Registration Number 1653116

GREATER LONDON ENTERPRISE LIMITED

ANNUAL REPORT

31 MARCH 2003

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 2003.

1 Business Review

The financial year 2002/2003 was another successful one for the Greater London Enterprise Group with profits and growth in net assets ahead of expectations.

Most of the Group's business areas exceeded their budget targets and once again the property businesses were responsible for the majority of the excess performance with very satisfactory outcomes in both the investment rental portfolio and the property development activities.

The Group continued with its strategy of strengthening and developing further all of its business areas. Significant contributions were achieved from Independent Growth Finance (the Group's factoring and invoice finance company) and from the Programme Management and Consultancy business. Due to a strong performance in winning new contracts, the level of financial subsidy necessary for *one*London was less than anticipated.

As a result, the Directors are of the view that the Group is exceptionally well placed to implement its investment plans for the year ahead and to continue further growing its existing business areas.

In addition to the good financial performance, the Group continued the programme of 'not for profit' activities and research that had been started in the previous year. A number of projects have been launched during the year which will help influence and shape regeneration funding policy in the future. This work continues to enhance and strengthen the Group's relationships and reputation with the London Boroughs and other key London stakeholders.

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 previous years, significant profits were realised from the sale of investment properties that had fulfilled their potential and then replacing them with new properties. There were no sales of investment properties during the current year, the Directors taking the view that the shortage of suitable replacement properties and the prices being paid restricted the rental margins that could be achieved to an unacceptable level.

Investment in the existing portfolio continued however with improvements being carried out at several locations. The majority of the investment properties performed well with record levels of occupancy being achieved in mid-year before falling back to more normal, but still very good levels towards the end of the year.

The portfolio comprises around 300,000 square feet of mainly small/medium sized business units accommodating over 170 tenants throughout London. In addition to contributing a rental return, the value of the portfolio rose by £1,579,000 during the year as a result of the year end valuations.

1 Business review (continued)

The development business continued the trend established last year of increasing development work, with some developments being retained to replace returns that were proving more difficult to achieve from the investment portfolio. As a result, development activity was greater and a more substantial ongoing programme is underway.

Property developments were completed in Beckton and Deptford and work commenced on new schemes in Silvertown, Plumstead and New Cross, the Silvertown scheme being 100,000 square feet of new and refurbished business space. Developments are predominantly business space although the Deptford and New Cross schemes are live work accommodation.

Venture Capital and Independent Growth Finance

The venture capital business had an active investment programme in the year, completing £11 million of new equity investment in smaller companies. In a challenging economic environment, the investment track record of the team held up well but it was disappointing that the turbulence in the financial markets made further fundraising from retail investors impossible.

The Group's factoring and invoice finance company, Independent Growth Finance (IGF), continued its planned expansion with increased turnover and operating profits. The business addresses the financing needs of small businesses and advanced £240 million in the year compared with £150 million in the previous year. The Group's shareholding in IGF is considered to be worth considerably in excess of its carrying value.

Programme Management and Consultancy

The Programme Management and Consultancy business grew considerably during the year and is now managing some £27 million of funding programmes for clients including the London Development Agency, Government Office for London and the Association of London Government (ALG). The business is also providing consultancy services to these and other clients, and continues to provide a European Services contract to all London Boroughs through the ALG.

***one*London**

The Group continued to build on its Enterprise and Inclusion activities through its subsidiary *one*London, where there were a number of important achievements. Loan Funds under management increased significantly to £2.5 million, providing small loan funds to start-up and early stage businesses. A new investment readiness programme was launched with backing from the European Commission, and a new micro equity fund, London Seed Capital, has been set up with backing from the Department of Trade and Industry to invest alongside Business Angel investors through the Group's Business Angels Network. Over 120 community organisations also benefited from private sector expertise and resources from over 40 different companies through City Action, a programme managed on behalf of the City Corporation.

1 Business review (continued)

Summary

As a result of another successful year, the Group remains well placed to meet its expansion plans and the challenges for the year ahead and to take advantage of further opportunities as they may arise. The Directors acknowledge that none of this could be achieved without the hard work and dedication of all staff. We are grateful to them and look forward to the challenges and opportunities ahead.

2 Results

The Group's surplus for the year, after taxation and minority interests, amounted to £1,167,000 (2002 - £2,179,000) and has been transferred to reserves. This surplus does not include any gain from the disposal of investment properties, whereas the 2002 surplus included gains of £1,184,000 from such disposals. Exceptional costs of £395,000 (2002 - £864,000) were incurred during the year. A breakdown of these exceptional costs is provided in Note 3 on page 26 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 £1,000 (2002 - £nil).

3 Directors

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

Cllr Dame S Powell DBE	(Chair)
W Walburn	(resigned 31 July 2002)
J Crook	
Lord Harris of Haringey	(resigned 31 October 2002)
P Hendrick	
Sir D Hill-Wood	(deceased 12 April 2002)
M Large	(Group Managing Director)
N Newton	
L Soden	
A Watts CBE	
M Wignall	
G Moore	
M Dobney	
P Pledger	
M Hamilton	(resigned 17 April 2002)
S Ebanja	
MI Edmond	
S Ward	
P Adey	
A Manning-Jones	(appointed 21 November 2002)
L Baehr	(appointed 21 November 2002)
R Cadbury	(appointed 21 November 2002)
A Jordan OBE	(appointed 25 July 2002)

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, S Ward and A Watts CBE acted as Private Members throughout the year and subsequently. Sir D Hill-Wood and M Hamilton acted as Private Members until 12 April 2002 and 17 April 2002 respectively. 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 2003 by Jones Lang La Salle and Lambert Smith Hampton, chartered surveyors. These revaluations resulted in a surplus above net book value of £1,455,000, which has been reflected in the financial statements. The movements in tangible fixed assets are set out in note 12 on page 33 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 an impairment in the value of such investments. Details of the movements in investments are set out in note 13 on page 35 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 99 days (2002 – 79 days).

