The Endeavour Company Holdings Limited

Report and Financial Statements

30 June 2011

Directors
J S I Rosefield
S M Rosefield

Secretary
K M Loukes

Auditors
Ernst & Young LLP
No 1 Colmore Square
Birmingham B4 6HQ

Bankers
Barclays Bank PLC
Floor 27
One Churchill Place
London E14 5HP

Solicitors
Berwin Leighton Paisner LLP
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Directors' report

The directors present their report and financial statements for the year ended 30 June 2011

Results and dividends

The group loss for the year after taxation amounted to £111,000 (2010 - profit of £682,000) No dividends were paid during the year (2010 – none)

Principal activities and review of the business

The principal activity of the group is property investment and development, which is carried on in the United Kingdom The group, through Esprit Limited, also provides software products and services to UK local government in respect of their provision of social care services for adults and for children

The turnover of the group, excluding joint ventures, for the year ended 30 June 2011 was £7,058,000 compared to £7,041,000 for the year to 30 June 2010

The group profit before taxation for the year to 30 June 2011 amounted to £83,000 (2010 - £965,000)

The carrying value of the goodwill and net assets of Esprit Limited as at 30 June 2011 has been compared to their recoverable amounts and it was found that the carrying value of the goodwill was not supported and therefore the carrying amount of the goodwill has been impaired with the £629,000 loss being presented within exceptional operating expenses in the profit and loss account This impairment is in addition to the annual amortisation of goodwill which is included in administration expenses

The group's investment properties were valued by the directors as at 30 June 2011 based on the advice of the group's professional advisers, and amounted to £96,562,000, an increase of approximately 6% on the valuation of the same properties as at 30 June 2010

The interest payable on the term loan from Barclays Bank PLC is fully covered by the rental income from a spread of good quality investment properties, and the covenants applicable to the loan are being comfortably met The directors believe, that barring unforeseen circumstances, both the interest payable and applicable covenants will continue to be complied with

The net assets of the group on a consolidated basis as at 30 June 2011 were £41,260,000 (2010 - £36,266,000) However the balance sheet at 30 June 2011 and 30 June 2010 includes the negative goodwill of £17,582,000 arising on consolidation This is detailed in note 12 to these financial statements As at 30 June 2011 the group's gearing ratio on a consolidated basis (defined as net debt expressed as a percentage of shareholders' funds plus the net debt), ignoring the negative goodwill arising on consolidation, was 41 1% (2010 – 42 0%)

During the year the group became a 32% partner in Regal (Sinclair Road) LLP, a property investment partnership registered in England and Wales A loan was made to Regal (Sinclair Road) LLP of £1,709,000 during the year

During the year the group became a 33% partner in REP (Maygrove Road) Developments LLP, a property investment partnership registered in England and Wales A loan of £1,310,000 was made to REP (Maygrove Road) Developments LLP during the year

Principal risks and uncertainties

The group's income derives principally from rental income which is subject to periodic upward only review The management of the group works closely with the tenants in order to ensure, so far as possible, that rental income is maintained The group's properties are financed both by term debt on which the interest rate is fixed and by shareholders funds Management meetings are held on a weekly basis During these meetings all material aspects of the property portfolio are considered In addition, the directors and management carefully monitor cash flow as part of the group's control procedures

Directors' report

Research and development

The group through Esprit Limited continued an active program of research and development, the costs of which amounted to £175,524 (2010 - £111,975)

Future developments

The prospects for the coming year are satisfactory Loans are primarily at fixed rates of interest and therefore interest costs are relatively stable The group maintains a policy of active management of its property portfolio so as to ensure, as far as possible, that the current level of rental income will be maintained

Interest rates

The group's principal borrowing is a £50 million long-term loan from Barclays Bank PLC (expiring in 2016) at a fixed rate of interest In view of this the group has not entered into any derivative instruments to hedge interest rate risk

Fixed assets

Details of the revaluation of properties in the year are set out in notes 14 and 15 to the financial statements

Charitable donations

During the year the group made gifts for charitable purposes amounting to £95,000 (2010 - £43,000)

Going concern

Based on the budgets and forecasts prepared by the group and taking into account available facilities and the risk management in place, the directors have a reasonable expectation there are no material uncertainties that cast significant doubt about the ability of the group to continue as a going concern Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors

