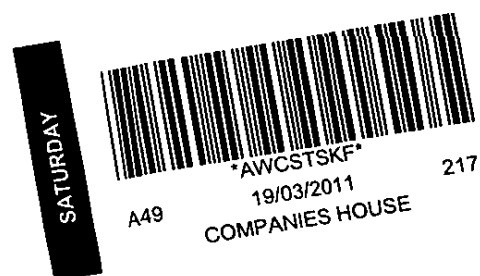


EF INVESTMENTS
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2010

Registered Number 4788212



EF INVESTMENTS
(Registered Company Number 4788212)
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2010

The directors present their report together with the audited financial statements of the Company for the year ended 31 December 2010

ACTIVITIES, RESULTS AND DIVIDENDS

On 6 December 2010 the parent undertaking being the sole shareholder of the Company passed a members' resolution to reduce the share capital of the company to £1 by transferring £9,999,999 to distributable reserves

During the year the Company identified a possible impairment of the main venture capital investment based on recent performance updates. Following the resulting independent valuation of this investment the directors resolved to write it down by £8,500,000 to £1,500,000. Further to this write down the directors resolved to gift the investment, by way of assignment, to the Company's parent, to transfer the remaining assets of the Company to the parent at market value, to repay the loan from the parent out of the proceeds of these transfers, and to transfer any remaining distributable reserves to the parent.

At year end the Company had impaired the main investment asset and assigned the investment to its parent undertaking. During 2011 the Company will transfer the remaining assets of the Company, repay its loan, settle any other liabilities, and transfer any remaining distributable reserves to the parent undertaking, after which the Company will become dormant and it is the directors' intention to then implement it being wound up.

The Company's operating loss for the financial year was £9,040 (2009 surplus of £30,806). After interest payable and investment impairment the net loss for the year was £10,025,770 (2009 surplus £16,216). No dividend was declared during the year (2009 £nil).

DIRECTORS

The following people served as directors during the year ended 31 December 2010 -

T Chandos
D Austwick
J Hughes - Hallett

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in note 1, Accounting Policies, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

EF INVESTMENTS
(Registered Company Number 4788212)
DIRECTORS' REPORT (Continued)
YEAR ENDED 31 DECEMBER 2010

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

SIGNED ON BEHALF OF THE BOARD



T. Chandos
Director

3 March 2011

King's Place
90 York Way
London N1 9AG

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EF INVESTMENTS

We have audited the financial statements of EF Investments for the year ended 31 December 2010 set out on pages 4 to 7. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). These financial statements have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements but under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Kevin R Clark (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Date

EF INVESTMENTS
(Registered Company Number 4788212)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £	2009 £
Income		4,852	59,926
Administrative expenses	3	(13,892)	(29,120)
OPERATING (LOSS)/PROFIT		<u>(9,040)</u>	<u>30,806</u>
Interest payable to parent undertaking	5	(16,730)	(14,590)
Impairment of investment	4	(8,500,000)	-
Loss on assignment of investment to parent undertaking	4	(1,500,000)	-
(LOSS)/PROFIT FOR THE YEAR		<u><u>(10,025,770)</u></u>	<u><u>16,216</u></u>

EF INVESTMENTS
(Registered Company Number 4788212)
BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Investments	4	1,004,291	10,811,399
CURRENT ASSETS			
Cash and cash equivalents		58,780	117,751
CREDITORS: amounts falling due within one year	5	(985,322)	(65,697)
NET CURRENT ASSETS		(926,542)	52,054
CREDITORS: amounts falling due after one year	5	-	(757,283)
NET ASSETS		77,749	10,106,170
CAPITAL AND RESERVES			
Called up share capital	6	1	10,000,000
Revaluation reserve	7	147,868	150,519
Profit and loss reserve	7	(70,120)	(44,349)
TOTAL SHAREHOLDERS' FUNDS		77,749	10,106,170

Signed on behalf of the board of directors on 3 March 2011



T. Chandos
Director

The notes on page 6 and 7 form part of these financial statements

EF INVESTMENTS
(Registered Company Number 4788212)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006, applicable accounting standards and applicable statements of recommended practice. The particular accounting policies are described below. Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

The financial statements are prepared on a winding up basis. The directors have valued the remaining assets and liabilities of the company at their net realisable value. It is the directors' intention to liquidate the remaining assets, settle the company's liabilities and ultimately wind up the company.

These financial statements are prepared in accordance with historical cost convention. Unquoted investments are stated at cost, less any impairment. Quoted investments are stated at market value if listed.

2. DIRECTORS REMUNERATION

The aggregate emoluments of persons who were Directors of the Company during the year ended 31 December 2010, including pension contributions, were £nil (2009 £nil).

3. ADMINISTRATIVE EXPENSES

The Company has no full time employees. The Directors of the Company are not remunerated.

Auditors remuneration:	2010	2009
	£	£
Audit of these financial statements	1,980	1,880

4. INVESTMENTS

	2010	2009
	£	£
Quoted investments		
At 1 January	150,519	137,670
Unrealised (loss)/gain on investments	(2,651)	12,849
At 31 December	147,868	150,519
Unquoted investments at cost		
At 1 January	10,660,880	10,457,297
Additions	195,543	203,583
Assignment of investment to parent undertaking	(1,500,000)	-
Impairment	(8,500,000)	-
At 31 December	856,423	10,660,880
Total quoted and unquoted investment	1,004,291	10,811,399

During the year the Company identified a possible impairment of the main venture capital investment based on recent performance updates. Following the resulting independent valuation of this investment the directors resolved to write it down by £8,500,000 to £1,500,000. Further to this write down the directors resolved to gift the investment, by way of assignment, to the Company's parent undertaking.

EF INVESTMENTS
(Registered Company Number 4788212)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 DECEMBER 2010

	2010 £	2009 £
5. CREDITORS:		
Amounts falling due within one year		
Amounts due to parent undertaking	983,342	65,697
Accruals	1,980	-
	<u>985,322</u>	<u>65,697</u>
Amounts falling due after one year		
Amounts due to parent undertaking	-	757,283
	<u>-</u>	<u>757,283</u>

Under terms of the loan agreement between The Trustees of Esmée Fairbairn Foundation and EF Investments a loan facility of £2 million is available to the Company. Each Advance accrues interest at the Bank of England base rate plus 1.75% from the date on which such Advance is made. Each Advance is repayable by the Company at any time or if not already paid, on 28 February 2019.

	2010 £	2009 £
6. EQUITY CALLED UP SHARE CAPITAL		
Authorised – 10,000,000 ordinary shares of £1 each	1	10,000,000
Issued and fully paid - 1 (2009 10,000,000) ordinary shares of £1 each	<u>1</u>	<u>10,000,000</u>

On 6 December 2010 the parent undertaking, being the sole shareholder of the Company, passed a members' resolution to reduce the share capital of the Company to £1 by transferring £9,999,999 to distributable reserves.

	Profit & Loss Reserve £	Revaluation Reserve £
7. RESERVES		
At 1 January	(44,349)	150,519
Transfer of share capital	9,999,999	-
Loss for year	(10,025,770)	-
Unrealised loss on investments	-	(2,651)
At 31 December	<u>(70,120)</u>	<u>147,868</u>

8. PARENT UNDERTAKING

The Company is a wholly owned subsidiary of The Trustees of Esmée Fairbairn Foundation, a charitable trust and charity registered by the Charity Commission of England and Wales. Copies of the Foundation's accounts are available to the general public from the Esmée Fairbairn Foundation, Kings Place, 90 York Way, London, N1 9AG or from their website www.esmeefairbairn.org.uk