

LONDON METROPOLITAN NETWORK LIMITED

Registration Number: 03913274

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FOR THE FOURTEEN MONTHS ENDED 30TH SEPTEMBER 2009**

WEDNESDAY



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COMPANIES HOUSE


KNOX CROPPER
chartered accountants

LONDON METROPOLITAN NETWORK LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE FOURTEEN MONTHS ENDED 30TH SEPTEMBER 2009

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LONDON METROPOLITAN NETWORK LIMITED

COMPANY INFORMATION

Directors at the date of this report:

Professor Paul Webley (Chair of Board)
Mr Ed Carter
Mr. Satnam Gill
Mrs Laura Gibbs
Mr. Roger James
Ms. Maggie Knights
Mr Malcolm Raggett
Mr Arthur Spirling

Registered Office :

70 Great Portland Street
London
W1W 7UW

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 fourteen months ended 30th September 2009.

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

3. Results for the Period

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

4. Directors

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

Professor Paul Webley (Chair of Board)
Mr. Colin Henderson (Resigned 18th March 2010)
Mr. Nicholas Atkins (Resigned 13th November 2009)
Mr. Ed Carter
Mr. Satnam Gill
Mrs. Laura Gibbs
Mr. Roger James
Mr. Andrew Kerl (Resigned 31st May 2010)
Ms. Maggie Knights
Mr. Malcolm Raggett
Mr. Arthur Spirling (Elected 18th March 2010)

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

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

During the period 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

JANET (UK) has decided to terminate the agreement with London Metropolitan Network Limited to operate the network no later than September 2011. The Directors are currently assessing the viability of the Company continuing to operate after this event by carrying out the ancillary services it is currently providing to members.

The company has taken out Directors and Officers liability insurance at a cost of £913 for the period.

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

The Directors are responsible for preparing the Annual Report and the financial Statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 2006. 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

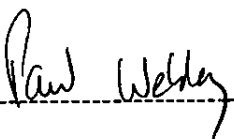
DIRECTORS' REPORT (Continued)

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 21st June 2010 and signed on behalf of the Board by:



Paul Webley
(Chair)

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LONDON METROPOLITAN NETWORK LIMITED

We have audited the financial statements of London Metropolitan Limited for the fourteen months ended 30th September 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out in the Director's Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30th September 2009 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter

Without qualifying our opinion, we draw to attention note 15 in the financial statements which indicates that the funding agreement with JANET(UK) to operate the network will cease no later than September 2011. Because of the materiality of the JANET(UK) funding to the company this may cast significant doubt over the company's ability to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or
- the company's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Richard Billinghamurst (Senior Statutory Auditor)
 For and on Behalf of Knox Cropper
 Chartered Accountants and Statutory Auditors

8/9 Well Court
 London, EC4M 9DN
 21st June 2010

LONDON METROPOLITAN NETWORK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE FOURTEEN MONTHS ENDED 30TH SEPTEMBER 2009

	Notes	14 Months ended 30 th September 2009 £	12 Months ended 31 st July 2008 £
Turnover	2	4,626,030	3,783,428
Cost of Sales		(4,292,020)	(3,426,855)
Gross Profit		334,010	356,573
Administration Expenses		(389,846)	(328,470)
Operating Profit/(Loss)	4	(55,836)	28,103
Interest Receivable and Similar Income	3	61,790	130,711
Profit on Ordinary Activities before taxation		5,954	158,814
Tax on Profit on Ordinary Activities	5	(1,041)	(33,308)
Retained Profit for the Financial Period		4,913	125,506
Retained Profit Brought Forward		885,182	759,676
Retained Profit Carried Forward		£890,095	£885,182

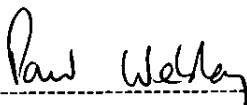
There were no recognised gains or losses other than those disclosed above. Therefore no separate Statement of Total Recognised Gains and Losses is produced.

All activities reflected above represent continuing operations.