The directors who served the company during the year were as follows

J S I Rosefield
S M Rosefield

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the Board

Secretary K. M. Lopkes

29 March 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 group and the company and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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, and
- 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 that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of The Endeavour Company Holdings Limited

We have audited the financial statements of The Endeavour Company Holdings Limited for the year ended 30 June 2011 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheet, the Group Statement of Cash Flows and the related notes 1 to 30 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 and express an opinion on 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent undertaking's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of affairs of the group and company as at 30 June 2011 and of the loss of the group for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Independent auditors' report

to the members of The Endeavour Company Holdings Limited

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

Ernst & Young LLP

Christopher Voogd (Senior statutory auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Birmingham
30 March 2012

Group profit and loss account

for the year ended 30 June 2011

	Notes	2011 £000	2010 £000
Turnover			
Group and share of joint ventures		7,137	7,128
Less share of joint ventures		(79)	(87)
Group turnover	2	7,058	7,041
Less rents payable and other property outgoings		(361)	(219)
Gross Profit		6,697	6,822
Administrative expenses		(3,069)	(3,073)
Operating Profit before exceptional items		3,628	3,749
Impairment of stocks of work in progress		(70)	-
Impairment of goodwill	13	(629)	-
Operating Profit	3	2,929	3,749
Share of operating profit in joint venture		52	54
Total operating profit group and share of joint ventures		2,981	3,803
Profit on disposal of fixed asset investments		8	23
		2,989	3,826
Profit on ordinary activities before investment income, interest and taxation			
Income from fixed asset investments	6	27	11
Amounts written off fixed asset investments		-	(3)
Release of provision for diminution in value of fixed asset investments		1	13
Interest receivable and similar income	7	82	151
Interest payable and similar charges	8	(3,016)	(3,033)
Profit on ordinary activities before taxation		83	965
Tax	9	(194)	(283)
(Loss)/Profit for the financial year after taxation	25	(111)	682
Minority interests		(64)	-
(Loss)/Profit for the financial year attributable to the share holders of the parent company		(175)	682

All amounts relate to continuing activities

Group statement of total recognised gains and losses

for the year ended 30 June 2011

	2011 £000	2010 £000
(Loss)/Profit for the financial year attributable to members of the parent undertaking	(175)	682
Unrealised surplus on revaluation of investment properties	5,101	3,199
Share of revaluation surplus of joint venture undertakings	4	143
Total recognised gains and losses relating to the year	4,930	4,024

The profit on ordinary activities after taxation includes a profit of £3,000 (2010 - £11,000) in respect of the group's share of the results of joint venture undertakings

Group balance sheet

at 30 June 2011

			Notes	2011 £000	2010 £000
Fixed assets					
Negative goodwill			12	(17,582)	(17,582)
Goodwill			13	-	721
Tangible assets	-	investment properties	14	96,562	91,200
	-	property under development	14	1,103	931
	-	other	15	1,873	1,289
Investments			16	660	716
Investment in joint ventures			16(c)		
Share of gross assets				1,765	2,293
Share of gross liabilities				(1,065)	(1,599)
				700	694
				83,316	77,969
Current assets					
Stock of work in progress			17	228	-
Debtors			18	5,354	3,137
Investments			19	253	281
Cash at bank and in hand				8,835	10,715
				14,670	14,133
Creditors amounts falling due within one year			20	(6,363)	(5,579)
Net current assets				8,307	8,554
Total assets less current liabilities				91,623	86,523
Creditors amounts falling due after more than one year			21	(50,349)	(50,257)
Provisions for liabilities			22	(14)	-
Net assets				41,260	36,266
Capital and reserves					
Called up share capital			24	158	158
Share premium account			25	14,420	14,420
Revaluation reserve			25	11,733	6,828
Profit and loss account			25	14,885	14,860
Shareholders' funds			26	41,196	36,266
Minority interests				64	-
				41,260	36,266

These financial statements were approved by the Board and signed on its behalf by

J S I Rosefield
Director

S M Rosefield
Director

Date 29 MARCH 2012

Company balance sheet

at 30 June 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Investments	16	22,815	22,815
Current assets			
Cash at bank and in hand		7	7
Creditors amounts falling due within one year	20	(8,225)	(8,225)
Net current liabilities		(8,218)	(8,218)
Net assets		14,597	14,597
Capital and reserves			
Share capital	24	158	158
Share premium	25	14,420	14,420
Profit and loss account	25	19	19
Shareholders' funds	26	14,597	14,597

