Registration Number 1653116

GREATER LONDON ENTERPRISE LIMITED

ANNUAL REPORT

31 MARCH 2005

GREATER LONDON ENTERPRISE LIMITED

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GREATER LONDON ENTERPRISE LIMITED
REPORT OF THE DIRECTORS

The Directors present their report together with the financial statements for the year ended 31 March 2005.

1 Business Review

The financial year 2004/2005 was another successful one for Greater London Enterprise Group with profits ahead of expectations. The property businesses and the factoring and invoice finance businesses continued to be the significant profit contributors and once again property activity was responsible for a large part of the over performance.

The Group has continued with its strategy of developing further all of its business areas and widening the sources of Group profits. The year saw a significant increase in activity at our factoring business IGF and the Group also completed a successful takeover of an AIM listed factoring and invoice finance business, Dynamic Commercial Finance PLC which is now being merged with IGF. The scale of our Programme Management and Consulting work increased although profit contribution reduced as the business invested in additional resources for future development. Despite another increase in the scale of our Enterprise Development work, it is very pleasing that the level of financial subsidy required by this area reduced significantly.

During the year the Board undertook another review of strategy. This reaffirmed the existing approach of developing commercially successful businesses and a range of not for profit activities all benefiting from the same commercial approaches and disciplines. As a consequence of the achievements of 2004/2005 the Group continues to be very well placed to continue with this strategy and to implement its ongoing plans for the year ahead.

GLE is not only about commercial returns and the strategy and achievements in the year demonstrate the commitment that GLE will continue to build a reputation as a reliable deliverer of quality services in the areas of regeneration, funding policy, SME finance, and enterprise development.

Some of the significant factors that have contributed to the success in the year are summarised below.

Property

The property business comprises both investment and development activities.

In **GLE Properties**, the investment property portfolio produced very good results during the year outperforming both expectations and the industry's benchmark average returns from similar properties published by Investment Property Databank IPD.

Some investment trading activity also took place with properties that had realised their full potential being disposed of at a premium to cost and annual valuation. Two new industrial investments were acquired together with a freehold interest in an existing leasehold property already within the portfolio. Investment in the portfolio continued with improvements being completed at several properties contributing to valuations at the year end well in excess of cost.

The portfolio comprises around 500,000 square feet of mainly small/medium sized business units providing space for over 300 tenants throughout London. In addition to contributing a rental return, the value of the portfolio increased during the year and this was reflected in independent year end valuations.

GREATER LONDON ENTERPRISE LIMITED
REPORT OF THE DIRECTORS (continued)

1 Business review (continued)

The Group's largest business centre development and regeneration project Waterfront Studios in Newham which was completed by the Group at the end of the previous year achieved 50% occupancy.

In **GLE Property Developments** work continued with schemes completed and fully sold in Greenwich (35,000sf of small industrial units) and Lewisham (a ten unit live/work development). Construction commenced at a new development in Kingston (21,000sf of small industrial units) and sites were secured for future development in Enfield and Haringey.

Commercial Finance

There was significant activity in this area.

At **Independent Growth Finance (IGF)** the Group's factoring and invoice finance business turnover and profits increased in line with expectations. IGF provides cashflow finance to SME's across the UK. The aim is to continue growing this business, its range of products and the contribution it makes took a further step forward with the Group's acquisition of Dynamic Commercial Finance **(DCF).** Towards the end of the year IGF and DCF commenced a process of merger which will be completed shortly. The combined businesses now operate from bases in Kent, Sussex, Birmingham and Manchester

London Seed Capital (LSC) and **London Business Angels (LBA)** had a very good year. This area specialises in providing equity gap finance to SME's in the range £50K to £500K and the business continued working with the DTI Small Business Service and LDA. Activity in this area has grown again in the year fulfilling the objective of focusing even more on the financing needs of smaller and growing SMEs. LSC continued to invest in a growing portfolio of early stage companies alongside finance from angel investors. LBA was also appointed to takeover the administration of the National Business Angels Network providing some additional revenue and profile for this area.

Programme Management and Consulting

The **Programme Management and Consulting** business has continued to grow during the year with a wider range of consulting projects being delivered for clients including LDA, Government Office for London, the Association of London Government and Business Link.

The business undertakes a range of fully commercial and also cost recovery work on short and medium term contracts. Whilst the level of activity has increased this has not been reflected directly in financial contribution as a result of investing in additional resources and skills to provide the infrastructure for future development. The business now has a wider skills base with the capacity to deliver consultancy or programme management in all aspects of economic development, regeneration, enterprise and community development. Whilst the business aims to make a commercial return, the emphasis is also on providing an affordable quality service in the Group's core areas of expertise.

1 Business *review* (continued)

Enterprise Development

In addition to providing consultancy and programme management services in enterprise development, the Group is also involved in actual delivery in this field. Much of this is delivered through ***one*London**, the Group's enterprise subsidiary which delivers business advice, business start up and growth loan funds and works to promote enterprise and entrepreneurship in the community. Some of these activities benefit from corporate sector sponsorship of individual projects. During the year Loan Funds under management increased to £7million. Public sector funding was secured to support the development of a wholesale community development finance institution (CDFI) aimed at raising a £10million investment fund from the commercial sector, and several important new programmes commenced with the emphasis on developing entrepreneurial activity and international trade for SMEs.

Summary

Overall the GLE Group has had another successful year both in financial terms and also in making progress towards achieving its strategic objectives. The Directors acknowledge and pay tribute to the contribution of all members of staff, without their hard work and dedication this would not have been possible.

2 Results

The Group's surplus for the year, after taxation and minority interests, amounted to £1,676,000 (2004 - £2,027,000) and has been transferred to reserves. This surplus includes gains of £1,148,000 (2004 - £1,931,000) from disposals of investment properties. Exceptional costs of £280,000 (2004 - £96,000) were incurred during the year. A breakdown of these exceptional costs is provided in Note 3 of the financial statements. In accordance with the articles of association, no dividend is payable to members.

During the year, the Company made charitable donations amounting to £1,815 (2004 - £1,250).

3 Directors

Those persons who acted as Directors during the year and subsequently are given below:

Non-Executive Directors

Cllr Dame S Powell DBE	(Chair)
J Crook	
P Hendrick	
N Newton	
L Soden	
A Watts CBE	
G Moore	
M Dobney	
P Pledger	
S Ebanja	(resigned 17 June 2004)
MI Edmond	
A Manning-Jones	
L Baehr	
R Cadbury	(resigned 14 October 2004)
A Jordan OBE	(resigned 14 October 2004
S Hitchins	

Executive Directors

M Large	(Chief Executive)
P Adey	(Group Finance Director)
P Thackwray	(Managing Director, *one*London)
M Williams	(Managing Director, Programme Management and Consulting)

4 Directors' Interests in Shares

The Company is limited by guarantee without a share capital.

Certain Non-Executive Directors are appointed from time to time to act as Private Members of the Company. These Private Members have no rights to participate in the income and assets of the Company. P Hendrick, J Crook, M Dobney, M Edmond, P Pledger, L Soden and A Watts CBE acted as Private Members throughout the year and subsequently. As of 26 June 2004 L Baehr and A Manning-Jones were appointed as Private Members of the Company. None of the Directors has or had at any time during the year any interest in the shares of any other group undertakings.

5 Tangible Fixed Assets

The Group's investment properties were revalued as at 31 March 2005 by Jones Lang La Salle, Kings Sturge and Lambert Smith Hampton, chartered surveyors. These revaluations resulted in a surplus above net book value of £1,367,000, which has been reflected in the financial statements. The movements in tangible fixed assets are set out in note 11 of the financial statements.

6 Investments

Trade investments are valued in the financial statements at cost less any provisions. Provisions have been made wherever, in the Directors' opinion, there has been impairment in the value of such investments. Details of the movements in investments are set out in note 12 of the financial statements.