LONDON METROPOLITAN NETWORK LIMITED**BALANCE SHEET****AS AT 30TH SEPTEMBER 2009**

	Notes	As at 30 th September 2009 £	As at 31 st July 2008 £
Fixed Assets			
Computer Equipment	7	91,156	225,978
Current Assets			
Debtors	8	149,461	771,377
Cash at Bank and in Hand		3,154,366	2,634,136
		<u>3,303,827</u>	<u>3,405,513</u>
Creditors : Amounts falling due within one year	9	(2,028,536)	(1,985,338)
Net Current Assets		<u>1,275,291</u>	<u>1,420,175</u>
Total Assets less current liabilities		<u>1,366,447</u>	<u>1,646,153</u>
Creditors : Amounts falling due after more than one year	10	(476,352)	(760,971)
Total Assets Less Liabilities		<u>£890,095</u>	<u>£885,182</u>
Reserves			
Profit and Loss Account		890,095	885,182
Total Funds		<u>£890,095</u>	<u>£885,182</u>

These Financial Statements were approved by the Board of Directors on 21st June 2010 and were signed on its behalf by



 Paul Wepley
 (Chair)

LONDON METROPOLITAN NETWORK LIMITED
CASH FLOW STATEMENT FOR THE FOURTEEN MONTHS
ENDED 30TH SEPTEMBER 2009

	Notes	14 Months ended 30 th September 2009		12 Months ended 31 st July 2008	
		£	£	£	£
Net Cash Inflow from Operating Activities	12		581,558		1,324,557
Returns on Investments and Servicing of Finance					
Interest Received	3	<u>61,790</u>		<u>130,711</u>	
Net Cash Inflow from Returns on Investments and Servicing of Finance			61,790		130,711
Capital Expenditure					
Additions of Fixed Assets	7	<u>(89,810)</u>	(89,810)	<u>(130,581)</u>	(130,581)
Taxation Paid			<u>(33,308)</u>		<u>(218,636)</u>
			<u>£520,230</u>		<u>£1,106,051</u>
Increase in Cash for the period	13		<u>£520,230</u>		<u>£1,106,051</u>

LONDON METROPOLITAN NETWORK LIMITED
NOTES TO THE ACCOUNTS

FOR THE FOURTEEN MONTHS ENDED 30TH SEPTEMBER 2009

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 period 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:

	2009		2008	
	Turnover	Operating Profit/(Loss)	Turnover	Operating Profit/(Loss)
	£	£	£	£
Grant Funding	3,885,439	(224,054)	3,191,977	(21,892)
Subscriptions, Member Connections and other Connections	362,612	142,869	287,483	97,388
Deferred Capital Grants Released	223,890	-	253,782	-
Backup Services	39,175	(4,071)	32,456	(8,798)
Mail Filtering Services	8,047	8,047	8,530	8,530
Member Training	13,591	(44,296)	9,200	(47,125)
LMN Core & EOL Income	93,276	65,669	-	-
	£4,626,030	£(55,836)	£3,783,428	£28,103

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	£	£
Accrued Bank Interest Brought Forward	-	-
Bank Interest Received	61,790	130,711
Accrued Bank Interest Carried Forward	-	-
	£61,790	£130,711

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE FOURTEEN MONTHS ENDED 30TH SEPTEMBER 2009 (Continued)****4. OPERATING (LOSS)/PROFIT IS STATED AFTER CHARGING**

	2009	2008
	£	£
Auditors' Remuneration		
Audit	4,150	3,950
Accountancy	-	-
Depreciation	224,632	261,108
Directors Liability Insurance	913	957
Deferred Capital Grant Released	<u>(223,890)</u>	<u>(253,782)</u>

5. TAXATION

UK Corporation Tax at 21% (2008 21%)	1,041	33,308
Under/Overprovision for preceding period	<u>-</u>	<u>-</u>
Total Current Charge	1,041	33,308
Deferred Taxation Originating from the reversal of Timing Differences	<u>-</u>	<u>-</u>
	<u>£1,041</u>	<u>£33,308</u>
 Tax Charge Reconciliation:		
Profit on Ordinary Activities before Tax	<u>£5,954</u>	<u>£158,814</u>
 Profit on Ordinary Activities at the marginal rate of Corporation Tax, 21% (2008 21%)	1,250	33,351
Capital Allowances less the Depreciation Charge for Period	46,808	54,343
Exempt Deferred Capital Grants	(47,017)	(53,294)
Effect of tax rate changes during year	<u>-</u>	<u>(1,092)</u>
	<u>£1,041</u>	<u>£33,308</u>

6. EMPLOYEES' AND DIRECTORS' REMUNERATION

The company employed five members of staff in the current period. None of the Directors was remunerated for their services (2008: £nil) No Directors were reimbursed expenses (2008: £nil)

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE FOURTEEN MONTHS ENDED 30TH SEPTEMBER 2009 (Continued)****6. EMPLOYEES' AND DIRECTORS' REMUNERATION (Continued)**