8 Auditors

Following the transfer of their business to a Limited Liability Partnership (LLP) with effect from 1 January 2003, PricewaterhouseCoopers subsequently resigned on 27 March 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors to fill the casual vacancy arising. A resolution to reappoint PricewaterhouseCoopers 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

P. ADEY
Secretary

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 has reviewed its Corporate Governance practices and has initiated during the year an exercise aimed towards complying with the principles of Good Governance, as set out in Section 1 of the Combined Code, except where compliance is considered inappropriate to the company's circumstances.

Board of Directors

The Board of Directors comprises the Non-Executive Chair, three Executive Directors and fifteen Non-Executive Directors. The Directors are as shown on page 3.

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. In particular, the Board is responsible for approving policy and strategy. Responsibility for the development of policy and strategy and operational management is delegated to the Executive Directors.

The roles of the Chair and Group Managing Director 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 Group Managing Director 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 judgment. 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 R Cadbury 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 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 established 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 meets at least twice a year. It consists of three independent Non-Executive Directors. The three current members are P Hendrick (Chair), L Soden and L Baehr. In addition, the Group Managing Director, the Finance Director and external auditors attend by invitation at the discretion of the Chairman. The Committee is responsible for assisting the Board in discharging its responsibilities for the selection of accounting policies and financial reporting and, with effect from 1 April 2003, internal controls, and its risk management framework. 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 external auditors have direct access, if required, to the Chairman of the Committee.

The Remuneration and Personnel Committee

The Remuneration and Personnel Committee meets at least three times a year and consists of five independent Non-Executive Directors including the Non-Executive Chair. Executive Directors may attend at the invitation of the Chairman 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 MI Edmond. The Committee assists the Board in discharging its responsibilities for executive remuneration policy, remuneration arrangements of Directors and personnel policy.

The Nominations Committee

The Nominations Committee meets as required but at least once a 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, review of Directors' fees and the assessment of Board and individual director's performance.

The Finance and Operations Committee

The Finance and Operations Committee meets at least six times a year. It consists of six independent Non-Executive Directors, the three Executive Directors and the Managing Director of GLE Properties. The current 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.

Internal Controls

The Directors acknowledge that they are responsible for the Group's system of internal control and for reviewing its effectiveness. However, it must be recognised that any system cannot provide absolute assurance against material misstatement or loss. 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. To date, it has not been considered necessary to appoint an internal audit function, although the Audit Sub-Committee has this under review. Also, with effect from 1 April 2003, the Audit Sub-Committee is now responsible for advising the Board in developing and implementing a formal mechanism for evaluating the effectiveness of the Group's internal controls.

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.
- The review and determination of Group personnel policies as required.

The committee consists of five independent Non-Executive Directors and includes the Chair of GLE. The current members are L Soden (Chairman), M Dobney, MI Edmond, Cllr Dame S Powell DBE and A Watts CBE. Executive Directors attend by invitation 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 has met seven times. During this time, the Committee has undertaken a thorough review of GLE's remuneration and incentive policies incorporating an examination of the approval mechanism, existing bonus scheme structure and how the various schemes interact within the Group. As a consequence, improvements to both the process and structure of bonus schemes have been introduced which it is believed will add value and improve control.

The objective of GLE's employment policies is to ensure the Group is able to attract and retain high calibre employees from all sections of the communities in which it operates.

For senior executives, remuneration levels are set to be sufficient to attract and retain Directors of the quality required to manage the Company successfully in both the short and longer term. Part of the remuneration package is therefore structured to link rewards to corporate and individual performance. Wherever possible, comparisons have been made with other companies in similar sectors to ensure that packages offered are consistent and fair in relation to those offered elsewhere. During the year, the Committee has taken independent advice and has recommended certain adjustments to the incentive schemes commencing on 1 April 2003. Accordingly, the remuneration packages of senior executives will now include, in addition to annual salary, both an annual performance incentive and a medium term incentive.

Annual performance bonus

For the year ended 31 March 2003, capping was introduced to the majority of annual incentive schemes applying to Executive Directors. The only elements not capped in the current year related to specific projects commenced in earlier years. From 1 April 2003, a bonus will be paid to management and staff in respect of the financial performance of their trading division provided budgeted trading profit is exceeded. In addition, the bonus will be linked to the individual's performance appraisal. Annual bonuses will be capped at a maximum of 100% of salary for Executive Directors, with varying levels for staff, with effect from 1 April 2003.

Medium Term Incentive Scheme

A new Medium Term Incentive Scheme has been established with effect from 1 April 2003. The initial participants in the Scheme are the three Executive Directors. The Scheme is a phantom share scheme and is designed to encourage and reward strong medium-term performance by providing incentives linked to the increase in the Net Asset Value of the Group. The first awards, which will be at the discretion of the Committee, will be considered in the year ended 31 March 2006 and annually thereafter. The total awards granted are limited to 3% of the Net Asset Value of the Group in any one year and the total value of options granted are limited to 200% of salary for each individual. In addition, appropriate hurdles have been established to ensure the scheme is based on real increases in Net Asset Value which take account of inflation.

Employment Contracts

All Executive Directors have contracts providing for periods of up to one year's notice. A Redundancy Compensation agreement exists for two Executive Directors that, together with the benefit of notice periods in their contracts of employment, may offer protection in the event of redundancy that is in excess of what might be regarded as current best practice. The Remuneration and Personnel Sub-Committee is taking specialist advice on this to establish the implications of moving to agreements that reflect current best practice.