These financial statements were approved by the Board and signed on its behalf by

J S H Rosefield
Director

S M Rosefield
Director

Date 29 MARCH 2012

Group statement of cash flows

for the year ended 30 June 2011

	Notes	2011 £000	2010 £000
Cash inflow from operating activities	27(a)	4,824	3,486
Returns on investments and servicing of finance			
Interest received		82	92
Interest paid		(3,079)	(3,040)
Dividends received		27	10
Net cash outflow from returns on investments and servicing of finance		(2,970)	(2,938)
Taxation			
Corporation tax recovered		47	557
Capital expenditure and financial investment			
Additions to investment properties		(507)	(496)
Additions to other tangible fixed assets		(530)	(8)
Additions to stock of work-in-progress		(228)	-
Purchase of fixed asset investments		-	(5)
Sale of fixed asset investments		-	32
Amounts advanced to joint ventures		(3,093)	-
Amounts repaid by joint ventures		530	18
Purchase of current asset investments		(1)	(53)
Sale of current asset investments		30	2
Net cash outflow from investing activities		(3,799)	(510)
Net cash (outflow)/inflow before use of liquid resources and financing		(1,898)	595
Management of liquid resources			
Decrease in short term deposits	27(b)	973	6,143
Financing			
Bank and other loans repaid		-	(5,591)
Repayment of principal under hire purchase contracts		18	-
Net cash inflow/(outflow) from financing	27(b)	18	(5,591)
(Decrease)/Increase in cash	27(b)	(907)	1,147

Group statement of cash flows

for the year ended 30 June 2011

Reconciliation of net cash flow to movement in net debt

		2011 £000	2010 £000
(Decrease)/Increase in cash in the year		(907)	1,147
Cash outflow from change in debt financing		-	5,591
Cash inflow from change in liquid resources		(973)	(6,143)
Change in net debt arising from cash flows	27(b)	(1,880)	595
Non cash transactions		(42)	(39)
Movement in net debt		(1,922)	556
Net debt at 1 July	27(b)	(38,991)	(39,547)
Net debt at 30 June	27(b)	(40,913)	(38,991)

Notes to the financial statements

at 30 June 2011

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of properties, and in accordance with applicable accounting standards The true and fair override provisions of the Companies Act 2006 have been invoked, (see accounting policy on investment properties below)

Group financial statements

The group financial statements incorporate the financial statements of the company and its subsidiary undertakings The subsidiary undertakings are consolidated using the acquisition accounting basis The results of subsidiary undertakings are included in the group profit and loss account from the effective date of acquisition

The company has taken advantage of s408 of the Companies Act 2006 and consequently the profit and loss account of the parent undertaking is not presented as part of these financial statements

Entities in which the group holds an interest on a long term basis and are jointly controlled by the group and one or more other ventures under a contractual arrangement are treated as joint ventures In the group financial statements, joint ventures are accounted for using the gross equity method

Goodwill

Goodwill arising on acquisitions prior to 28 June 1997 was transferred directly to reserves Goodwill previously eliminated against reserves has not been reinstated on implementation of Financial Reporting Standard 10 (Goodwill and Intangible Assets)

Positive goodwill arising on acquisitions since 29 June 1997 is capitalised and classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years It will be reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Negative goodwill

Negative goodwill represents the excess of the fair value of the net assets acquired over the fair value of the consideration for the purchase of the entire issued share capital of The Endeavour Trust Limited and Estates & Agency Holdings Limited Negative goodwill is being credited to the profit and loss account when the relevant non monetary assets acquired are subsequently sold

Tangible fixed assets

In accordance with FRS 15 the group will continue to revalue its freehold land and buildings included within other tangible fixed assets on an annual basis

The cost of tangible fixed assets, other than investment properties, is depreciated by equal annual instalments over the expected useful lives of the assets as follows

Motor vehicles and Plant & Equipment - 3 - 6 years

Depreciation is not provided on the freehold buildings occupied by the group, since as a result of their long economic life and high residual value any depreciation charge or accumulated depreciation is not material A review for impairment in accordance with FRS 11 is undertaken at the end of each reporting period

Notes to the financial statements

at 30 June 2011

1. Accounting policies (continued)

Investments properties

Investment properties are accounted for in accordance with SSAP 19 (revised), as follows

