nickolas John Clark (Appointed 9th June 2006, resigned 31st July 2006)
Mr. Satnam Gill (Appointed 9th March 2006)

LONDON METROPOLITAN NETWORK LIMITED**DIRECTORS' REPORT (Continued)****5. Review of the Business**

The Directors consider the company's performance for the year and its financial position at the year end to be satisfactory.

During the year London Metropolitan Network Limited continued to operate the network providing services to UKERNA, LMN members and external customers. Online backup and mail filtering services were in full operation.

The company has taken out Directors and Officers liability insurance at a cost of £1,092 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. 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.

The directors confirm that payments received from public funds either directly or through UKERNA have been applied for the purposes for which they were provided.

LONDON METROPOLITAN NETWORK LIMITED

DIRECTORS' REPORT (Continued)

7. Statement of Directors' Responsibilities (Continued)

The directors further confirm that, in the case of each of the persons who are directors at the date of this report, the following applies:

- so far as each director is aware there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- each director has taken all the steps necessary to make herself/himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors on 26th January 2007 and signed on behalf of the Board by:

A handwritten signature in dark ink, appearing to read 'A. C. Burrows', is written over a horizontal dashed line.

(Director)

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 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cashflow Statement and the notes to the accounts. These financial statements have been prepared under the accounting policies set out therein.

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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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.
- the information provided in the Directors' Report is consistent with the financial statements

We also report to you if, in our opinion, the Company has not maintained 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 the Directors' Report and consider the implications for our report if we become aware of any apparent mis-statements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

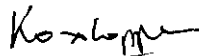
OPINION

In our opinion :

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st July 2006 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

16 New Bridge Street
 London EC4V 6AX

26th January 2007


 Knox Cropper
 Chartered Accountants
 Registered Auditors

LONDON METROPOLITAN NETWORK LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST JULY 2006**

	Notes	2006 £	2005 £
Turnover	2	2,567,471	2,381,336
Cost of Sales		(2,305,674)	(2,139,270)
Gross Profit		<hr/> 261,797	<hr/> 242,066
Administration Expenses		(287,401)	(223,890)
Operating (Loss)/Profit	4	<hr/> (25,604)	<hr/> 18,176
Interest Receivable and Similar Income	3	39,329	11,840
Profit on Ordinary Activities before taxation		<hr/> 13,725	<hr/> 30,016
Tax on Profit on Ordinary Activities	5	(2,358)	(1,301)
Retained Profit for the Financial Year		<hr/> 11,367	<hr/> 28,715
Retained Profit Brought Forward		177,269	148,554
Retained Profit Carried Forward		<hr/> £188,636	<hr/> £177,269

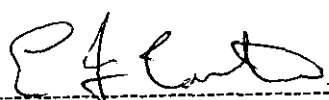
There were no recognised gains or losses other than those shown above. Therefore no separate Statement of Total Recognised Gains and Losses is produced.

All activities reflected above represent continuing operations.

LONDON METROPOLITAN NETWORK LIMITED**BALANCE SHEET****AS AT 31ST JULY 2006**

	Notes	£	2006	£	£	2005	£
Fixed Assets							
Computer Equipment	7			157,315			-
Current Assets							
Debtors	8		951,730			584,695	
Cash at Bank and in Hand			905,459			485,617	
			<u>1,857,189</u>			<u>1,070,312</u>	
Creditors : Amounts falling due within one year	9		(1,008,700)			(176,088)	
Net Current Assets				848,489			894,224
Total Assets less current liabilities				<u>1,005,804</u>			<u>894,224</u>
Creditors : Amounts falling due after more than one year	10			(817,168)			(716,955)
Total Assets Less Liabilities				<u>£188,636</u>			<u>£177,269</u>
Reserves							
Profit and Loss Account				188,636			177,269
Total Funds				<u>£188,636</u>			<u>£177,269</u>

These Financial Statements were approved by the Board of Directors on 26th January 2007 and were signed on its behalf by:



 (Director)

LONDON METROPOLITAN NETWORK LIMITED**CASH FLOW STATEMENT FOR THE YEAR****ENDED 31ST JULY 2006**

	Notes	£	2006 £	£	2005 £
Net Cash Inflow from Operating Activities	11		618,316		21,950
Returns on Investments and Servicing of Finance					
Interest Received	3	<u>38,799</u>		<u>10,391</u>	
Net Cash Inflow from Returns on Investments and Servicing of Finance			38,799		10,391
Capital Expenditure					
Additions of Fixed Assets	7	<u>(235,972)</u>	(235,972)	<u>-</u>	-
Taxation Paid			<u>(1,301)</u>		-
			<u>£419,842</u>		<u>£32,341</u>
Increase in Cash for the year	12		<u>£419,842</u>		<u>£32,341</u>

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2006****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 no provision was necessary. The company does not recognise deferred tax assets because of uncertainties about their crystallisation.

2. TURNOVER

Turnover and profit are attributable to one class of business activity of the company undertaken in the United Kingdom. Turnover consists of:

	2006		2005	
	Turnover	Operating Profit	Turnover	Operating Profit
	£	£	£	£
Grant Funding	1,891,453	227,926	1,782,337	(210,427)
Subscriptions, Member Connections and other Connections	533,066	(298,813)	546,335	220,481
Deferred Capital Grants Released	72,073	-	-	-
Backup Services	62,084	36,488	42,120	(2,422)
Mail Filtering Services	8,795	8,795	10,544	10,544
	<u>£2,567,471</u>	<u>£(25,604)</u>	<u>£2,381,336</u>	<u>£18,176</u>

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006	2005
	£	£
Accrued Bank Interest Brought Forward	(2,432)	(983)
Bank Interest Received	38,799	10,391
Accrued Bank Interest Carried Forward	<u>2,962</u>	<u>2,432</u>
	<u>£39,329</u>	<u>£11,840</u>