2 Policy on Remuneration of Executive Directors

The main components of executive remuneration for the year ended 31 March 2003 were:

Basic salary

An increase in basic salary of 2.5% linked to annual inflation was agreed for 2002/2003 and following Board approval has been implemented.

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

Directors are entitled to receive a company car or the cash equivalent. The three Executive Directors also receive a contribution of £420 towards the provision of insurance against critical illness.

GREATER LONDON ENTERPRISE LIMITED
REPORT ON DIRECTORS' REMUNERATION (continued)

3 Emoluments

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

	Fees	Basic salaries	Annual bonus	Other benefits	**Total 2003**	**Pension 2003[2]**	Total 2002	Pensions 2002[2]
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	£'000	£'000
Executive Directors								
W Walburn[1]	-	52.3	-	1.9	**54.2**	**4.6**	177.5	13.4
M Large	-	125.0	164.8	5.9	**295.7**	**3.4**	395.1	13.4
M Wignall	-	117.9	-	8.3	**126.2**	**13.7**	124.3	13.4
P Adey	-	88.5	43.0	4.0	**135.5**	-	-	-
Non –Executive Directors								
Cllr Dame S Powell DBE	8.8	-	-	-	**8.8**	-	7.6	-
Sir D Hill-Wood	-	-	-	-	-	-	9.4	-
L Soden	10.6	-	-	-	**10.6**	-	9.3	-
J Crook	0.8	-	-	-	**0.8**	-	0.7	-
M Dobney	2.7	-	-	-	**2.7**	-	1.8	-
S Ebanja	0.4	-	-	-	**0.4**	-	0.7	-
P Hendrick	10.6	-	-	-	**10.6**	-	11.5	-
P Pledger	0.7	-	-	-	**0.7**	-	1.3	-
A Watts CBE	2.1	-	-	-	**2.1**	-	1.4	-
M I Edmund	2.9	-	-	-	**2.9**	-	1.1	-
S Ward	1.8	-	-	-	**1.8**	-	-	-
N Newton	3.3	-	-	-	**3.3**	-	6.3	-
M Hamilton	0.4	-	-	-	**0.4**	-	1.4	-
A Manning-Jones	3.1	-	-	-	**3.1**	-	-	-
L Baehr	3.3	-	-	-	**3.3**	-	-	-
	51.5	**383.7**	**207.8**	**20.1**	**663.1**	**21.7**	**749.4**	**40.2**

Note 1 W Walburn resigned as Group Chief Executive on 31 July 2002. In addition to his remuneration for the year ended 31 March 2003, as shown above, he received compensation for loss of office of £146,469. He also entered into a three year consultancy agreement with the Company with effect from 1 September 2002 under which he received fees totalling £47,740 during the current financial year. The fees payable under this contract are linked to the amount of work undertaken, but are capped at a maximum of £75,000 per annum for the first two years.

Note 2 Pension costs comprise Company pension contributions to money purchase schemes. M Large and P Adey are both members of a defined benefit scheme. The rules of the scheme require two years of continuous membership for any benefits to accrue. As both Directors joined the scheme during the year they did not have any entitlement to a pension as at 31 March 2003.

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 on pages 13 to 44 which have been prepared under the historical cost convention (as modified by the revaluation of investment properties) and the accounting policies set out on pages 13 to 17.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities on page 11.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Directors' report is not consistent with the financial statements, if the Group 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report, the corporate governance report and the report on Directors' remuneration.

Basis of audit opinion
We conducted our audit in accordance with 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 Group'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 the Group at 31 March 2003 and of the surplus and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
LONDON
Date...12...September...2003

GREATER LONDON ENTERPRISE LIMITED
ACCOUNTING POLICIES
For the year ended 31 March 2003

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom, except as described in note 1 below. 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 8 to the financial statements.

1 Basis of consolidation

Except for the East London Property Fund ("ELPF"), which is explained below, the consolidated financial statements comprise the financial statements of the Company and all subsidiary undertakings. 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.

The Group consolidates its attributable proportion of the assets and liabilities and income and expenditure of ELPF, which it manages as general partner. ELPF, a limited partnership, falls within the definition of a subsidiary undertaking contained in the Companies Act 1985 and Financial Reporting Standard 2. The Act and the Standard require the consolidation of all subsidiary undertakings. However, the Directors consider that the financial statements would not present a true and fair view if ELPF was to be consolidated as a subsidiary undertaking, with the interests of the other investor (representing 90.09% of ELPF at 31 March 2003) accounted for as a minority interest. The effect of full consolidation is shown in note 28 to the financial statements.

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 £831,785 (2002 - £nil).

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 an 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 £890,000 (2002 - £762,000).
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)	10% - 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. 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.

12 Deferred taxation (continued)

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.

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.

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 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 2003 by £21,674,000 (31 March 2002 - £13,496,000).

16 Ratchet mechanisms

Note 13.4(c) to the financial statements provides details of two ratchet mechanisms affecting the Group's shareholding in Independent Growth Finance Limited, one of which has yet to be implemented. If and when it becomes probable that this ratchet will come into effect, provision is made for any loss that would arise from implementation of the ratchet based on the impact it would have at the balance sheet date on the Group's share of the subsidiary's net assets. No provision is recognised if the ratchet would actually increase the Group's share of the subsidiary's net assets.