7 Creditor Payment Policy

The Company does not follow any standard or code of practice but ensures that creditors are paid within agreed credit terms unless items are subject to dispute. Based on the Company's trade creditors at the year-end, the average number of days taken to settle purchases made during the year was 24 days (2004 – 80 days).

8 Auditors

BDO Stoy Hayward LLP were appointed as auditors by the Directors on 16th March 2005. BDO Stoy Hayward LLP have expressed their willingness to continue in office. In accordance with Section 385 of the Companies Act 1985, a resolution to reappoint BDO Stoy Hayward LLP as auditors of the Company will be proposed at the next annual general meeting.

28 Park Street
London SE1 9EQ

BY ORDER OF THE BOARD

M Woodall
Secretary

28 JULY 2005

GREATER LONDON ENTERPRISE LIMITED
CORPORATE GOVERNANCE

The Group is committed to high standards of Corporate Governance and the Board of Directors believes this is a key element in continuing to preserve value and deliver growth in the business.

The Board continues to develop its Corporate Governance practices by an annual review undertaken by the Audit Review Sub Committee with the aim of ensuring it complies with the principles of Good Governance, as set out in the Combined Code, except where compliance is considered inappropriate to the company's circumstances.

Board of Directors

At 31 March 2005 the Board of Directors comprised the Non-Executive Chair, four Executive Directors and twelve Non-Executive Directors. The Directors are as shown on page 4.

The Board has overall responsibility for leading and controlling the Company and is accountable to the Ordinary and New Members ("the London Boroughs") for financial and operational performance.

The Board has adopted a formal schedule of matters detailing key aspects of the Company's affairs presented to it for decision. Responsibility for the development and recommendation of strategic plans for consideration by the Board, for implementation of strategies and policies approved by the Board and for operational management is delegated to the Executive Directors.

The Board is aware that the Non-Executive Director Paul Hendrick has served in excess of 9 years and this is therefore non compliant with the Combined Code. The Board consider he remains independent and his continued engagement and contribution is valued.

The roles of the Chair and Chief Executive are distinct and separate, with a clear division of responsibilities. The Board has concluded it is unnecessary to appoint a senior independent director, contrary to the provisions of the Combined Code. The Board considers that the Non-Executive Chair is independent of the Chief Executive and this, together with the majority of independent Non-Executive Directors and use of Board sub-committees, facilitates a forum for clear, independent and unfettered communication both internally and externally without the need for a senior independent director. The Non-Executive Directors combine broad business and commercial experience with independent and objective judgement. This balance enables the Board to provide clear and effective leadership and maintain the highest standards of integrity across the Group's business activities. The Board has reviewed the independence of the Non-Executive Directors and has concluded that, with the exception of Cllr Dame S Powell DBE, Cllr G Moore, and Cllr S Hitchins who are the elected representatives of the Ordinary Members, the Non-Executive Directors are independent.

The Board is supplied with comprehensive Board papers in advance of each Board meeting, including financial and business reports covering each of the Group's principal business activities.

All Directors have access to the advice and services of the Group Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, all Directors are able, if necessary, to obtain independent professional advice at the Company's expense.

Board Committees

In order to ensure effective control and oversight, the Board has a number of committees with specific responsibilities defined by written terms of reference. The principal committees are as follows:

The Audit Committee

The Audit Committee met three times in the year. It consists of three independent Non-Executive Directors. The three members are P Hendrick (Chair), L Soden and L Baehr. In addition, the Chief Executive, the Finance Director and external auditors attend by invitation at the discretion of the Chair. The Committee is responsible for assisting the Board in discharging its responsibilities for the selection of accounting policies and financial reporting, internal controls, and its risk management framework. Group management have established a system of internal control, which includes the accounting systems needed to manage and record the transactions undertaken by the business. However, it must be recognised that any system cannot provide absolute assurance against material misstatement or loss. During the year an independent review of internal controls, risk management and the need for an internal audit function was considered. On the recommendation of the Committee the Board has decided that it is now appropriate to introduce an internal audit function reporting to the Committee. The scope and resourcing of internal audit has been agreed and is being implemented during 2005/2006. The Committee also carries out a formal annual review of the Group's risk register and makes appropriate recommendations to the Board. The Committee also reviews the independence of the external auditors, including the relationship between audit and non-audit work performed by the external auditors. The Committee reviews the nature and scope of the audit with the external auditors prior to commencement and continues to monitor the scope and results of the annual audit, its cost effectiveness and objectivity. During the year the committee considered and made recommendations to the Board on the appointment of new external auditors. The external auditors have direct access, if required, to the Chairman of the Committee.

The Remuneration and Personnel Committee

The Remuneration and Personnel Committee met three times in the year and consists of five independent Non-Executive Directors including the Non-Executive Chair. Executive Directors may attend at the invitation of the Chair to report on specific matters. The current Non-Executive members are L Soden (Chair), Cllr Dame S Powell DBE, A Watts CBE, M Dobney and M Edmond. The Committee assists the Board in discharging its responsibilities for executive remuneration policy, remuneration arrangements of Directors and remuneration and personnel policy generally.

The Nominations Committee

The Nominations Committee meets as required and met once in the year. It consists of four Non-Executive Directors and three Executive Directors. The current Non-Executive members are Cllr Dame S Powell DBE, A Watts CBE, P Hendrick and P Pledger. The Committee is responsible for assisting the Board in the formal selection and appointment of Directors. The Committee considers potential candidates and recommends the appointment of new Directors to the Board. The Committee also takes responsibility on behalf of the Board for the induction and training of new Directors and the assessment of Board and individual director's performance. In this respect a skills matrix is currently being developed to assist in both the recruitment of and the evaluation of director's performance.

The Finance and Operations Committee

The Finance and Operations Committee met eight times in the year. It consists of six independent Non-Executive Directors, three Executive Directors and the Managing Director of GLE Properties. The Non-Executive members are P Hendrick (Chair), Cllr Dame S Powell DBE, L Soden, A Manning-Jones, N Newton and L Baehr. In addition, the senior management for each trading division attend by invitation. The Committee assists the Board by performing a regular financial and operational review of the Group's activities. This includes the review of specific financial and operational matters as directed from time to time and making recommendations as appropriate to the Board. Its responsibilities include the examination of the annual budget and consideration of strategic actions.

Relations with the Members

The Company has a programme of communication with the London Boroughs ("the Members"). Each year, the Company provides Members with a report and a review of the Group's activities. Communication is also made through the Annual Report and the attendance of Members at the Annual General Meeting, where they have the opportunity to ask questions and raise any concerns to the Board of Directors. The Company's website provides information on the Group's current activities and developments and the services it offers.

GREATER LONDON ENTERPRISE LIMITED
REPORT ON DIRECTORS' REMUNERATION

1 Introduction

The Remuneration and Personnel Sub-Committee is responsible for:

- The determination of Group policy for executive remuneration and the terms and conditions of employment of the Executive Directors.
- The determination of appropriate performance conditions for incentive arrangements and bonus payments across the Group.
- Review and determination of Group personnel policies as required.

The committee consists wholly of independent non-executive directors and includes the Chair of GLE. The current members are L Soden (chairman), M Dobney, M Edmond, Cllr Dame S Powell DBE and A Watts CBE. Executive Directors attend by invitation at Committee meetings as required for relevant items, but are always excluded when their own performance and remuneration are under review.

In the last financial year the committee met three times. The committee continued to carefully review and monitor GLE's remuneration and incentive policies. Previously implemented improvements to both the process and structure of bonus schemes and incentive schemes in recent years resulted in no significant changes to incentive schemes in 2004/2005.

The objective of GLE's employment policies is to ensure the group is able to attract the best calibre of employee from all sections of the communities in which it operates, encouraging diversity and equal opportunities.

With regard to remuneration of senior executives, remuneration levels need to be sufficient to attract and retain directors of the quality required to manage the company successfully and in the longer term. A component part of the remuneration package is therefore structured to link rewards to corporate and individual performance. In this respect wherever possible, comparisons have been made with other companies in similar sectors to ensure that packages offered are consistent and fair in relation to that offered elsewhere. Accordingly in this respect, the remuneration package of senior executives will include (in addition to annual salary), both an annual performance incentive together with a medium term incentive.