STAFF COSTS	2009	2008
	£	£
Gross Pay	242,645	173,774
Social Security Costs	26,750	19,320
Pension Costs – Charge for period	34,017	26,180
Pension Costs – Overprovision in prior year	-	(11,635)
	<u>£303,412</u>	<u>£207,639</u>
 Average number of employees	 <u>5</u>	 <u>4</u>

7. FIXED ASSETS

	Computer Hardware, Software And Office Equipment	
	2009	2008
	£	£
Cost brought forward	1,574,534	1,446,178
Additions	89,810	130,581
Disposals	-	(2,225)
Cost carried forward	<u>1,664,344</u>	<u>1,574,534</u>
 Accumulated depreciation brought forward	 1,348,556	 1,089,673
Charge for period	224,632	261,108
Depreciation on disposals	-	(2,225)
Accumulated depreciation carried forward	<u>1,573,188</u>	<u>1,348,556</u>
 Net Book Value at period end	 <u>£91,156</u>	 <u>£225,978</u>

8. DEBTORS

	2009	2008
	£	£
Trade Debtors	78,867	282,732
Sundry Debtors	13,792	488,645
VAT Recoverable	-	-
Prepayments and Accrued Income		
Prepayments	56,802	-
Interest Receivable	-	-
	<u>£149,461</u>	<u>£771,377</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 FOURTEEN MONTHS ENDED 30TH SEPTEMBER 2009 (Continued)****9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2009	2008
	£	£
Trade Creditors	542,686	240,526
Corporation Tax	1,041	33,308
VAT	68,204	23,426
Sundry Creditors	8,000	8,000
Accruals and Deferred Income	1,342,396	1,498,369
Deferred Capital Grants (note 11)	66,209	181,709
	£2,028,536	£1,985,338

Trade creditors included in the current period £16,800, which was repayable to JANET(UK) under the current contract (2008: £127,588).

Accruals and Deferred Income include in the current period deferred JANET(UK) SJ5 income of £1,327,110 (2008 £1,308,416)

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

	2009	2008
	£	£
Subordinated Loans	202,000	202,000
JPA Operating Fund	249,405	515,444
Deferred Capital Grants (note 11)	24,947	43,527
	£476,352	£760,971

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 JPA Operating Fund 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. During the current period the level of the reserve allowable was reduced from 20% to 10% of the Basic Annual Payment. As a result £266,039 has been repaid from the balance during the course of the current period

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	2009	2008
	£	£
Balance at 1 st August 2008	225,236	348,437
Grants received during the period	89,810	130,581
Released to revenue during the period	(223,890)	(253,782)
Balance at 30 th September 2009	£91,156	£225,236
Disclosed as		
Creditors, amounts falling due within one year	66,209	181,709
Creditors, amounts falling due after one year	24,947	43,527
	£91,156	£225,236

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE FOURTEEN MONTHS ENDED 30TH SEPTEMBER 2009 (Continued)****12. RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2009	2008
	£	£
Profit on ordinary activities before taxation	5,954	158,814
Add Depreciation charge for the period	224,632	261,108
Less. Interest receivable	(61,790)	(130,711)
	<u>168,796</u>	<u>289,211</u>
Decrease in debtors	621,916	1,490,716
(Decrease) in creditors	(209,154)	(455,370)
	<u></u>	<u></u>
Net cash inflow from operating activities	<u>£581,558</u>	<u>£1,324,557</u>

13. ANALYSIS OF CHANGES IN NET FUNDS

	At 30th September 2009 £	At 31st July 2008 £	Cash Inflow £
Cash at Bank and in Hand	<u>£3,154,366</u>	<u>£2,634,136</u>	<u>£520,230</u>
	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>

14. RELATED PARTY TRANSACTIONS

The company operates from the premises of one of its members and has in the current period paid out rent and service charges to that member of £26,895 (2008: £24,093)

15. GOING CONCERN

The principal activity of the company is the provision of network facilities for colleges and universities in London. The company receives significant funding from JANET(UK) to operate the network and JANET(UK) has indicated to London Metropolitan Network Limited that it has decided to terminate its agreement with the company no later than September 2011. The Directors are currently assessing whether it is viable for the company to continue operating after the termination of the agreement by carrying out the ancillary services it is currently providing to members. Although doubt exists over the company's ability to continue to trade after the agreement with JANET(UK) has ceased, this is unlikely to occur until after the end of the next financial year and the Directors have decided it is still appropriate to draw up these accounts on a going concern basis.