GREATER LONDON ENTERPRISE LIMITED
GROUP INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2003

	Note		2003		2002
		£000	£000	£000	£000
Turnover	1		17,162		21,506
Cost of sales			(5,178)		(12,959)
Gross profit			11,984		8,547
Administrative expenses	2		(10,396)		(6,959)
Operating surplus	3		1,588		1,588
Provision for impairment in value of investments	13.2	(118)		(27)	
Profit on disposal of fixed assets	4	14		1,198	
Profit on disposal of shares in subsidiary undertaking	5	18		-	
			(86)		1,171
			1,502		2,759
Interest receivable	6	151		122	
Interest payable	6	(18)		(296)	
			133		(174)
Surplus on ordinary activities before taxation			1,635		2,585
Taxation	9		(457)		(519)
Surplus on ordinary activities after taxation			1,178		2,066
Minority interests – equity			(11)		113
Surplus for the financial year	23		1,167		2,179

The results disclosed above are wholly attributable to continuing operations. The accounting policies and notes on pages 13 to 17 and 25 to 44 respectively form part of these financial statements.

GREATER LONDON ENTERPRISE LIMITED
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2003

	2003 £000	2002 £000
Surplus for the financial year	1,167	2,179
Unrealised surplus on revaluation of properties	1,455	1,085
Total recognised gains and losses relating to the year	2,622	3,264

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 March 2003

	2003 £000	2002 £000
Reported surplus on ordinary activities before taxation	1,635	2,585
Realisation of property revaluation gains of previous years	-	1,099
Historical cost surplus on ordinary activities before taxation	1,635	3,684
Historical cost surplus for the year retained after taxation and minority interests	1,167	3,278

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

GREATER LONDON ENTERPRISE LIMITED
GROUP BALANCE SHEET
At 31 March 2003

	Note		2003		2002
		£000	£000	£000	£000
Fixed assets					
Intangible assets	11		18		19
Tangible assets	12		22,811		19,628
Investments	13.1		898		819
			23,727		20,466
Current assets					
Development properties	14	2,847		3,348	
Debtors	15	20,821		19,632	
Cash at bank	16	4,029		1,306	
		27,697		24,286	
Creditors: amounts falling due within one year	17	(23,221)		(18,756)	
Net current assets			4,476		5,530
Total assets less current liabilities			28,203		25,996
Creditors: amounts falling due after more than one year	18		(51)		(1,068)
Provisions for liabilities and charges	19		(79)		(69)
Net assets			28,073		24,859
Capital and reserves					
Members' contributions	22		1,300		1,300
Accumulated funds	23		22,258		21,091
Revaluation reserve	24		3,940		2,485
Members' funds - non equity interests	22&25		27,498		24,876
Minority interests					
- equity		(25)		(17)	
- non-equity	26	600		-	
			575		(17)
			28,073		24,859

These financial statements were approved by the board of Directors on 12th Sept.2003 and signed on its behalf by:

Sally Powell) DIRECTOR
) Cllr Dame S Powell DBE

The accounting policies and notes on pages 13 to 17 and 25 to 44 respectively form part of these financial statements.

GREATER LONDON ENTERPRISE LIMITED
HOLDING COMPANY BALANCE SHEET
At 31 March 2003

	Note		2003		2002
		£000	£000	£000	£000
Fixed assets					
Tangible assets	12		359		387
Investments	13.1		8,579		8,570
			8,938		8,957
Current assets					
Debtors:					
Amounts falling due after more than one year	15	2,318		2,688	
Amounts falling due within one year	15	785		389	
		3,103		3,077	
Cash at bank	16	28		23	
		3,131		3,100	
Creditors: amounts falling due within one year	17	(1,205)		(321)	
Net current assets			1,926		2,779
Total assets less current liabilities			10,864		11,736
Provisions for liabilities and charges	19		-		-
Net assets			10,864		11,736
Capital and reserves					
Members' contributions	22		1,300		1,300
Accumulated funds	23		9,564		10,436
Members' funds: non-equity interests	22&25		10,864		11,736

These financial statements were approved by the board of Directors on 12th Sept 2003 and signed on its behalf by:

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

The accounting policies and notes on pages 13 to 17 and 25 to 44 respectively form part of these financial statements.

GREATER LONDON ENTERPRISE LIMITED
GROUP CASH FLOW STATEMENT
For the year ended 31 March 2003

	2003 £000	2002 £000
Cash outflow from operating activities (note 1)	(2,210)	(3,977)
Returns on investments and servicing of finance (note 2)	156	(207)
Taxation	(810)	(14)
Capital expenditure and financial investment (note 2)	1,110	389
Acquisitions and disposals (note 2)	-	(71)
Cash outflow before management of liquid resources and financing	(1,754)	(3,880)
Management of liquid resources (note 2)	(2,363)	641
Financing (note 2)	(412)	(2,021)
Decrease in cash in the year	(4,529)	(5,260)

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

	2003 £000	2002 £000
Decrease in cash in the year	(4,529)	(5,260)
Cash outflow from movement in debt and lease financing	1,012	2,036
Cash outflow/(inflow) from movement in liquid resources	2,363	(641)
Non cash movement	-	40
Movement in net debt in the year	(1,154)	(3,825)
Net debt at 1 April	(12,186)	(8,361)
Net debt at 31 March	(13,340)	(12,186)

GREATER LONDON ENTERPRISE LIMITED
GROUP CASH FLOW STATEMENT
For the year ended 31 March 2003 (continued)

Notes to the cash flow statement

1 Reconciliation of operating surplus to operating cash flows

	2003 £000	2002 £000
Operating surplus	1,588	1,588
Depreciation and amortisation	273	230
Decrease in development properties	501	1,111
Increase in debtors	(3,996)	(6,788)
Decrease in creditors	(576)	(118)
Net cash outflow from continuing operating activities	(2,210)	(3,977)