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2006 (Continued)****4. OPERATING PROFIT IS STATED AFTER CHARGING**

	2006	2005
	£	£
Auditors' Remuneration		
Audit	4,125	3,500
Accountancy	825	700
Depreciation	78,657	-
Directors Liability Insurance	1,092	1,365
Deferred Capital Grant Released	(72,073)	-

5. TAXATION

UK Corporation Tax at 19%(2005: 23.75%)	2,358	1,301
Under/Overprovision for preceding year	-	-
Total Current Charge	2,358	1,301
Deferred Taxation Originating from the reversal of Timing Differences	-	-
	£2,358	£1,301
 Tax Charge Reconciliation:		
Profit on Ordinary Activities before Tax	£13,725	£30,016
 Profit on Ordinary Activities at the small companies rate of Corporation Tax, 19% (2005: marginal rate of 23.75%)	2,608	7,129
Capital Allowances less the Depreciation Charge for Year	13,444	-
Exempt Deferred Capital Grants	(13,694)	-
Utilisation of Tax Losses	-	(3,453)
Effect of zero rating of first £10,000	-	(2,375)
	£2,358	£1,301

6. EMPLOYEES' AND DIRECTORS' REMUNERATION

The company employed four members of staff in the current year. One of the Directors was remunerated £78,165 for their services (2005: £21,667). No Directors were reimbursed expenses (2005: £ nil). The company utilised the services of employees of one of its members during part of the year and accepted recharges in respect of their payroll costs. Costs recharged in the current year amounted to £2,000 (2005: £166,354). During the current year the company has assumed direct responsibility for a number of its costs, including staff costs.

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2006 (Continued)****6. EMPLOYEES' AND DIRECTORS' REMUNERATION (Continued)**

STAFF COSTS	2006	2005
	£	£
Gross Pay	200,426	24,444
Social Security Costs	25,821	2,868
Pension Costs	-	-
	<u>£226,247</u>	<u>£27,312</u>
Average number of employees	<u>4</u>	<u>-</u>

7. FIXED ASSETS

	Computer Hardware and Software	
	2006	2005
	£	£
Cost brought forward	819,569	819,569
Additions	235,972	-
Cost carried forward	<u>1,055,541</u>	<u>819,569</u>
Accumulated depreciation brought forward	819,569	819,569
Charge for year	78,657	-
Accumulated depreciation carried forward	<u>898,226</u>	<u>819,569</u>
Net Book Value 31 st July 2006	<u>£157,315</u>	<u>£ -</u>

8. DEBTORS

	2006	2005
	£	£
Trade Debtors	509,334	377,283
Sundry Debtors	5,020	2,007
VAT Recoverable	-	64,223
Prepayments and Accrued Income		
Prepayments	434,414	138,750
Interest Receivable	2,962	2,432
	<u>£951,730</u>	<u>£584,695</u>

Trade debtors consist of grants receivable, members subscriptions and the costs recharged to members for linking to the network.

Prepayments represent maintenance contracts for the network and prepaid costs relating to the relocation of the LMN PoP.

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2006 (Continued)****9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2006 £	2005 £
Payments Received on Account	-	20,500
Trade Creditors	745,609	140,423
Corporation Tax	2,358	1,301
VAT	17,727	-
Accruals and Deferred Income	243,006	13,864
	<u>£1,008,700</u>	<u>£176,088</u>

Trade creditors include in the current year £546,891 which is repayable to UKERNA under the current contract.

Accruals and Deferred Income include in the current year deferred UKERNA capital grant funding (£72,073) and a grant towards the relocation of the LMN PoP (£143,385).

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	-----2006-----				2005
	Subordinated Loans £	Deferred Capital Grants £	UKERNA RPAN £	Total £	Total £
Balance brought forward	202,000	100,164	414,791	716,955	543,018
Receivable in the year	-	144,146	28,140	172,286	173,937
Released in current year	-	(72,073)	-	(72,073)	-
	<u>£202,000</u>	<u>£172,237</u>	<u>£442,931</u>	<u>£817,168</u>	<u>£716,955</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.

The deferred capital grants represent grants received from UKERNA to finance the purchase of equipment and the Super Janet 5 network.

The UKERNA RPAN balance represents grant funding received from UKERNA to be expended by the company on the enhancement of the service it has agreed to provide.

11. RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Profit on ordinary activities before taxation	13,725	30,016
Add: Depreciation charge for the period	78,657	-
Less: Interest receivable	<u>(39,329)</u>	<u>(11,840)</u>
	53,053	18,176
(Increase)/Decrease in debtors	(366,505)	126,790
Increase/(Decrease) in creditors	931,768	(123,016)
	<u>£618,316</u>	<u>£21,950</u>
Net cash inflow from operating activities		

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2006 (Continued)****12. ANALYSIS OF CHANGES IN NET FUNDS**

	At 31st July 2006 £	At 31st July 2005 £	Cash Inflow £
Cash at Bank and in Hand	<u>£905,459</u>	<u>£485,617</u>	<u>£419,842</u>
	At 31st July 2005 £	At 31st July 2004 £	Cash Inflow £
Cash at Bank and in Hand	<u>£485,617</u>	<u>£453,276</u>	<u>£32,341</u>

13. RELATED PARTY TRANSACTIONS

The company utilises the services of employees of one of its members and accepts recharges in respect of payroll costs.

	2006 £	2005 £
Staff Costs	2,000	161,245
Staff Development, Recruitment and Training	-	5,109
Book-keeping fees	-	5,838
	<u>£ 2,000</u>	<u>£172,192</u>

The company also operates from the premises of another of its members and has in the current year paid out rent and service charges to that member of £16,372.