

LONDON METROPOLITAN NETWORK LIMITED

Registration Number : 3913274

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JULY 2008**

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LONDON METROPOLITAN NETWORK LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2008

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LONDON METROPOLITAN NETWORK LIMITED

COMPANY INFORMATION

Directors at the date of this report:

Professor Paul Webley (Chair of Board) (Elected 23rd January 2008)
Mr. Colin Henderson (Company Secretary and Vice Chair)
Mr. Nicholas Atkins (Co-opted 23rd July 2008)
Mr. Ed Carter
Mr. Satnam Gill
Mrs. Laura Gibbs
Mr. Roger James (Co-opted 19th December 2008)
Mr. Andrew Kerl (Co-opted 23rd July 2008)
Ms. Maggie Knights
Mr. Malcolm Raggett

Registered Office :

7th Floor
50 Hanson Street
London
W1W 6UP

Auditors :

Knox Cropper
8/9 Well Court
London
EC4M 9DN

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 2008.

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 Paul Webley (Chair of Board) (Elected 23rd January 2008)

Mr. Colin Henderson (Company Secretary & Vice Chair)

Mr. Russell Altendorff (Resigned 23rd January 2008)

Mr. Nicholas Atkins (Co-opted 23rd July 2008)

Mr. Andrew Connel Burns (Resigned 31st July 2008)

Mr. Ed Carter

Mrs. Theresa Drowley (Resigned 12 October 2007)

Mr. Satnam Gill

Mrs. Laura Gibbs (Elected 23rd January 2008)

Mr. Roger James (Co-opted 19th December 2008)

Mr. Andrew Kerl (Co-opted 23rd July 2008)

Ms. Maggie Knights

Mr. Malcolm Raggett (Elected 23rd January 2008)

Professor Roland Rosner (Resigned 30th September 2008)

Dr. Kevin Swindin (Resigned 14th October 2008)

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 JANET(UK), 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 £957 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 JANET(UK) have been applied for the purposes for which they were provided.

LONDON METROPOLITAN NETWORK LIMITED

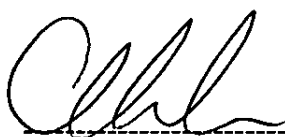
DIRECTORS' REPORT (Continued)

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 28th January 2009 and signed on behalf of the Board by:



Colin Henderson
(Company Secretary)

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 2008 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.

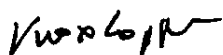
OPINION

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 2008 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.

8/9 Well Court
 London EC4M 9DN

28th January 2009


 Knox Cropper
 Chartered Accountants
Registered Auditors

LONDON METROPOLITAN NETWORK LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST JULY 2008**

	Notes	2008 £	2007 £
Turnover	2	3,783,428	4,472,495
Cost of Sales		(3,426,855)	(3,483,571)
Gross Profit		<hr/> 356,573	<hr/> 988,924
Administration Expenses		(328,470)	(273,662)
Operating Profit	4	<hr/> 28,103	<hr/> 715,262
Interest Receivable and Similar Income	3	130,711	73,230
Profit on Ordinary Activities before taxation		<hr/> 158,814	<hr/> 788,492
Tax on Profit on Ordinary Activities	5	(33,308)	(217,452)
Retained Profit for the Financial Year		<hr/> 125,506	<hr/> 571,040
Retained Profit Brought Forward		759,676	188,636
Retained Profit Carried Forward		<hr/> £885,182	<hr/> £759,676

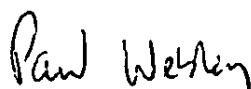
There were no recognised gains or losses other than those disclosed above. Therefore no separate Statement of Total Recognised Gains and Losses is produced.

All activities reflected above represent continuing operations.