2 Analysis of cash flows for headings netted in the cash flow statement

	2003 £000	2002 £000
Returns on investments and servicing of finance		
Bank interest received	186	143
Bank interest paid	(29)	(349)
Interest element of finance lease rental payments	(1)	(1)
Net cash inflow/(outflow) from returns on investments and servicing of finance	156	(207)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,170)	(7,140)
Purchase of investments	(156)	(14)
Sale of investments	28	28
Sale of tangible fixed assets	2,800	7,744
Investment loans advanced	(196)	(265)
Capital grants received	690	-
Investment loan repayments	114	36
Net cash inflow from capital expenditure and financial investment	1,110	389
Acquisitions and disposals		
Consideration paid in respect of acquisition made in previous year	-	(71)
Management of liquid resources		
Cash (placed on)/withdrawn from short term deposits	(2,363)	641
Financing		
Decrease in bank loans	(1,003)	(2,017)
Capital element of finance lease rental payments	(9)	(19)
Issue of shares by Group companies to minority shareholders	-	15
Capital contribution from minority shareholders	600	-
Net cash outflow from financing	(412)	(2,021)

GREATER LONDON ENTERPRISE LIMITED
GROUP CASH FLOW STATEMENT
For the year ended 31 March 2003 (continued)

Notes to the cash flow statement (continued)

3 Analysis of net debt

	At 1 April 2002 £000	Cash Flow £000	Non Cash Movement £000	At 31 March 2003 £000
Cash at bank and in hand	393	360	-	753
Overdraft	(12,477)	(4,889)	-	(17,366)
	(12,084)	(4,529)	-	(16,613)
Bank / other loans	(1,003)	1,003	-	-
Finance leases	(12)	9	-	(3)
	(1,015)	1,012	-	(3)
Cash on deposit	913	2,363	-	3,276
Net debt	(12,186)	(1,154)	-	(13,340)

	At 1 April 2001 £000	Cash Flow £000	Non Cash Movement £000	At 31 March 2002 £000
Cash at bank and in hand	504	(111)	-	393
Overdraft	(7,328)	(5,149)	-	(12,477)
	(6,824)	(5,260)	-	(12,084)
Bank / other loans	(3,020)	2,017	-	(1,003)
Finance leases	(71)	19	40	(12)
	(3,091)	2,036	40	(1,015)
Cash on deposit	1,554	(641)	-	913
Net debt	(8,361)	(3,865)	40	(12,186)

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 2003

1 Turnover

	2003	2002
	£000	£000
Advisory services	3,008	2,410
Investment management	1,143	1,163
Factoring commission and discount charges	4,560	3,174
Rents and service charges receivable	2,589	2,886
Sales of development properties	4,195	9,991
Sales value of long-term development projects	1,658	1,872
Loan interest receivable	9	10
	17,162	21,506

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

2 Administrative expenses

Administrative expenses include the following costs:

	2003	2002
	£000	£000
Wages and salaries	4,928	4,561
Social security costs	508	484
Pension costs		
- defined contribution schemes	167	188
- defined benefit scheme	142	104
Total staff costs	5,745	5,337

	2003	2002
	£000	£000
Depreciation	272	229
Amortisation of goodwill	1	1
Auditors' remuneration for audit	102	99
Operating lease charges	441	391

	Number	Number
Average number of staff during year	131	113

Of the auditors' remuneration, £12,500 is in respect of the Company (2002 - £14,750). Remuneration paid to the auditors for the provision of non-audit services to the Group was £31,680 (2002 - £53,800).

3 Operating surplus

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

	2003	2002
	£000	£000
Reorganisation costs including redundancy payments	191	354
External costs arising from planned flotation of IGF Invoice Finance	-	400
Bad debts	204	27
Provisions relating to aborted development projects	-	83
	395	864

4 Profit on disposal of fixed assets

	2003	2002
	£000	£000
Profit on sale of investment properties	-	1,184
Profit on sale of fixed asset investments	14	14
	14	1,198

There is no taxation attributable to these gains.

5 Profit on disposal of shares in subsidiary undertakings

During the year, the first of the ratchet mechanisms described in note 13.4(c) came into effect, thereby diluting the Group's equity interest in Independent Growth Finance Limited from 84.1 per cent to 74.8 per cent. A gain of £18,319 has been recognised in respect of this deemed disposal of shares. There is no taxation attributable to this gain.

6 Interest receivable and payable

	2003	2002
	£000	£000
Interest receivable on bank deposits	151	122
Interest payable on:		
Bank loans and overdrafts	17	307
Finance leases	1	1
	18	308
Interest capitalised on development properties	-	(12)
	18	296

7 Directors' emoluments

	2003	2002
	£000	£000
Aggregate emoluments	663	749
Company pension contributions to money purchase schemes	22	40
	685	789

As at 31 March 2003 there were no long-term incentive schemes for Directors.

Highest paid director:	2003	2002
	£000	£000
Aggregate emoluments	296	395
Company pension contributions to money purchase scheme	4	13

W Walburn resigned as Group Chief Executive on 31 July 2002. In addition to his remuneration for the year ended 31 March 2003, he received compensation for loss of office of £146,469. He also entered into a three year consultancy agreement with the Company with effect from 1 September 2002, under which he received fees totalling £47,740 during the current financial year.

8 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 2002. The valuation assumed that investment returns would be in the range 6.3% to 6.6% per annum, that salary increases would average 4.3% per annum and that present and future pensions would increase at the rate of 2.8% per annum. The assets of the scheme were sufficient to cover 103% 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 2003 and 2002 in accordance with the requirements of FRS 17 are shown in the following table:

8 Pension costs - defined benefit scheme (continued)

	2003	2002
Price inflation	2.5%	2.8%
Salary increases	4.0%	4.3%
Pension increases	2.5%	2.8%
Discount rate for scheme liabilities	5.4%	5.9%

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:
The total pension charge to the profit and loss account in respect of the scheme as calculated in accordance with SSAP 24 for the year ended 31 March 2003 was £142,000 (2003 - £104,000).