Annual performance bonus

From 1 April 2005 a bonus will be paid to management and staff for financial performance in respect of their trading division, provided budgeted trading profit is exceeded and in addition will be linked to an individual's performance appraisal. Payment of all annual bonuses is capped at varying levels for staff and for executive directors at a maximum of 100 % of salary.

Medium Term Incentive Scheme

A Medium Term Incentive Scheme was established with effect from 1 April 2003. The initial participants in the Scheme were the three Executive directors as at 1 April 2003. One of those directors (Mark Wignall) has since left the Group thus forfeiting any entitlement under the scheme and two additional executive directors; (P Thackwray and M Williams) have now joined the scheme. This scheme is a phantom share scheme and is designed to encourage and reward good medium-term performance by providing incentives linked to the increase in the Net Asset Value of the Group. Full details of the initial awards and additional participants to the scheme are provided in the directors' schedule of emoluments that follows this report. The awards (which are at the discretion of the Committee) are considered annually and the first awards become payable with effect 31 March 2006 and annually thereafter. The awards are limited to 3% of the Net Asset Value of the Group in any one year and capped at 200% of salary value. In addition appropriate hurdles have been established to ensure real increase in Net Asset Value which account for inflation.

Employment Contracts

All Executive Directors have contracts providing for periods of up to one year's notice. A Redundancy Compensation agreement exists for one Executive Director that in addition to the period of notice provided in his contract of employment offers protection in the event of redundancy equivalent to one year's remuneration. The committee having taken independent specialist advice is of the opinion that this is reasonable and is in accordance with current best practice. This matter will be subject to a further review in the next year.

2 Policy on Remuneration of Executive Directors

The main components of executive remuneration for the year ended 31 March 2005 were:

Basic Salary
An increase in basic salary of 3% linked to annual inflation was agreed for 2005/2006 and following Board approval has been implemented. In addition in some cases directors received an additional award to recognise wider responsibilities and/or an exceptional performance.

Annual Performance Bonus
The Group operates annual performance bonus schemes which are approved by the Remuneration and Personnel Sub-Committee. Payments under annual performance bonus schemes are non pensionable.

Pensions
The group makes contributions either to money purchase schemes or to a defined benefit scheme operated by the London Pensions Fund Authority, on behalf of the Executive Directors.

Other benefits
Some Executive Directors are entitled to receive a company car or the cash equivalent. The Executive Directors also receive either a contribution of £420 towards the provision of insurance against critical illness or towards the payment of private health care.
The Committee has approved Keyman insurance for three of the Executive Directors.

3 Emoluments

Total emoluments of the Directors for the year are shown below.

	Fees £000	Basic salaries £000	Annual bonus £000	Other benefits £000	**Total 2005 £000**	**Pension 2005[1] £000**	Total 2004 £000	Pension 2004[1] £000
Executive Directors								
M Large	-	137.9	137.9	10.6	**286.4**	-	275.3	-
M Wignall	-	-	-	-	-	-	230.7	13.9
P Adey	-	103.0	70.0	9.5	**182.5**	-	168.1	-
P Thackwray	-	80.0	15.0	0.4	**95.4**	-	27.5	-
M Williams	-	81.8	8.2	7.7	**97.7**	-	37.1	-
Non-Executive Directors								
Cllr Dame S Powell DBE	12.6				**12.6**		12.0	-
L Soden	12.1				**12.1**		12.1	-
J Crook	1.3				**1.3**		2.4	-
M Dobney	0.7				**0.7**		2.7	-
S Ebanja	-				-		0.4	-
P Hendrick	11.6				**11.6**		11.6	-
P Pledger	1.5				**1.5**		1.6	-
A Watts CBE	2.7				**2.7**		3.4	-
M I Edmund	2.6				**2.6**		3.1	-
S Ward	-				-		0.8	-
N Newton	11.2				**11.2**		12.0	-
A Manning-Jones	10.1				**10.1**		10.0	-
L Baehr	11.7				**11.7**		11.2	-
	78.1	**402.7**	**231.1**	**28.2**	**740.1**	-	822.0	13.9

Note 1 Pension costs comprise Company pension contributions to money purchase schemes. All of the executive directors are members of a defined benefit scheme. The annual pension accruing to the highest paid director at the year end was £3,507 and the accrued lump sum was £6,068.

Allocation value granted to directors under the Medium Term Incentive Scheme

	At 31 March 2004	Granted during the year	At 31 March 2005	Exercise price*	Normal exercise date from	Normal exercise date to
M Large	63,534		63,534	£2.75	18.09.2006	18.12.2006
		54,373	54,373	£3.37	16.09.2007	16.12.2007
P Adey	47,449		47,449	£2.75	18.09.2006	18.12.2006
		40,607	40,607	£3.37	16.09.2007	16.12.2007
P Thackwray		17,786	17,786	£3.37	16.09.2007	16.12.2007
M Williams		18,176	18,176	£3.37	16.09.2007	16.12.2007
Total	**110,983**	**130,942**	**241,925**			

The above options were granted pursuant to the rules of the GLE 2003 Medium Term Incentive Scheme which was approved at the March 2003 Board meeting. The options granted to the four directors this year equated to shares of a value equivalent (at the time of the grant) of amounts ranging from 75% to 133% of the salaries of the directors.

* The notional gross value attributable to each Unit at the time of Exercise is equal to the net asset value of the Group as disclosed in the audited consolidated accounts of the Group at the financial year end immediately preceding the grant date, divided by 10,000,000.

4 Group personnel policies

The Committee have focused on seeking to improve and enhance best practice with regard to personnel policy and procedures. It regularly monitors the effectiveness of the Group's equal opportunities policy through the review of employee statistics including the ratio of staff by gender and the numbers from ethnic minorities. During the year the committee have kept personnel activities and training and development under regular review. It continues to encourage and support the Group's commitment to the development and training of its employees and was successful in obtaining Investors in People (IIP) accreditation for certain areas of the Group during the year.

GREATER LONDON ENTERPRISE LIMITED
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 the Group as at the end of the financial year and of the surplus or deficit of the Group for that period. In preparing those financial statements, the Directors are required to:

a) select suitable accounting policies and then apply them consistently;

b) make judgements and estimates that are reasonable and prudent;

c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

d) 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 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.

GREATER LONDON ENTERPRISE LIMITED
REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF GREATER LONDON ENTERPRISE LIMITED

We have audited the financial statements of Greater London Enterprise Limited for the year ended 31 March 2005 on pages 15 to 46 which have been prepared under the accounting policies set out on pages 15 to 19.

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 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.

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 Report of the Directors 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 with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom 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 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 misstatement, 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 of the state of affairs of the company and group as at 31 March 2005 and of the result of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
London

Date......3...August........2005

GREATER LONDON ENTERPRISE LIMITED
ACCOUNTING POLICIES
For the year ended 31 March 2005

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the Group's principal accounting policies is set out below.

Compliance with Statement of Standard Accounting Practice 19 ("SSAP 19") 'Accounting for Investment Properties' requires a departure from the requirements of the Companies Act 1985 relating to depreciation. An explanation of this departure is given in note 7 below, relating to Investment Properties. The treatment adopted in respect of grants receivable relating to investment properties also represents a departure from the requirements of the Companies Act 1985 and is explained in note 4 below relating to Grants Receivable.

The Group's accounting policies have remained unchanged from the previous year.

The additional disclosures required under the transitional provisions of Financial Reporting Standard ("FRS") 17 "Retirement Benefits" are provided in note 7 to the financial statements.

1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all subsidiary undertakings using the acquisition method of accounting. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties. The results of subsidiaries sold or acquired are included in the consolidated income and expenditure account up to, or from, the date control passes.

2 Turnover

Turnover is stated exclusive of intra-group transactions, trade discounts, VAT and other taxes. It comprises rental income, interest receivable on loans, fees receivable from investment management and advisory services, factoring commission and discount charges, dividends on unlisted investments (which are recognised as received), income from sales of development properties and the revenue from development projects accounted for as long-term contracts.

