

LONDON METROPOLITAN NETWORK LIMITED

Registration Number : 3913274

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JULY 2007**

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COMPANIES HOUSE



KNOX CROPPER
chartered accountants

LONDON METROPOLITAN NETWORK LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2007

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LONDON METROPOLITAN NETWORK LIMITED

COMPANY INFORMATION

Directors at the date of this report:

Mr Andrew Connel Burns (Chair of Board)
Mr Russell Altendorff
Mr Ed Carter
Mrs Theresa Drowley
Mr Satnam Gill
Mr Colin Henderson
Ms Maggie Knights
Professor Roland Rosner
Mr Kevin Swindin

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 2007.

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 Peter Scott (Chair of Board) (Resigned 4th June 2007)
Mr Andrew Connel Burns (Appointed Chair 12th December 2006)
Mr Russell Altendorff
Mr Ed Carter
Mrs. Theresa Drowley (Resigned 12th October 2007)
Dr. Jasbir Gill (Resigned 8th January 2007)
Mr Satnam Gill
Mr. Philip Harding (Company Secretary) (Resigned 28th November 2006)
Mr Colin Henderson (Company Secretary) (Appointed 26th January 2007)
Ms. Maggie Knights
Professor Roland Rosner
Mr Kevin Swidin (Appointed 26th January 2007)

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 £900 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 15th October 2007 and signed on behalf of the Board by:



Colin Henderson
(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 2007 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.

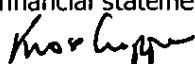
OPINION

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 2007 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

15th October 2007


 Knox Cropper
 Chartered Accountants
 Registered Auditors

LONDON METROPOLITAN NETWORK LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST JULY 2007**

	Notes	2007 £	2006 £
Turnover	2	4,472,495	2,567,471
Cost of Sales		(3,483,571)	(2,305,674)
Gross Profit		<u>988,924</u>	<u>261,797</u>
Administration Expenses		(273,662)	(287,401)
Operating (Loss)/Profit	4	<u>715,262</u>	<u>(25,604)</u>
Interest Receivable and Similar Income	3	73,230	39,329
Profit on Ordinary Activities before taxation		<u>788,492</u>	<u>13,725</u>
Tax on Profit on Ordinary Activities	5	(217,452)	(2,358)
Retained Profit for the Financial Year		<u>571,040</u>	<u>11,367</u>
Retained Profit Brought Forward		188,636	177,269
Retained Profit Carried Forward		<u>£759,676</u>	<u>£188,636</u>


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 2007**

	Notes	2007		2006	
		£	£	£	£
Fixed Assets					
Computer Equipment	7		356,505		157,315
Current Assets					
Debtors	8	2,262,093		951,730	
Cash at Bank and in Hand		1,528,085		905,459	
		<u>3,790,178</u>		<u>1,857,189</u>	
Creditors Amounts falling due within one year	9	(2,568,030)		(1,008,700)	
Net Current Assets			<u>1,222,148</u>		<u>848,489</u>
Total Assets less current liabilities			<u>1,578,653</u>		<u>1,005,804</u>
Creditors Amounts falling due after more than one year	10		(818,977)		(817,168)
Total Assets Less Liabilities			<u>£759,676</u>		<u>£188,636</u>
Reserves					
Profit and Loss Account			<u>759,676</u>		<u>188,636</u>
Total Funds			<u>£759,676</u>		<u>£188,636</u>

These Financial Statements were approved by the Board of Directors on 15th October 2007 and were signed on its behalf by



Colin Henderson
(Director)

LONDON METROPOLITAN NETWORK LIMITED**CASH FLOW STATEMENT FOR THE YEAR****ENDED 31ST JULY 2007**

	Notes	2007		2006	
		£	£	£	£
Net Cash Inflow from Operating Activities	11		964,379		618,316
Returns on Investments and Servicing of Finance					
Interest Received	3	<u>76,192</u>		<u>38,799</u>	
Net Cash Inflow from Returns on Investments and Servicing of Finance			76,192		38,799
Capital Expenditure					
Additions of Fixed Assets	7	<u>(416,771)</u>	(416,771)	<u>(235,972)</u>	(235,972)
Taxation Paid			<u>(1,174)</u>		<u>(1,301)</u>
			<u>£622,626</u>		<u>£419,842</u>
Increase in Cash for the year	12		<u>£622,626</u>		<u>£419,842</u>

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2007****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:

	2007		2006	
	Turnover	Operating Profit	Turnover	Operating Profit
	£	£	£	£
Grant Funding	3,481,113	484,056	1,891,453	227,926
Subscriptions, Member Connections and other Connections	712,992	195,071	533,066	(298,813)
Deferred Capital Grants Released	210,255	-	72,073	-
Backup Services	63,326	31,326	62,084	36,488
Mail Filtering Services	4,809	4,809	8,795	8,795
	£4,472,495	£715,262	£2,567,471	£(25,604)

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007	2006
	£	£
Accrued Bank Interest Brought Forward	(2,962)	(2,432)
Bank Interest Received	76,192	38,799
Accrued Bank Interest Carried Forward	-	2,962
	£73,230	£39,329

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2007 (Continued)****4. OPERATING PROFIT IS STATED AFTER CHARGING**