Assets (Whole Fund)	Long term return % p.a. 2003	Fund value at 31 March 2003 £000	Long term return % p.a. 2002	Fund value at 31 March 2002 £000
Equities	8.0	893,200	7.5	1,341,061
Bonds	4.8	153,400	5.5	1,328,926
Cash	4.0	33,200	4.0	105,917
Total value of market assets		1,079,800		2,775,904

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

	31 March 2003 £000	31 March 2002 £000
Group's share of pension fund assets	2,408	3,094
Present value of scheme liabilities	3,887	3,419
Present value of unfunded liabilities	3	3
Total value of liabilities	3,890	3,422
Deficit in the scheme	(1,482)	(328)
Related deferred tax asset	-	-
Net pension liability	(1,482)	(328)

There would be an unrecognised deferred tax asset of £445,000 (2002 - £98,000) in respect of this pension scheme deficit.

Net assets	31 March 2003 £000	31 March 2002 £000
Net assets excluding pension liability under SSAP 24	28,073	24,859
Net pension liability under FRS 17	(1,482)	(328)
Net assets including pension liability under FRS 17	26,591	24,531

8 Pension costs - defined benefit scheme (continued)

Reserves	**31 March 2003 £000**	**31 March 2002 £000**
Accumulated funds excluding pension liability under SSAP 24	22,258	21,091
Net pension liability under FRS 17	(1,482)	(328)
Accumulated funds including pension liability under FRS 17	20,776	20,763

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 2003 £000
Current service cost	133

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

	31 March 2003 £000
Expected return on pension scheme assets	198
Interest on pension scheme liabilities	(202)
Net return	(4)

Analysis of amount that would be recognised in STRGL

	31 March 2003 £000
Actual return less expected return on pension scheme assets	(1,011)
Experience gains and losses arising on the scheme liabilities	17
Changes in assumptions underlying the present value of the scheme liabilities	(132)
Actuarial loss recognised in STRGL	(1,126)

8 Pension costs - defined benefit scheme (continued)

Movement in deficit during the year

	31 March 2003 £000
Deficit in scheme at beginning of the year	(328)
Movement in year:	
Current service cost	(133)
Contributions	109
Net return on assets	(4)
Actuarial losses	(1,126)
Deficit in scheme at end of the year	(1,482)

Improvements in benefits were made in the year ended 31 March 2003 and the employer's contribution rate was increased to 11.2% of pensionable pay from 10.7%. It has been agreed with the trustees that the contribution rate for the next two years will be 11.2%.

History of experience gains and losses

	31 March 2003 £000
Difference between the expected and actual return on scheme assets	(1,011)
Value of assets	2,408
Percentage of scheme assets	**(42.0%)**
Experience gains on scheme liabilities	17
Present value of liabilities	3,890
Percentage of the present value of the scheme liabilities	**0.4%**
Total amount recognised in STRGL	(1,126)
Present value of liabilities	3,890
Percentage of the present value of the scheme liabilities	**(28.9%)**

Defined contribution scheme

The pension charge in respect of this scheme are the actual contributions paid. These amounted to £167,000 (2002 - £188,000).

9 Taxation

This comprises:

	2003 £000	2002 £000
Current tax:		
UK corporation tax on surplus for the year	476	551
Prior year (over)/under provision	(29)	2
Total current tax	447	553
Deferred tax:		
Origination and reversal of timing differences	10	(34)
Tax charge on surplus on ordinary activities	457	519

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

	2003 £000	2002 £000
Surplus on ordinary activities before taxation:	1,635	2,585
UK corporation tax at standard rate of 30%	491	776
Expenses not deductible for tax purposes	88	157
Non-taxable income	-	(1)
Adjustments to arrive at taxable gain on sale of investment properties	-	233
Timing differences	(13)	34
Utilisation of trading losses brought forward	(90)	(75)
Capital gains offset by capital losses brought forward	-	(581)
Other items	-	8
Prior year (over)/under provision	(29)	2
	447	553

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

10 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 £872,000 (2002 - deficit of £680,000) has arisen in the financial statements of the holding company.

11 Intangible assets

The intangible assets of the Group relate wholly to goodwill:

	2003 £000	**2002 £000**
Cost		
At 1 April	20	-
Arising on shares acquired during the year	-	20
At 31 March	20	20
Amortisation		
At 1 April	1	-
Charge for the year	1	1
At 31 March	2	1
Net Book Value		
At 31 March	18	19

This goodwill arose from a restructuring of the shares in Independent Growth Finance Limited and IGF Invoice Finance Limited.

12 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 2002	20,273	14,961	4,100	1,151	61
Additions	577	231	90	256	-
Written off	(286)	-	-	(286)	-
Transfer from development properties	1,423	-	1,423	-	-
Transfer to revaluation reserve	1,455	1,313	142	-	-
At 31 March 2003	23,442	16,505	5,755	1,121	61
Depreciation					
At 1 April 2002	645	-	-	598	47
Written off	(286)	-	-	(286)	-
Provided in the year	272	-	-	261	11
At 31 March 2003	631	-	-	573	58
Net book amount at 31 March 2003	22,811	16,505	5,755	548	3
Net book amount at 31 March 2002	19,628	14,961	4,100	553	14

12 Tangible fixed assets (continued)

Group (continued)

The Group's investment properties, including those owned by ELPF, were valued by Jones Lang La Salle and Lambert Smith Hampton, chartered surveyors, as at 31 March 2003. With one exception, the properties were valued in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The exception relates to an investment property under construction.

The valuation of the Group's investment property portfolio was £22,260,000, as compared with its carrying value of £20,805,000. The surplus arising in the year of £1,455,000 has been transferred to the revaluation reserve. Included in investment properties is the Group's attributable proportion of the freehold investment property held in ELPF of £430,000 (2002 - £421,000). The historical cost of the investment properties is £18,320,000 (2002 - £16,576,000).