Fees receivable on advisory contracts are included in turnover on the basis of the sales value of work completed during the year. The revenue from development projects accounted for as long-term contracts is based on the sales value of work performed during the year, which is calculated by reference to the total sales value and stage of completion of these contracts. Commissions, discount charges and other fees are recognised as they are earned. Rental income and interest receivable are recognised in the period to which they relate. Lease incentives, such as rent-free periods, are spread over the period up to the first rent review on a straight line basis.

In accordance with FRS 16, 'Current Tax', dividends are stated net of the related tax credit.

3 Advisory contracts

Work in progress on advisory contracts is valued at the cost of materials, labour and relevant overheads less progress payments and, where necessary, provisions to reduce cost to estimated realisable value.

4 Grants receivable

Revenue grants are recognised in the income and expenditure account in the period to which they relate. Grants receivable in respect of development properties are included in the income and expenditure account when the related property is sold.
Capital grants are treated as follows:

(a) grants receivable to finance loans advanced under the London Social Inclusion Growth Fund are included as deferred income and are released to the income and expenditure account to offset any bad debts arising from those loans;

(b) grants receivable to finance the purchase of fixed asset investments are included as deferred income and are released to the income and expenditure account to offset any impairment provisions against such investments, either in full or in part depending on the terms of the scheme;

(c) grants receivable to finance the expenditure on depreciable tangible fixed assets are included in deferred income and are released to the income and expenditure account in line with the depreciation charges on those assets;

(d) grants receivable in respect of investment properties are credited to the cost of the asset. This treatment is not in accordance with the Companies Act 1985 which requires fixed assets to be shown at purchase price or production cost and grants as deferred income. The treatment has been adopted in order to show a true and fair view as, in the opinion of the directors, it is not appropriate to treat grants on investment properties as deferred income. Investment properties are not depreciated and accordingly no basis exists on which to recognise the release of deferred income to the profit and loss account. The impact of this treatment is to reduce deferred income and investment property costs, and increase the revaluation reserve, by £1,022,500 (2004 - £782,769).

5 Exchange rates

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year. Exchange differences are dealt with in the income and expenditure account.

6 Investments

Investments are included in the balance sheet at the following values:

(a) Equity investments are stated at cost less provisions. Provision is made in all cases where there is impairment in the value of such investments.
(b) Loans made by the Group are shown at the original amount advanced, less repayments of principal. Loans are regularly reviewed and provision is made where all or part of the loan is considered to be irrecoverable.

Provision is also made against any interest receivable which is not considered to be recoverable.

7 Investment properties

Investment properties are revalued annually at their open market value and the aggregate surplus or deficit is transferred to the revaluation reserve, except that a deficit on an individual property is charged to the income and expenditure account to the extent that it is considered to be a permanent diminution in value.
Leasehold properties, where the unexpired lease term is less than 20 years, are depreciated over the remaining life of the lease. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principles set out in SSAP 19. The Directors consider that, as the Group's investment properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made, the surplus for the financial year would have been reduced by depreciation at 4% on the revalued properties of £1,641,000 (2004 - £1,316,000).
Purchases and sales of investment properties are recognised when an irrevocable and unconditional contract has been entered into by the balance sheet date which completes within two months of the year-end.

8 Development properties

Development properties are stated at the lower of cost and net realisable value. Cost includes materials, labour, directly attributable fees and expenses, and relevant overheads. Any financing costs incurred in respect of development properties are charged to the income and expenditure account in the year that they arise, except that financing costs relating to pre-sold and pre-let development properties are capitalised up to the point when a development is either sold or acquires investment status. Provisions for all known or expected losses to completion are deducted in arriving at the valuation of development properties. Profit is taken in respect of development properties or units of developments which are subject to unconditional contracts for sale by the balance sheet date and which complete within two months of the year-end.

9 Long-term contracts

Pre-sold development projects which straddle more than one accounting period are accounted for as long-term contracts. Turnover and profit are recognised progressively according to the stage of completion once the final outcome can be determined with reasonable certainty. The balance included in development properties in respect of such contracts comprises the costs incurred on the contract, net of amounts transferred to cost of sales and any provisions for foreseeable losses. The excess of payments received over amounts recorded as turnover is classified under creditors due within one year. Amounts recoverable on contracts, being the amount by which recorded turnover exceeds the related payments on account, is classified under debtors.

10 Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on a straight-line basis to write off the cost of the assets, other than investment properties, over their estimated useful lives. The applicable rates of depreciation per annum are:

Office equipment (owned and leased)	25% - 33%
Leasehold improvements	over remaining life of lease

11 Goodwill

Goodwill arising on acquisition of subsidiaries is capitalised in the balance sheet and amortised through the income and expenditure account on a straight-line basis over its expected useful life which ranges from 10 to 20 years. Prior to 1 April 1998, goodwill was written off directly against reserves. Goodwill previously written off to reserves has not been reinstated, but will be charged to the income and expenditure account on disposal of the business to which it relates.

Goodwill is reviewed for impairment at the end of the first full year following the acquisition, or if any events or changes in circumstances indicate that it may not be recoverable. Impairment losses are charged through the income and expenditure account.

12 Deferred taxation

In accordance with FRS 19, deferred tax is recognised in full in respect of timing differences arising at the balance sheet date that result in an obligation to pay more tax in future or a right to pay less tax in future. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Timing differences arise when gains and losses are recognised in the Group's tax computations in periods different from those in which they are included in its financial statements. Deferred taxation is not recognised in respect of timing differences that arise from the annual revaluation of investment properties unless there is a commitment to sell the properties at the balance sheet date.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. In the case of capital losses carried forward against future capital gains, a deferred tax asset is recognised only if plans are in place to sell assets at a value that will trigger a capital gain. Deferred tax balances are not discounted.

13 Pension costs

Defined Contribution Schemes

Contributions to defined contribution schemes are charged to the income and expenditure account as they fall due.

Defined Benefit Scheme

The cost of providing pensions is calculated using actuarial valuation methods which reflect the long-term cost of providing pensions. The amount charged to the income and expenditure account is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from the regular cost so calculated are allocated to the income and expenditure account over the average remaining service lives of employees.

The group continues to take advantage of the transitional arrangements available under FRS17 "Retirement Benefits" which gives rise to additional disclosures about the group's defined benefit pension scheme (see note 7).

14 Leased assets

All leases which result in the transfer of substantially all the risks and rewards normally associated with ownership (finance leases) are capitalised in accordance with SSAP 21. Payments in respect of operating leases are charged on a straight-line basis over the lease term.

15 Debt factoring and invoice discounting

Under FRS 5 "Reporting the substance of transactions", factored debts remain an asset of the Group's clients. Hence the Group's balance sheet shows within debtors the net amount recoverable by IGF Invoice Finance Limited and Dynamic Commercial Finance PLC in respect of the amounts it has advanced to clients. The impact of this presentation, as compared to showing the gross value of the factored debts, has been to reduce debtors and creditors as at 31 March 2005 by £44,274,000 (31 March 2004 - £30,270,000).

GREATER LONDON ENTERPRISE LIMITED
GROUP INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2005

	Note	2005 £000	Acquisitions 2005 £000	Total 2005 £000	As restated Total 2004 £000
Turnover	1	20,381	3,171	23,552	17,451
Cost of sales		(5,076)	-	(5,076)	(4,001)
Gross profit		15,305	3,171	18,476	13,450
Administrative expenses	2	(12,234)	(2,527)	(14,761)	(11,926)
Operating surplus	3	3,071	644	3,715	1,524
Provision for impairment in value of investments	12.2	8	-	8	(33)
Profit on disposal of fixed assets	4	1,148	-	1,148	1,931
Profit on ordinary activities before interest		4,227	644	4,871	3,422
Interest receivable	5			133	98
Interest payable	5			(2,825)	(1,349)
Surplus on ordinary activities before taxation				2,179	2,171
Taxation	8			(426)	(65)
Surplus on ordinary activities after taxation				1,753	2,106
Minority interests – equity				(77)	(79)
Surplus for the financial year	21			1,676	2,027

The results disclosed above are wholly attributable to continuing operations. The accounting policies and notes on pages 15 to 19 and 27 to 46 respectively form part of these financial statements.