- Investment properties are revalued, on an open market value basis, annually and the surplus or deficit arising is transferred to a revaluation reserve unless a deficit is expected to be permanent, in which case it is charged to the profit and loss account
- No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years unexpired

Although the Companies Act 2006 would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation or amortisation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation Depreciation or amortisation is only one of the many factors reflected in the annual valuation, and the amount, which might otherwise have been shown, cannot be separately identified or quantified

Investments

Investments held as fixed assets are stated at cost less provision for impairment in value Current asset investments are held at the lower of cost and net realisable value

Capitalisation of finance costs

Interest charges incurred on loans specifically attributable to investment properties in the course of development are capitalised gross of tax up to the date of practical completion

Research and development

Internal expenditure on research and development and external expenditure on research is written off as incurred External development expenditure is carried forward when its future recoverability can be reasonably regarded as assured

Any expenditure carried forward is amortised in line with the expected future sales from the related project

Revenue recognition - rental income

Credit is taken for rent earned in the accounting period on an accruals basis over the lease term Rent reviews are recognised when such reviews have been agreed with tenants

Revenue recognition - information technology services

Revenue in respect of contracts for maintenance and support of computer software is recognised evenly over the contract period Sales of software systems are recognised over the development and delivery period, as work is performed

Notes to the financial statements

at 30 June 2011

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Leasing and hire purchase commitments

Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives

The interest element of the rental obligations is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged to income on a straight line basis over the lease term

Stock

Stock of work-in-progress relates to property under development and is held at the lower of cost and net realisable value

Notes to the financial statements

at 30 June 2011

2. Turnover

The group operates in two principal areas of activity, those of property investment and development and information technology

Group turnover represents rents earned in the accounting period together with income from the supply of information technology services, stated net of value added tax All income is derived from operations within the United Kingdom

Group turnover comprises

	2011	*2010*
	£000	*£000*
Property rentals	6,011	5,998
Information technology services	1,047	1,043
	7,058	7,041

3. Operating Profit

This is stated after charging/(crediting)

		2011	*2010*
		£000	*£000*
Research and development expenditure written off		176	112
Auditors' remuneration	- audit services	91	84
	- taxation services	43	43
	- other services	10	-
		144	127
Amortisation of goodwill		92	92
Depreciation	- owned assets	24	25
		116	117

4. Directors' remuneration

	2011	*2010*
	£000	*£000*
Aggregate remuneration in respect of qualifying services	724	924
Aggregate remuneration of the highest paid director	375	475

The directors of the company are also directors of other group companies The share of directors' remuneration shown above was paid by other group companies and allocated based on time spent fulfilling their duties as directors of the group

Notes to the financial statements

at 30 June 2011

5. Staff costs

	2011	*2010*
	£000	*£000*
Wages and salaries	1,649	1,751
Social security costs	198	206
	1,847	1,957

The average monthly number of employees during the year was made up as follows

	No	*No*
Property investment	7	6
Information technology services	15	15
	22	21

6. Income from fixed assets investments

	2011	*2010*
	£000	*£000*
Listed investments	14	2
Other investments	13	9
	27	11

7. Interest receivable and similar income

	2011	*2010*
	£000	*£000*
Bank interest	12	75
Interest on deposits held as security for loan notes	-	10
Interest on loans to joint venture undertakings	70	59
Other interest	-	7
	82	151

8. Interest payable and similar charges

	2011	*2010*
	£000	*£000*
Bank loans and overdrafts	2,982	2,980
Guaranteed loan notes	-	10
On finance leases and hire purchase contracts	1	-
Share of joint venture undertakings interest	33	43
	3,016	3,033

Notes to the financial statements

at 30 June 2011

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2011 £000	2010 £000
Current tax:		
UK corporation tax at 27 5% (2010 - 28%)	11	-
Adjustment in respect of prior years' taxation recoverable	(12)	2
Total current tax (note 9(b))	(1)	2
Deferred taxation (note 9(c))	195	281
Tax on profit on ordinary activities	194	283
Deferred tax		
The deferred taxation charge arises due to		
Origination and reversal of timing differences		
Current year	195	291
Adjustment in respect of prior year	-	(10)
	195	281

The deferred taxation charge for the year results primarily from the utilisation of losses brought forward

The adjustments to deferred tax in respect of the prior year for the years ended 30 June 2011 and 30 June 2010 recognise amounts recorded in the group's corporation tax returns In particular as regards losses carried forward