The Company

	Total	Office Equipment	Leasehold Improvements
	£000	£000	£000
Cost			
At 1 April 2002	918	613	305
Additions	155	112	43
Write offs	(286)	(215)	(71)
At 31 March 2003	787	510	277
Depreciation			
At 1 April 2002	531	400	131
Provided in the year	183	116	67
Write offs	(286)	(215)	(71)
At 31 March 2003	428	301	127
Net book amount at 31 March 2003	359	209	150
Net book amount at 31 March 2002	387	213	174

13.1 Fixed asset investments

All the investments are unlisted and comprise:

	The Group		The Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Shares at cost				
1 April	14	28	9,300	9,300
Additions	100	-	-	-
Disposals	(14)	(14)	-	-
Write offs	-	-	(950)	-
31 March	100	14	8,350	9,300
Loans				
At 1 April	876	648	-	-
Loans made during the year	196	265	-	-
Loans written off	(234)	(1)	-	-
Repayments	(114)	(36)	-	-
At 31 March	724	876	-	-
Other investments at cost				
1 April	237	223	237	223
Additions	56	14	56	14
31 March	293	237	293	237
Total investments at cost	1,117	1,127	8,643	9,537
Less provision for impairment in value (Note 13.2)	(219)	(308)	(64)	(967)
Net book value at 31 March	898	819	8,579	8,570
Comprising:				
Shares	100	14	8,350	8,350
Loans	569	585	-	-
Other investments	229	220	229	220
	898	819	8,579	8,570

The shares held by the Company are all attributable to subsidiary undertakings. The other investments held by the Group are described in note 13.3 below.

13.2 Provision for impairment in value

	The Group		The Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
At 1 April	308	221	967	950
Amounts written off during the year	(234)	(1)	(950)	-
Provisions made in the year				
- charge to income and expenditure account	118	27	47	17
- matched by release of deferred income	9	20	-	-
- recoverable from third parties	18	41	-	-
At 31 March	219	308	64	967

13.3 Other investments

During the year, the Company invested £55,746 into three Baring English Growth Funds, bringing the total investment to £292,413 from a committed total of £500,000. At the year-end, a provision totalling £63,022 was made against these investments. GLE Development Capital Limited has been appointed as investment advisor to the South Fund.

Additions to the Group's investments in shares comprise an equity investment of £99,990 by London Seed Capital which was financed using the capital funding described in note 26.

13.4 Group undertakings

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

13.4 Group undertakings (continued)

Name of company	Details of shareholding	Group's % Holding	Nature of business
GLE Investments Limited	100 ordinary shares of £1 each	100	Investment company
GLE Development Capital Limited	100,000 ordinary shares of £1 each	100	Fund management Company
GLE Development Capital (G.P.) Limited	1 ordinary share of £1 each (note a)	100	Subsidiary general partner for investment funds
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 and Property company
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 d)	100	Investment company
Independent Growth Finance Limited	7,500,000 'A' ordinary shares of £0.01 each (notes a, b and c)	74.8	Holding company
	7,500,000 'A' deferred shares of £0.01 each (notes a and c)	74.8	
	9,322,430 'B' deferred shares of £0.01 each (notes a and c)	93.5	
IGF Invoice Finance Limited	42,161 ordinary shares of £1 each (note a)	74.8	Debt factoring and invoice discounting company
	1,025,000 cumulative redeemable "B" preference shares of £1 each (note a)	100	
	450,000 cumulative redeemable "A" preference shares of £1 each (note a)	100	

13.4 Group undertakings (continued)

(a) Held indirectly.

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

(c) Under the terms of an agreement between the shareholders in Independent Growth Finance Limited, there are two ratchets that impact on the Company's interest in the ordinary share capital of Independent Growth Finance as follows:

i) Under the first ratchet, which is linked to the trading results of IGF Invoice Finance Limited, 9,322,430 of the Company's "A" ordinary shares were converted to "B" deferred shares during the year ended 31 March 2003. This has reduced the Company's equity interest in Independent Growth Finance Limited to 74.8%.

ii) Under the second ratchet, which comes into effect on a flotation or trade sale of the subsidiary, a specified number of the Company's "A" ordinary shares will be converted to "B" deferred shares. The number of shares to be converted is dependent on the timing of the trigger event and the aggregate value of the ordinary shares, subject to a maximum of 3,635,542 "A" ordinary shares (which would reduce the Company's equity interest in Independent Growth Finance to 63.0%).

The "A" deferred shares are redeemable at any time by Independent Growth Finance Limited at par, being £0.01 per share. The "B" deferred shares are redeemable by Independent Growth Finance Limited at par, being £0.01 per share, at any time after the operation of the second ratchet.

(d) 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 rights attaching to this deferred share are described in note 26.

In addition, the Group holds a 9.91% interest in the East London Property Fund (ELPF), which is a limited partnership in which the Group acts as general partner. ELPF is a property venture, and operates in Great Britain.

14 Development properties

Included within the carrying value of development properties is capitalised interest of £Nil (2002 - £13,000).

15 Debtors

	The Group		The Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Amounts falling due within one year:				
Net amount recoverable in respect of factored debts	18,441	13,384	-	-
Other trade debtors	1,252	1,190	744	231
Total trade debtors	19,693	14,574	744	231
Other debtors	348	3,959	12	139
Tax recoverable	-	-	21	-
Amounts recoverable under long-term contracts	-	672	-	-
Prepayments and accrued income	549	196	8	19
	20,590	19,401	785	389
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	231	231	2,318	2,688
	20,821	19,632	3,103	3,077

The Group had a debtor of £231,000 at 31 March 2003 due from ELPF, a subsidiary undertaking, which does not eliminate on consolidation because ELPF is proportionally consolidated.