In the year ended 31 March 2004, interest payable of £1,196,719 in connection with the financing of the company's sales invoice finance business was included within 'cost of sales'. At 31 March 2005, this interest payable has been included within 'interest payable and similar charges'. The comparatives have been restated accordingly.

GREATER LONDON ENTERPRISE LIMITED
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2005

	2005 £000	2004 £000
Surplus for the financial year	1,676	2,027
Unrealised surplus on revaluation of properties	1,367	4,211
Total recognised gains and losses relating to the year	3,043	6,238

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 March 2005

	2005 £000	2004 £000
Reported surplus on ordinary activities before taxation	2,179	2,171
Realisation of property revaluation gains of previous years	707	870
Historical cost surplus on ordinary activities before taxation	2,886	3,041
Historical cost surplus for the year retained after taxation and minority interests	2,383	2,897

In accordance with SSAP 19, no depreciation is charged on investment properties.

GREATER LONDON ENTERPRISE LIMITED
GROUP BALANCE SHEET
At 31 March 2005

	Note	£000	2005 £000	£000	2004 £000
Fixed assets					
Intangible assets	10		2,842		2,062
Tangible assets	11		41,765		33,422
Investments	12.1		824		813
			45,431		36,297
Current assets					
Development properties	13	3,693		4,358	
Debtors	14	45,656		32,087	
Cash at bank	15	1,342		1,130	
		50,691		37,575	
Creditors: amounts falling due within one year	16	(42,223)		(31,251)	
Net current assets			8,468		6,324
Total assets less current liabilities			53,899		42,621
Creditors: amounts falling due after more than one year	17		(17,068)		(8,903)
Net assets			36,831		33,718
Capital and reserves					
Members' contributions	20		1,300		1,300
Accumulated funds	21		27,538		25,155
Revaluation reserve	22		7,941		7,281
Members' funds - equity interests	20&23		36,779		33,736
Minority interests - equity			52		(18)
			36,831		33,718

These financial statements were approved by the board of Directors on ...28th July....... 2005 and signed on its behalf by:

Sally A. V. Powell

DIRECTOR
Cllr Dame S Powell DBE

The accounting policies and notes on pages 15 to 19 and 27 to 46 respectively form part of these financial statements.

GREATER LONDON ENTERPRISE LIMITED
HOLDING COMPANY BALANCE SHEET
At 31 March 2005

	Note		2005		2004
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		263		307
Investments	12.1		8,607		8,669
			8,870		8,976
Current assets					
Debtors:					
Amounts falling due after more than one year	14	-		599	
Amounts falling due within one year	14	897		798	
		897		1,397	
Cash at bank	15	17		15	
		914		1,412	
Creditors: amounts falling due within one year	16	(463)		(747)	
Net current assets			451		665
Total assets less current liabilities			9,321		9,641
Net assets			9,321		9,641
Capital and reserves					
Members' contributions	20		1,300		1,300
Accumulated funds	21		8,021		8,341
Members' funds: equity interests	20&23		9,321		9,641

These financial statements were approved by the board of Directors on 28th July 2005 and signed on its behalf by:

Sally S. V. Powell)
) DIRECTOR
Cllr Dame S Powell DBE

The accounting policies and notes on pages 15 to 19 and 27 to 46 respectively form part of these financial statements.

GREATER LONDON ENTERPRISE LIMITED
GROUP CASH FLOW STATEMENT
For the year ended 31 March 2005

	2005 £000	As restated 2004 £000
Cash inflow/(outflow) from operating activities (note 1)	8,389	(8,653)
Returns on investments and servicing of finance (note 2)	(2,534)	(1,210)
Taxation	(228)	(453)
Capital expenditure and financial investment (note 2)	(3,341)	(7,187)
Acquisitions and disposals (note 2)	(21,370)	(912)
Cash outflow before management of liquid resources and financing	(19,084)	(18,415)
Management of liquid resources (note 2)	(97)	2,655
Financing (note 2)	9,000	7,497
Decrease in cash in the year	(10,181)	(8,263)

Reconciliation of net cash flow to movement in net debt (note 3)

	2005 £000	As restated 2004 £000
Decrease in cash in the year	(10,181)	(8,263)
Cash outflow from movement in debt and lease financing	(9,000)	(7,497)
Cash inflow/(outflow) from movement in liquid resources	97	(2,655)
Movement in net debt in the year	(19,084)	(18,415)
Net debt at 1 April	(31,755)	(13,340)
Net debt at 31 March	(50,839)	(31,755)

GREATER LONDON ENTERPRISE LIMITED
GROUP CASH FLOW STATEMENT (continued)
For the year ended 31 March 2005

Notes to the cash flow statement	**2005 £000**	**As restated 2004 £000**
1 Reconciliation of operating surplus to operating cash flows		
Operating surplus	3,715	1,524
Depreciation and amortization	604	323
Increase in development properties	(458)	(2,579)
Decrease/(increase) in debtors	5,040	(8,455)
(Decrease)/increase in creditors	(512)	534
Net cash inflow/(outflow) from continuing operating activities	8,389	(8,653)

2 Analysis of cash flows for headings netted in the cash flow statement	**2005 £000**	**As restated 2004 £000**
Returns on investments and servicing of finance		
Bank interest received	150	85
Bank interest and similar charges paid	(2,684)	(1,295)
Net cash outflow from returns on investments and servicing of finance	(2,534)	(1,210)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(9,188)	(9,565)
Purchase of investments	(20)	(81)
Sale of investments	5,883	2,486
Investment loans advanced	(102)	(117)
Investment loan repayments	86	90
Net cash outflow from capital expenditure and financial investment	(3,341)	(7,187)
Acquisitions and disposals		
Consideration paid in respect of acquisitions made in the year (note 25)	(4,704)	(912)
(Overdraft)/cash balances of businesses acquired	(16,180)	-
Consideration paid in respect of acquisitions made in previous years	(486)	-
	(21,370)	(912)
Management of liquid resources		
Cash (placed on)/withdrawn from short term deposits	(97)	2,655
Financing		
Increase in bank loans	9,000	7,500
Capital element of finance lease rental payments	-	(3)
Net cash inflow from financing	9,000	7,497

GREATER LONDON ENTERPRISE LIMITED
GROUP CASH FLOW STATEMENT (continued)
For the year ended 31 March 2005

Notes to the cash flow statement (continued)

3 Analysis of net debt

	At 1 April 2004 £000	Cash Flow £000	Acquisition £000	At 31 March 2005 £000
Cash at bank and in hand	509	115	-	624
Overdraft	(25,385)	5,884	(16,180)	(35,681)
	(24,876)	5,999	(16,180)	(35,057)
Bank / other loans	(7,500)	(9,000)	-	(16,500)
Finance leases	-			
	(7,500)	(9,000)	-	(16,500)
Cash on deposit	621	97	-	718
Net debt	(31,755)	(2,904)	(16,180)	(50,839)

	At 1 April 2003 £000	Cash Flow £000	Non Cash Movement £000	At 31 March 2004 £000
Cash at bank and in hand	753	(244)	-	509
Overdraft	(17,366)	(8,019)	-	(25,385)
	(16,613)	(8,263)	-	(24,876)
Bank / other loans	-	(7,500)	-	(7,500)
Finance leases	(3)	3	-	-
	(3)	(7,497)	-	(7,500)
Cash on deposit	3,276	(2,655)	-	621
Net debt	(13,340)	(18,415)	-	(31,755)

4 Non-cash transactions

During the year under review, there were no significant non-cash transactions.