	2007	2006
	£	£
Auditors' Remuneration		
Audit	3,750	4,125
Accountancy	-	825
Depreciation	217,581	78,657
Directors Liability Insurance	900	1,092
Deferred Capital Grant Released	<u>(210,255)</u>	<u>(72,073)</u>

5. TAXATION

UK Corporation Tax at 32.5%(2006: 19%)	218,636	2,358
Under/Overprovision for preceding year	<u>(1,184)</u>	-
Total Current Charge	217,452	2,358
Deferred Taxation Originating from the reversal of Timing Differences	-	-
	<u>£217,452</u>	<u>£2,358</u>
 Tax Charge Reconciliation		
Profit on Ordinary Activities before Tax	<u>£788,492</u>	<u>£13,725</u>
 Profit on Ordinary Activities at the marginal rate of Corporation Tax, 32.5% (2006: 19%)	256,260	2,608
Capital Allowances less the Depreciation Charge for Year	69,389	13,444
Exempt Deferred Capital Grants	(68,333)	(13,694)
Effect of first £300,000 at 20%	(37,500)	-
Effect of tax rate changes during year	<u>(1,180)</u>	-
	<u>£218,636</u>	<u>£2,358</u>

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 (2006: one director was remunerated £78,165). No Directors were reimbursed expenses (2006: £ nil).

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2007 (Continued)****6. EMPLOYEES' AND DIRECTORS' REMUNERATION (Continued)**

STAFF COSTS	2007	2006
	£	£
Gross Pay	150,597	200,426
Social Security Costs	18,941	25,821
Pension Costs	40,000	-
	<u>£209,538</u>	<u>£226,247</u>
 Average number of employees	 <u>4</u>	 <u>4</u>

7. FIXED ASSETS

	Computer Hardware, Software And Office Equipment	
	2007	2006
	£	£
Cost brought forward	1,055,541	819,569
Additions	416,771	235,972
Disposals	(26,134)	-
Cost carried forward	<u>1,446,178</u>	<u>1,055,541</u>
 Accumulated depreciation brought forward	 898,226	 819,569
Charge for year	217,581	78,657
Depreciation on disposals	(26,134)	-
Accumulated depreciation carried forward	<u>1,089,673</u>	<u>898,226</u>
 Net Book Value 31 st July 2007	 <u>£356,505</u>	 <u>£157,315</u>

8. DEBTORS

	2007	2006
	£	£
Trade Debtors	1,938,308	509,334
Sundry Debtors	126,167	5,020
VAT Recoverable	-	-
Prepayments and Accrued Income		
Prepayments	197,618	434,414
Interest Receivable	-	2,962
	<u>£2,262,093</u>	<u>£951,730</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

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2007 (Continued)****9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2007	2006
	£	£
Trade Creditors	950,753	745,609
Corporation Tax	218,636	2,358
VAT	109,917	17,727
Accruals and Deferred Income	1,288,724	243,006
	<u>£2,568,030</u>	<u>£1,008,700</u>

Trade creditors included in the preceding year £546,891 which was repayable to JANET(UK) under the current contract

Accruals and Deferred Income include in the current year deferred JANET(UK) capital grant funding of £210,255 (2006: £72,073), deferred JANET(UK) SJ5 income of £932,725 (2006: £ nil) and deferred JANET(UK) grant of £93,995 (2006: £ nil)

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

	-----2007-----				2006
	Subordinated Loans	Deferred Capital Grants	JANET (UK) RPAN	Total	Total
	£	£	£	£	£
Balance brought forward	202,000	172,237	442,931	817,168	716,955
Receivable in the year	-	138,182	35,864	174,046	172,286
Released in current year	-	(172,237)	-	(172,237)	(72,073)
	<u>£202,000</u>	<u>£138,182</u>	<u>£478,795</u>	<u>£818,977</u>	<u>£817,168</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 JANET(UK) to finance the purchase of equipment and the Super Janet 5 network

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.

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

	2007	2006
	£	£
Profit on ordinary activities before taxation	788,492	13,725
Add: Depreciation charge for the period	217,581	78,657
Less: Interest receivable	(73,230)	(39,329)
	<u>932,843</u>	<u>53,053</u>
(Increase)/Decrease in debtors	(1,313,325)	(366,505)
Increase/(Decrease) in creditors	1,344,861	931,768
	<u>£964,379</u>	<u>£618,316</u>
Net cash inflow from operating activities		

LONDON METROPOLITAN NETWORK LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST JULY 2007 (Continued)****12. ANALYSIS OF CHANGES IN NET FUNDS**

	At 31 st July 2007 £	At 31 st July 2006 £	Cash Inflow £
Cash at Bank and in Hand	£1,528,085	£905,459	£622,626
	At 31 st July 2006 £	At 31 st July 2005 £	Cash Inflow £
Cash at Bank and in Hand	£905,459	£485,617	£419,842

13. RELATED PARTY TRANSACTIONS

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

	2007 £	2006 £
Staff Costs	-	2,000
Staff Development, Recruitment and Training	-	-
Book-keeping fees	-	-
	£-	£ 2,000

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 £22,167 (2006: £16,372)

14. 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. The provision has been made out of the current year's Basic Annual Payment.