LONDON METROPOLITAN NETWORK LIMITED**BALANCE SHEET****AS AT 31ST JULY 2008**

	Notes	2008		2007	
		£	£	£	£
Fixed Assets					
Computer Equipment	7		225,978		356,505
Current Assets					
Debtors	8	771,377		2,262,093	
Cash at Bank and in Hand		2,634,136		1,528,085	
		<u>3,405,513</u>		<u>3,790,178</u>	
Creditors : Amounts falling due within one year	9	(1,985,338)		(2,568,030)	
Net Current Assets			1,420,175		1,222,148
Total Assets less current liabilities			<u>1,646,153</u>		<u>1,578,653</u>
Creditors : Amounts falling due after more than one year	10		(760,971)		(818,977)
Total Assets Less Liabilities			<u>£885,182</u>		<u>£759,676</u>
Reserves					
Profit and Loss Account			885,182		759,676
Total Funds			<u>£885,182</u>		<u>£759,676</u>

These Financial Statements were approved by the Board of Directors on 28th January 2009 and were signed on its behalf by:



Professor Paul Webley
(Director)

LONDON METROPOLITAN NETWORK LIMITED**CASH FLOW STATEMENT FOR THE YEAR****ENDED 31ST JULY 2008**

	Notes	2008		2007	
		£	£	£	£
Net Cash Inflow from Operating Activities	12		1,324,557		964,379
Returns on Investments and Servicing of Finance					
Interest Received	3	<u>130,711</u>		<u>76,192</u>	
Net Cash Inflow from Returns on Investments and Servicing of Finance			130,711		76,192
Capital Expenditure					
Additions of Fixed Assets	7	<u>(130,581)</u>	(130,581)	<u>(416,771)</u>	(416,771)
Taxation Paid			<u>(218,636)</u>		<u>(1,174)</u>
			<u>£1,106,051</u>		<u>£622,626</u>
Increase in Cash for the year	13		<u>£1,106,051</u>		<u>£622,626</u>

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2008****1. ACCOUNTING POLICIES**

- The Financial Statements have been produced in accordance with applicable accounting standards and have been prepared under the historical cost convention.
- Items of income and expenditure are accounted for under the accruals concept.
- 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.
- Fixed assets which consist entirely of computer hardware and software are depreciated on a straight line basis over 3 years.
- Debtors are stated net of full provision for doubtful items.
- 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:

	2008		2007	
	Turnover	Operating Profit	Turnover	Operating Profit
	£	£	£	£
Grant Funding	3,191,977	(21,892)	3,481,113	484,056
Subscriptions, Member Connections and other Connections	287,483	97,388	712,992	195,071
Deferred Capital Grants Released	253,782	-	210,255	-
Backup Services	32,456	(8,798)	63,326	31,326
Mail Filtering Services	8,530	8,530	4,809	4,809
Member Training	9,200	(47,125)	-	-
	£3,783,428	£28,103	£4,472,495	£715,262

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008	2007
	£	£
Accrued Bank Interest Brought Forward	-	(2,962)
Bank Interest Received	130,711	76,192
Accrued Bank Interest Carried Forward	-	-
	£130,711	£73,230

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2008 (Continued)****4. OPERATING PROFIT IS STATED AFTER CHARGING**

	2008	2007
	£	£
Auditors' Remuneration		
Audit	3,950	3,750
Accountancy	-	-
Depreciation	261,108	217,581
Directors Liability Insurance	957	900
Deferred Capital Grant Released	(253,782)	(210,255)

5. TAXATION

UK Corporation Tax at 21%(2007: 30%)	33,308	218,636
Under/Overprovision for preceding year	-	(1,184)
Total Current Charge	33,308	217,452
Deferred Taxation Originating from the reversal of Timing Differences	-	-
	£33,308	£217,452
 Tax Charge Reconciliation:		
Profit on Ordinary Activities before Tax	£158,814	£788,492
 Profit on Ordinary Activities at the marginal rate of Corporation Tax, 21% (2007: 32.5%)	33,351	256,260
Capital Allowances less the Depreciation Charge for Year	54,343	69,389
Exempt Deferred Capital Grants	(53,294)	(68,333)
Effect of first £300,000 at 20%	-	(37,500)
Effect of tax rate changes during year	(1,092)	(1,180)
	£33,308	£218,636

6. EMPLOYEES' AND DIRECTORS' REMUNERATION

The company employed four members of staff in the current year. None of the Directors was remunerated for their services (2007: nil). No Directors were reimbursed expenses (2007: £ nil).