GREATER LONDON ENTERPRISE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

1 Segmental analysis

	Turnover		Pre tax profit		Net assets	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Analysis by class of business:						
Property	8,915	6,780	2,281	2,852	37,996	34,346
Commercial Finance	11,082	7,441	703	119	(1,974)	(2,151)
Programme Management & Consulting	1,505	1,431	141	220	486	66
*one*London	2,042	1,790	-	-	64	64
Head Office	8	9	(946)	(1,020)	259	1,393
	23,552	17,451	2,179	2,171	36,831	33,718

Turnover is derived from activities in the United Kingdom and Europe.

2 Administrative expenses

Administrative expenses include the following costs:

	2005	**2004**
	£000	**£000**
Wages and salaries	6,809	5,774
Social security costs	770	645
Pension costs		
- defined contribution schemes	214	179
- defined benefit scheme	146	146
Total staff costs	7,939	6,744

Average number of staff during year was as follows:

	2005	**2004**
	Number	**Number**
Property	10	10
Commercial Finance	97	64
Programme Management & Consulting	22	19
*one*London	32	32
Head Office	16	14
	177	139

2 Administrative expenses (continued)

	£000	£000
Depreciation	341	270
Amortisation of goodwill	263	53
Auditors' remuneration for audit	98	117
Operating lease charges	603	429

Of the auditors' remuneration, £13,125 is in respect of the Company (2004 - £12,500). Remuneration paid to the auditors for the provision of non-audit services to the Group was £20,000 (2004 - £72,000). The amount paid to the auditors in respect of non audit *fees in 2004 relates to the former auditors, PricewaterhouseCoopers* LLP.

3 Operating surplus

The operating surplus is stated after charging the following exceptional costs:

	2005 £000	2004 £000
Reorganisation costs including redundancy payments	*280*	*96*

4 Profit on disposal of fixed assets

	2005 £000	2004 £000
Profit on sale of investment properties	1,148	1,931
	1,148	1,931

There is no taxation attributable to these gains.

5 Interest receivable and payable

	2005 £000	As restated 2004 £000
Interest receivable on:		
Bank deposits	83	98
Loans made	50	-
	133	98
Interest payable on:		
Bank loans and overdrafts	2,825	1,349
	2,825	1,349

6 Directors' emoluments

Details of the directors' emoluments and options granted under the Medium Term Incentive Scheme are included in the report on directors' remuneration.

7 Pension costs

Defined benefit scheme

Certain employees of the Group are members of a defined benefit scheme operated by the London Pensions Fund Authority which covers the Group's obligation to provide pensions to retired employees and currently eligible members of staff, based on final pensionable salary. The assets of the scheme are held independently from the Group's *finances and are administered by trustee companies.*

Pension costs are assessed on the advice of Hymans Robertson, an independent qualified actuary following triennial valuations using the projected unit method. The latest valuation of the scheme was carried out at 31 March 2004. The valuation assumed that investment returns would be 6.3% per annum, that salary increases would average 4.4% per annum and that present and future pensions would increase at the rate of 2.9% per annum. The assets of the scheme were sufficient to cover 74% of the benefits that had accrued to members.

The contribution paid by employees in the scheme is 6% of pensionable salaries and the Company's cash contribution is 11.2% of pensionable salaries.

The main financial assumptions used to value the assets and liabilities of the scheme as at 31 March 2005, 2004 and 2003 in accordance with the requirements of FRS 17 are shown in the following table:

	2005	**2004**	**2003**
Price inflation	2.9%	2.9%	2.5%
Salary increases	4.4%	4.4%	4.0%
Pension increases	2.9%	2.9%	2.5%
Discount rate for scheme liabilities	5.4%	5.5%	5.4%

The fair value of the assets held by the pension scheme, the long-term expected rate of return on each class of assets and the value of the scheme's liabilities assessed on the assumptions described above are shown in the following tables.

7 Pension costs - defined benefit scheme (continued)

Assets (Employer)	Long term return % p.a. 2005	Fund value at 31 March 2005 £000	Long term return % p.a. 2004	Fund value at 31 March 2004 £000	Long term return % p.a. 2003	Fund value at 31 March 2003 £000
Equities	7.7	3,117	7.7	2,592	8.0	1,993
Bonds	4.8	427	5.1	395	4.8	342
Property	5.7	282	6.5	119	6.0	-
Cash	4.8	133	4.0	50	4.0	74
Total value of market assets		3,959		3,156		2,409

If the Group were to have adopted FRS 17, the following liability would be recognised in the balance sheet:

	31 March 2005 £000	31 March 2004 £000
Group's share of pension fund assets	3,959	3,156
Present value of scheme liabilities	5,709	4,602
Present value of unfunded liabilities	3	3
Total value of liabilities	5,712	4,605
Deficit in the scheme	(1,753)	(1,449)
Related deferred tax asset	-	-
Net pension liability	(1,753)	(1,449)

There would be an unrecognised deferred tax asset of £526,000 (2004 - £435,000) in respect of this pension scheme deficit.

Net assets	31 March 2005 £000	31 March 2004 £000
Net assets excluding pension liability under FRS17	36,831	33,718
Net pension liability under FRS 17	(1,753)	(1,449)
Net assets including pension liability under FRS 17	35,078	32,269

7 Pension costs - defined benefit scheme (continued)

Reserves	**31 March 2005 £000**	**31 March 2004 £000**
Accumulated funds excluding pension liability under FRS 17	27,538	25,155
Net pension liability under FRS 17	(1,753)	(1,449)
Accumulated funds including pension liability under FRS 17	25,785	23,706

The following disclosures show the amounts that would have been included in the *income and expenditure account and the statement of total recognised gains and losses* ("STRGL") under FRS 17:

Analysis of the amount that would be charged to operating profit

	31 March 2005 £000	**31 March 2004 £000**
Current service cost	215	196

Analysis of the amount that would be credited to other finance income

	31 March 2005 £000	**31 March 2004 £000**
Expected return on pension scheme assets	233	185
Interest on pension scheme liabilities	(258)	(216)
Net return	(25)	(31)

Analysis of amount that would be recognised in STRGL

	31 March 2005 £000	**31 March 2004 £000**
Actual return less expected return on pension scheme assets	109	399
Experience gains and losses arising on the scheme liabilities	(212)	(7)
Changes in assumptions underlying the present value of the scheme liabilities	(104)	(278)
Actuarial (loss)/gain recognised in STRGL	(207)	114

7 Pension costs - defined benefit scheme (continued)

Movement in deficit during the year

	31 March 2005 £000	31 March 2004 £000
Deficit in scheme at beginning of the year	(1,449)	(1,482)
Movement in year:		
Current service cost	(215)	(196)
Contributions	143	146
Net return on assets	(25)	(31)
Actuarial (losses)/gains	(207)	114
Deficit in scheme at end of the year	(1,753)	(1,449)

It has been agreed with the trustees that the contribution rate for the next year will be 11.5%.

History of experience gains and losses

	31 March 2005 £000	31 March 2004 £000	31 March 2003 £000
Difference between the expected and actual return on scheme assets	109	399	(1,011)
Value of assets	3,959	3,156	2,408
Percentage of scheme assets	**2.7%**	**12.6%**	**(42.0%)**
Experience (losses)/gains on scheme liabilities	(212)	(7)	17
Present value of liabilities	5,712	4,605	3,890
Percentage of the present value of the scheme liabilities	**(3.7%)**	**(0.2%)**	**0.4%**
Total amount recognised in STRGL	(207)	114	(1,126)
Present value of liabilities	5,712	4,605	3,890
Percentage of the present value of the scheme liabilities	**(3.6%)**	**2.5%**	**(28.9%)**

Defined contribution scheme

The pension charge in respect of this scheme is the actual contributions paid. These amounted to £214,000 (2004 - £179,000).

8 Taxation

This comprises:

	2005 £000	2004 £000
Current tax:		
UK corporation tax on surplus for the year	282	200
Prior year (over)/under provision	(2)	20
Total current tax	280	220
Deferred tax:		
Origination and reversal of timing differences	146	(155)
Tax charge on surplus on ordinary activities	426	65

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below.