The gross value of the debtors factored by IGF Invoice Finance Limited is £40,115,000 (31 March 2002 - £26,880,000).

16 Cash at bank

	The Group		The Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Short term bank deposits	3,276	913	-	-
Cash at bank	753	393	28	23
	4,029	1,306	28	23

17 Creditors: amounts falling due within one year

	The Group		The Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Bank overdraft – secured	17,366	12,477	21	24
Trade creditors	547	1,239	73	65
Corporation tax	174	537	-	-
Social security and other taxes	82	636	41	46
Other creditors	1,668	533	966	62
Accruals and deferred income	3,381	3,325	87	120
Finance leases	3	9	-	-
Amounts owed to subsidiary undertakings	-	-	17	4
	23,221	18,756	1,205	321

18 Creditors: amounts falling due after more than one year

	The Group		The Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Bank loans – secured	-	1,003	-	-
Obligations under finance leases due in two to five years	-	3	-	-
Deferred income	51	62	-	-
	51	1,068	-	-

The bank loan, which is secured on the Group's investment properties, has been drawn under a revolving loan facility of £15,000,000 which has been made available to the Group for a period of 3 years from October 2001. The borrowing is interest bearing at 1.25% above LIBOR up to £10,000,000, and at 1.5% above LIBOR up to £15,000,000 during the period of such borrowings.

19 Provisions for liabilities and charges

The Group

	Deferred tax
	£000
At 1 April	69
Charge to income and expenditure account	10
At 31 March	79

19 Provisions for liabilities and charges (continued)

Deferred tax arises as follows:

	2003		2002	
	Provided	**Unrecognised**	**Provided**	**Unrecognised**
	£000	**£000**	**£000**	**£000**
Accelerated capital allowances	80	(40)	72	(43)
Short term timing differences	(1)	-	(3)	-
Trading losses carried forward	-	(1,131)	-	(1,221)
Capital losses carried forward	-	(2,348)	-	(2,348)
	79	(3,519)	69	(3,612)

The Company

As at 31 March 2003, the Company had unrecognised deferred tax assets of £126,000 (2002 - £178,000) in respect of accelerated capital allowances and trading losses carried forward. These have not been recognised as it is uncertain whether the Company will generate taxable profits in the future.

20 Commitments

Capital commitments:

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	£000	**£000**	**£000**	**£000**
Contracted for but not provided for in these financial statements	-	1,782	-	-

This relates to the completion of development properties and expenditure on investment properties. As explained in note 13.3, the Group is also committed to investing a further £207,587 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:

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	£000	**£000**	**£000**	**£000**
Within one year – other	41	8	2	-
In two to five years – other	95	134	-	-
Within one year – land and buildings	7	-	-	-
In two to five years – land and buildings	269	256	-	-
	412	398	2	-

21 Contingent liability

There is a potential tax exposure in respect of certain transactions undertaken by a subsidiary company, amounting to approximately £227,000. The Directors are confident that no additional charges will arise.

22 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.

23 Accumulated funds

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	£000	**£000**	**£000**	**£000**
As 1 April	21,091	17,813	10,436	11,116
Surplus/(deficit) for the year	1,167	2,179	(872)	(680)
Revaluation surplus realised	-	1,099	-	-
At 31 March	22,258	21,091	9,564	10,436

24 Revaluation reserve

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	£000	**£000**	**£000**	**£000**
At 1 April	2,485	2,499	-	-
Surplus for the year	1,455	1,085	-	-
Revaluation surplus realised	-	(1,099)	-	-
At 31 March	3,940	2,485	-	-

25 Reconciliation of movements in members' funds

	The Group		The Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
As 1 April	24,876	21,612	11,736	12,416
Surplus/(deficit) for the year	1,167	2,179	(872)	(680)
Revaluation surplus	1,455	1,085	-	-
At 31 March	27,498	24,876	10,864	11,736

26 Minority interests

The non-equity minority interest comprises the funding received by a subsidiary company for qualifying investments. The holder of a deferred share in this subsidiary has agreed to provide capital funding of up to £2,350,000, of which £600,000 had been received as at 31 March 2003. The subsidiary had invested £99,990 of this funding by the year-end. 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.

In addition, the deferred shareholder is entitled to serve notice that the subsidiary be liquidated and the assets distributed to shareholders after 1 November 2012.

27 Related parties

The Group received fee income of £68,000 (2002 - £68,000) from unauthorised unit trusts which it manages.

28 Full consolidation of ELPF

The consolidated balance sheet below shows the effect of full consolidation of ELPF within the Group accounts.

		2003		2002
	£000	£000	£000	£000
Fixed assets				
Intangible assets		18		19
Tangible assets		26,721		23,457
Investments		899		819
		27,638		24,295
Current assets				
Development properties	2,847		3,348	
Debtors	20,610		19,438	
Cash at bank and in hand	4,191		1,521	
	27,648		24,307	
Creditors: amounts falling due within one year	(23,402)		(19,006)	
Net current assets		4,246		5,301
Total assets less current liabilities		31,884		29,596
Provisions and **Creditors:** amounts falling due after more than one year		(130)		(1,137)
		31,754		28,459
Capital and reserves				
Members' contributions		1,300		1,300
Accumulated funds		22,258		21,091
Revaluation reserve		3,940		2,485
Members' funds		27,498		24,876
Minority interests				
- equity		3,656		3,583
- non-equity		600		-
		31,754		28,459

If ELPF were consolidated in full, turnover and operating costs for the year ended 31 March 2003 would increase by £325,000 and £113,000 respectively (2002 - £344,000 and £78,000). There would be no impact on the surplus for the financial year.