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2008 (Continued)****6. EMPLOYEES' AND DIRECTORS' REMUNERATION (Continued)**

STAFF COSTS	2008	2007
	£	£
Gross Pay	173,774	150,597
Social Security Costs	19,320	18,941
Pension Costs – Charge for year	26,180	40,000
Pension Costs – Overprovision in prior year	(11,635)	-
	<u>£207,639</u>	<u>£209,538</u>
 Average number of employees	 <u>4</u>	 <u>4</u>

7. FIXED ASSETS

	Computer Hardware, Software And Office Equipment	
	2008	2007
	£	£
Cost brought forward	1,446,178	1,055,541
Additions	130,581	416,771
Disposals	(2,225)	(26,134)
Cost carried forward	<u>1,574,534</u>	<u>1,446,178</u>
 Accumulated depreciation brought forward	 1,089,673	 898,226
Charge for year	261,108	217,581
Depreciation on disposals	(2,225)	(26,134)
Accumulated depreciation carried forward	<u>1,348,556</u>	<u>1,089,673</u>
 Net Book Value 31 st July 2008	 <u>£225,978</u>	 <u>£356,505</u>

8. DEBTORS

	2008	2007
	£	£
Trade Debtors	282,732	1,938,308
Sundry Debtors	488,645	126,167
VAT Recoverable	-	-
Prepayments and Accrued Income		
Prepayments	-	197,618
Interest Receivable	-	-
	<u>£771,377</u>	<u>£2,262,093</u>

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

Prepayments arise from maintenance contracts for the network.

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2008 (Continued)****9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008	2007
	£	£
Trade Creditors	240,526	950,753
Corporation Tax	33,308	218,636
VAT	23,426	109,917
Sundry Creditors	8,000	-
Accruals and Deferred Income	1,498,369	1,078,469
Deferred Capital Grants (note 11)	181,709	210,255
	£1,985,338	£2,568,030

Trade creditors included in the current year £127,588, which was repayable to JANET(UK) under the current contract (2007: £158,456).

Accruals and Deferred Income include in the current year deferred JANET(UK) SJ5 income of £1,308,416 (2007: £ 932,725) and deferred JANET(UK) grant of £nil (2007: £93,995).

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

	2008	2007
	£	£
Subordinated Loans	202,000	202,000
JANET (UK) RPAN	515,444	478,795
Deferred Capital Grants (note 11)	43,527	138,182
	£760,971	£818,977

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 JANET(UK) RPAN balance represents grant funding received from JANET(UK) to be expended by the company on the enhancement of the service it has agreed to provide. A further £36,649 has been added to the balance during the course of the current year.

Deferred capital grants represent grants received from JANET(UK) to finance the purchase of equipment and the Super Janet 5 network (movements on which are set out in note 11).

11. DEFERRED CAPITAL GRANTS

JANET UK Grants	2008	2007
	£	£
Balance at 1 st August 2007	348,437	144,146
Grants received during the year	130,581	414,546
Released to revenue during the year	(253,782)	(210,255)
Balance at 31 st July 2008	£225,236	£348,437
Disclosed as:		
Creditors: amounts falling due within one year	181,709	210,255
Creditors: amounts falling due after one year	43,527	138,182
	£225,236	£348,437

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2008 (Continued)****12. RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2008	2007
	£	£
Profit on ordinary activities before taxation	158,814	788,492
Add: Depreciation charge for the period	261,108	217,581
Less: Interest receivable	(130,711)	(73,230)
	<u>289,211</u>	<u>932,843</u>
 (Increase)/Decrease in debtors	 1,490,716	 (1,313,325)
Increase/(Decrease) in creditors	(455,370)	1,344,861
	<u></u>	<u></u>
Net cash inflow from operating activities	<u>£1,324,557</u>	<u>£964,379</u>

13. ANALYSIS OF CHANGES IN NET FUNDS

	At 31st July 2008 £	At 31st July 2007 £	Cash Inflow £
Cash at Bank and in Hand	<u>£2,634,136</u>	<u>£1,528,085</u>	<u>£1,106,051</u>
	At 31st July 2007 £	At 31st July 2006 £	Cash Inflow £
Cash at Bank and in Hand	<u>£1,528,085</u>	<u>£905,459</u>	<u>£622,626</u>

14. RELATED PARTY TRANSACTIONS

The company operates from the premises of one of its members and has in the current year paid out rent and service charges to that member of £ 24,093 (2007: £22,167)

15. CAPITAL COMMITMENTS

The company is committed to providing 50% or £100,000, whichever figure is lower, of the cost of installing back up generators for the PoP's at Imperial College London and the University of London Computer Centre.