	2005 £000	2004 £000
Surplus on ordinary activities before taxation:	2,179	2,171
UK corporation tax at standard rate of 30%	654	651
Expenses not deductible for tax purposes	72	70
Adjustments to arrive at taxable gain on sale of investment properties	-	142
Timing differences	39	142
Utilisation of trading losses brought forward	-	(84)
Capital gains offset by capital losses brought forward	(483)	(721)
Prior year (over)/under provision	(2)	20
	280	220

No tax would arise on disposal of the investment properties at their revalued amounts due to the availability of capital losses within the Group.

9 Attributable surplus for the financial year

The Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own income and expenditure account in these financial statements. A deficit of £320,000 (2004 - £1,223,000) has arisen in the financial statements of the holding company.

10 Intangible assets

The intangible assets of the Group relate wholly to goodwill:

	£000
Cost	
At 1 April 2004	2,117
Arising on shares acquired during the year (note 25)	1,340
Revision in estimate of goodwill previously acquired	(297)
At 31 March 2005	3,160
Amortisation	
At 1 April 2004	55
Charge for the year	263
At 31 March 2005	318
Net Book Value	
At 31 March 2005	2,842
At 31 March 2004	2,062

11 Tangible fixed assets

Group

	Total	Freehold Investment Properties	Leasehold Investment Properties	Leasehold Improvements, Office Equipment	Leased Office Equipment
	£000	£000	£000	£000	£000
Cost/valuation					
At 1 April 2004	34,314	20,126	12,779	1,348	61
Reclassification*	-	(2,733)	2,733	-	-
Additions	9,406	5,514	3,348	544	-
Disposals	(2,089)	(1,530)	(559)	-	-
Reclassification	-	3,050	(3,050)	-	-
Transfer to revaluation reserve	1,367	1,591	(224)	-	-
At 31 March 2005	42,998	26,018	15,027	1,892	61
Depreciation					
At 1 April 2004	892	-	-	833	59
Written off	-	-	-	-	-
Provided in the year	341	-	-	339	2
At 31 March 2005	1,233	-	-	1,172	61
Net book amount					
At 31 March 2005	41,765	26,018	15,027	720	-
At 31 March 2004	33,422	20,126	12,779	515	2

* One of the Group's investment properties was incorrectly classified as at 31 March 2004.

11 Tangible fixed assets (continued)

Group (continued)

The Group's investment properties were valued by Jones Lang La Salle, Kings Sturge and Lambert Smith Hampton, chartered surveyors, as at 31 March 2005. The properties were valued in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The valuation of the Group's investment property portfolio was £41,254,000, as compared with its carrying value of £39,887,000. The surplus arising in the year of £1,367,000 has been transferred to the revaluation reserve. The historical cost of the investment properties is £33,313,000 (2004 - £25,624,000).

The Company

	Total	Office Equipment	Leasehold Improvements
	£000	£000	£000
Cost			
At 1 April 2004	906	598	308
Additions	112	112	-
At 31 March 2005	1,018	710	308
Depreciation			
At 1 April 2004	599	422	177
Provided in the year	156	113	43
At 31 March 2005	755	535	220
Net book amount			
At 31 March 2005	263	175	88
At 31 March 2004	307	176	131

12.1 Fixed asset investments

All the investments are unlisted and comprise:

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Shares at cost				
1 April	-	-	8,350	8,350
Disposals	-	-	(100)	-
Write offs	-	-	-	-
31 March	-	-	8,250	8,350
Loans				
At 1 April	711	724	-	-
Loans made during the year	102	117	-	-
Loans written off	(46)	(40)	-	-
Repayments	(86)	(90)	-	-
At 31 March	681	711	-	-
Other investments at cost				
1 April	374	293	374	293
Additions	27	81	27	81
Disposals	(7)	-	(7)	-
31 March	394	374	394	374
Total investments at cost	1,075	1,085	8,644	8,724
Less provision for impairment in value (Note 12.2)	(251)	(272)	(37)	(55)
Net book value at 31 March	824	813	8,607	8,669
Comprising:				
Shares	-	-	8,250	8,350
Loans	467	494	-	-
Other investments	357	319	357	319
	824	813	8,607	8,669

The shares held by the Company are all attributable to subsidiary undertakings. The other investments held by the Group are described in note 12.3 below.

12.2 Provision for impairment in value

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
At 1 April	272	219	55	64
Amounts written off during the year	(37)	(39)	-	-
Provisions made in the year				
- charge to income and expenditure account	(8)	33	(18)	(9)
- matched by release of deferred income	14	39	-	-
- recoverable from third parties	10	20	-	-
At 31 March	251	272	37	55

12.3 Other investments

During the year, the Company invested £27,000 into three Baring English Growth Funds, bringing the total investment to £401,000 from a committed total of £500,000. At the year-end, a provision totalling £36,000 was made against these investments.

12.4 Group undertakings

The following companies, all of whose financial years end on 31 March, with the exception of Stanton Square Limited which is 31 August and all of which are incorporated in Great Britain and registered in England and Wales, are consolidated within the Group financial statements:

Name of company	Details of shareholding	Group's % Holding	Nature of business
GLE Investments Limited	100 ordinary shares of £1 each	100	Investment company
London Enterprise Investments Limited	2,400,000 redeemable preference shares of £1 each	100	Investment company
	100,000 ordinary shares £1 each	100	
GLE Properties Limited	6,100,000 ordinary shares of £1 each	100	Investment property company
Waterfront Studios Limited	2 ordinary shares of £1 each (note a)	100	Investment property company
Stanton Square Limited	100 ordinary shares of £1 each (note a)	100	Investment property company
GLE Property Developments Limited	100 ordinary shares of £1 each	100	Development property company

12.4 Group undertakings (continued)

Name of company	Details of shareholding	Group's % Holding	Nature of business
One London Limited	Company limited by guarantee	-	Enterprise agency
GLE Business Villages Limited	1,755,000 redeemable preference shares of £1 each	100	Property company
	100 ordinary shares of £1 each (note a)	100	
London Seed Capital Limited	49 ordinary shares of £1 each (note c)	100	Investment company
Independent Growth Finance Limited	7,500,000 'A' ordinary shares of £0.01 each (note b)	100	Holding Company
	9,525,000 'A' deferred shares of £0.01 each	95	
	9,353,505 'B' deferred shares of £0.01 each	93.8	
	2,000,000 'B' ordinary shares of £0.01 each	100	
	25,000 'C' ordinary shares of £0.01 each	4.8	
IGF Invoice Finance Limited	47,619 ordinary shares of £1 each (note a)	95	Debt factoring and invoice discounting company
	1,025,000 cumulative redeemable "B" preference shares of £1 each at 6.5% p.a. (note a)	100	
	450,000 cumulative redeemable "A" preference shares of £1 each at 8.1% p.a. (note a)	100	
Enterprise London Limited	2 ordinary shares of £1 each (note a)	100	Holding Company
Dynamic Commercial Finance plc	4,058,842 ordinary shares of 2p each	100	Debt factoring and invoice discounting company
	653,062 'A' ordinary shares of 2p each	100	
	4,904,762 deferred shares of 2p each (note a)	100	

(a) Held indirectly.

(b) The Company owns 100% of the "A" ordinary shares, which represent 74.8% of the subsidiary's ordinary share capital.

12.4 Group undertakings (continued)

(c) The Company owns 100% of the ordinary shares, but there is also a deferred share in issue which is owned by a third party. The holder of the deferred share in this subsidiary has agreed to provide capital funding of up to £2,350,000, of which £1,500,000 had been received as at 31 March 2005. The subsidiary had invested £1,234,276 of this funding by the year-end. The uninvested balance of £265,724 is recognised as a creditor (note 17). Further amounts are receivable when the uninvested balance falls to £250,000. The final claim for funding is to be made by no later than 20 October 2009.

This capital funding is not repayable. However, on a return of capital on liquidation or otherwise the subsidiary's surplus net assets are to be distributed as follows:
(a) first, the deferred shareholder is entitled to receive the funds it has advanced to the subsidiary, plus interest at 12% per annum, less any distributions paid to the deferred shareholder;
(b) next, an amount of up to £75,000 (plus interest at 12% per annum) will be paid to Greater London Enterprise Limited (the ordinary shareholder); and
(c) finally, any remaining net assets will be apportioned between the shareholders on the basis of 60% to Greater London Enterprise Limited and 40% to the deferred shareholder.

13 Development properties

Included within the carrying value of development properties is capitalised interest of £Nil (2004 - £Nil).

14 Debtors

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amounts falling due within one year:				
Net amount recoverable in respect of factored debts	41,701	26,922	-	-
Other trade debtors	837	1,023	43	425
Total trade debtors	42,538	27,945	43	425
Other debtors	1,734	2,917	598	2
Tax recoverable	4	58	22	62
Prepayments and accrued income	1,108	1,091	234	309
	45,384	32,011	897	798
Amounts falling due after more than one year:				
Amounts owed by subsidiary Undertakings	-	-	-	599
Deferred tax asset (note 18)	272	76	-	-
	45,656	32,087	897	1,397

14 Debtors (continued)

The gross value of the debtors factored by IGF Invoice Finance Limited and Dynamic Commercial Finance plc is £85,975,000 (31 March 2004 - £57,192,000).

15 Cash at bank

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Short term bank deposits	718	621	-	-
Cash at bank	624	509	17	15
	1,342	1,130	17	15

16 Creditors: amounts falling due within one year

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank overdraft – secured	35,681	25,385	120	59
Trade creditors	1,213	956	145	95
Corporation tax	-	-	-	-
Social security and other taxes	167	114	31	78
Other creditors	1,815	1,362	29	346
Accruals and deferred income	3,347	3,434	103	169
Amounts owed to subsidiary undertakings	-	-	35	-
	42,223	31,251	463	747

17 Creditors: amounts falling due after more than one year

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank loans – secured	16,500	7,500	-	-
Deferred consideration	290	888	-	-
Other creditors (note 12.4 c)	266	500	-	-
Deferred income	12	15	-	-
	17,068	8,903	-	-

17 Creditors: amounts falling due after more than one year (continued)

	The Group		The Company	
Bank loans are due :	**2005**	**2004**	**2005**	**2004**
	£000	**£000**	**£000**	**£000**
In more than one year but not more than two	16,500	7,500	-	-
	16,500	7,500	-	-

The bank loan, which is secured on the Group's investment properties, has been drawn under a revolving loan facility of £20,000,000 which has been made available to the Group until November 2006. The borrowing is interest bearing at 1.0% above LIBOR during the period of such borrowings.

The deferred consideration arises on the additional 20% of the ordinary shares acquired in Independent Growth Finance Limited in the year ended 31 March 2004. The amount due after 1 year is the director's best estimate of the additional consideration which will be payable, contingent on profitability levels of IGF Invoice Finance Limited. This amount has been discounted from the settlement dates at a rate of 6%. The difference between this present value and the expected amount payable has been accrued through a charge to interest payable of £35,303 during the year (£13,131 for amounts due after 1 year). Present estimates of the deferred consideration will be revised as further and more certain information becomes available with corresponding adjustments to goodwill.

18 Deferred tax

The Group – Deferred tax

	2005	2004
	£000	**£000**
At 1 April	(76)	79
Charge/(credit) to income and expenditure account	146	(155)
Deferred tax asset acquired	(342)	-
At 31 March	(272)	(76)

18 Deferred tax (continued)

Deferred tax arises as follows:

	2005		2004	
	Provided	Unrecognised	Provided	Unrecognised
	£000	£000	£000	£000
Accelerated capital allowances	6	(45)	(31)	(51)
Short term timing differences	(52)	-	(8)	-
Trading losses carried forward	(226)	(1,082)	(37)	(1,082)
Capital losses carried forward	-	(1,109)	-	(1,629)
Deferred tax asset	(272)	(2,236)	(76)	(2,762)

If the investment properties were sold for their revalued amounts at the balance sheet date, there would be a potential liability to corporation tax of £1,239,000 (2004 - £517,000) after allowing for capital losses available. In accordance with FRS19 no provision has been made for these amounts.

The Company

As at 31 March 2005, the Company had unrecognised deferred tax assets of £45,000 (2004 - £51,000) in respect of accelerated capital allowances. These have not been recognised as it is uncertain whether the Company will generate taxable profits in the future.

19 Commitments

Capital commitments:

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Contracted for but not provided for in these financial statements	1,373	-	-	-

This relates to the completion of development properties. As explained in note 12.3, the Group is also committed to investing a further £99,000 into three investment funds.

In addition, the Group and the Company have financial commitments for the forthcoming year in respect of rentals due under operating leases. The commitments to make these payments expire as follows:

19 Commitments (continued)

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Within one year – other	14	19	-	-
In two to five years – other	130	97	5	5
Within one year – land and buildings	235	-	197	-
In two to five years – land and buildings	249	275	-	-
	628	391	202	5

20 Members' contributions

The Company is limited by guarantee and has no share capital. Members' contributions represent amounts received from London borough councils. These contributions are repayable only out of the assets of the Company available on a winding-up. In the event of a winding-up, the first £13,000,000 (plus 5% compound interest thereon from 13 November 1997, being the date of adoption of the new Memorandum and Articles of Association) is to be shared equally amongst the original ordinary members. Any surplus above this amount is to be shared equally amongst the original ordinary members and the new ordinary members.

Private members have no right to participate in the income and assets of the Company.

21 Accumulated funds

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
As 1 April	25,155	22,258	8,341	9,564
Surplus/(deficit) for the year	1,676	2,027	(320)	(1,223)
Revaluation surplus realised	707	870	-	-
At 31 March	27,538	25,155	8,021	8,341

22 Revaluation reserve

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
At 1 April	7,281	3,940	-	-
Surplus for the year	1,367	4,211	-	-
Revaluation surplus realised	(707)	(870)	-	-
At 31 March	7,941	7,281	-	-

23 Reconciliation of movements in members' funds

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
As 1 April	33,736	27,498	9,641	10,864
Surplus/(deficit) for the year	1,676	2,027	(320)	(1,223)
Revaluation surplus	1,367	4,211	-	-
At 31 March	36,779	33,736	9,321	9,641

24 Related parties

The Group received fee income of £nil (2004 - £26,000) from unauthorised unit trusts which it manages.

25 Acquisitions

Acquisition of Dynamic Commercial Finance PLC

During the year the Group acquired Dynamic Commercial Finance PLC for £4,704,000 paid by cash. *In calculating goodwill arising on acquisition, the fair value of net assets of* Dynamic Commercial Finance PLC has been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

	Book Value £000	Bad debt provision £000	Fair value to the Group £000
Fixed assets - tangible	177	-	177
Current assets			
Debtors	20,950	(650)	20,300
Total assets	21,127	(650)	20,477
Creditors	(17,113)	-	(17,113)
Net assets	4,014	(650)	3,364

	£000
Cash consideration (including expenses £361,000)	4,704
Net assets acquired	3,364
Goodwill arising on acquisition (note 10)	1,340

At the date of acquisition it was considered necessary to make a further provision of *£650,000 against the debts for the company.*

25 Acquisitions (continued)

The results of Dynamic Commercial Finance PLC prior to its acquisition were as follows:

Profit and loss account

	1 January 2004 to 31 July 2004 £000	Year ended 31 December 2003 £000
Turnover	2,251	4,202
(Loss)/profit on ordinary activities before taxation	(1,137)	206
Taxation on (loss)/profit from ordinary activities	214	(72)
Retained (loss)/profit for the period	(923)	134

There were no recognised gains and losses other than those stated above.

Cash flows

The net cash outflow arising from acquisition of Dynamic Commercial Finance plc was as follows:

	£000
Cash consideration, as above	4,704
Overdraft acquired	16,180
	20,884