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 27 5% (2010 - 28%) The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	83	965
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 27 5% (2010 - 28%)	23	270
Effects of		
Non-taxable income	(6)	(8)
Expenses not deductible for tax purposes	213	13
Short term timing differences	(115)	(81)
Timing differences relating to tangible fixed assets	(93)	(106)
Enhanced relief for research and development costs	(27)	-
Utilisation of tax losses	(28)	(88)
Tax losses carried forward	53	-
Adjustment in respect of prior years' taxation recoverable	(12)	2
Other timing differences	(9)	-
Current tax for the year (note 9(a))	(1)	2

Disallowable expenditure includes amortisation and impairment of goodwill

Notes to the financial statements

at 30 June 2011

9. Tax (continued)

(c) Deferred tax

The movements in the deferred taxation asset/(liability) during the current year are as follows

	£000
At 1 July 2010 (note 18)	181
Charge for the year (note 9(a))	(195)
At 30 June 2011 (note 22)	(14)

Deferred taxation assets/(liabilities) provided in the financial statements and the amounts not provided are as follows

	Provided		*Not provided*	
	2011	*2010*	*2011*	*2010*
	£000	*£000*	*£000*	*£000*
Accelerated capital allowances	(335)	(255)	-	-
Capitalised interest	(524)	(584)	-	-
Short-term timing differences	(292)	(197)	-	-
Tax losses carried forward	1,137	1,217	467	440
Capital losses	-	-	324	349
Decelerated capital allowances	-	-	17	-
Tax on revalued properties	-	-	(1,986)	(1,750)
	(14)	181	(1,178)	(961)

The potential deferred taxation on revaluation surpluses would become payable on disposals of certain investment properties at their revalued amounts Other properties may be sold at their revalued amounts without giving rise to a taxation liability, since the potential capital gain is eliminated by indexation relief There are presently no plans to dispose of any investment properties

Company

There are no deferred tax balances, either provided or not provided for the company

(d) Factors affecting future taxation charges

The group's future tax charges will benefit to the extent that it is able to utilise losses carried forward At 30 June 2011 the group has trading losses carried forward of £5 7 million (2010 - £5 0 million) and capital losses of £1 2 million (2010 - £1 2 million)

The group is able to claim capital allowances in respect of certain items included in the value of investment properties Since these properties are not subject to depreciation charges the group's current taxation charge will benefit from capital allowances and similar items

Details of the potential tax impact of selling properties are set out in note 9(c)

Notes to the financial statements

at 30 June 2011

9. Tax (continued)

(d) Factors affecting future taxation charges (continued)

On 20 June 2010, the UK Chancellor of the Exchequer announced a number of corporate tax reforms that are effective from 1 April 2011

The following changes to corporation tax will have an impact on the group and company

- Mainstream rate of UK corporation tax reduction from 28% to 24% over a period of 4 years beginning 1 April 2011, and
- A proposed reduction in the main and special rate of capital allowances to 18% and 8% respectively for accounting periods ending after April 2012

On the 27 July 2010 the rate of 27% was enacted within Finance (No 2) Act 2010 Subsequently on 23 March 2011 the UK government made an announcement to further reduce the rate of corporation tax to 26% from 1 April 2011 and ultimately 23% by April 2014 The reduction of 26% was substantively enacted on 29 March 2011 and so is reflected in these financial statements The reduction to 25% was substantively enacted on 5 July 2011, subsequent to the year end, and is not reflected in these financial statements It is not expected that the future reductions to 23% once substantively enacted will have a significant effect on the future tax charges of the company and group

10. Dividends

	2011	*2010*
	£000	*£000*
Interim paid of £nil per share (2010 - £nil)	-	-

11. Profit attributable to members of parent undertaking

In accordance with the exemptions allowed by section 408 of the Companies Act 2006 the company has not presented its own profit and loss account The profit attributable to members of £nil (2010 - £nil) has been dealt with in the financial statements of the company

12. Negative goodwill

Group	*£000*
Cost	
At 1 July 2010 and 30 June 2011	17,612
Amortisation	
At 1 July 2010 and 30 June 2011	30
Net book amount	
At 1 July 2010 and 30 June 2011	17,582

The negative goodwill has arisen on the acquisition of The Endeavour Trust Limited and its subsidiaries, with effect from 14 July 2000 and the further acquisition of the remaining shares in Estates & Agency Holdings Limited on 26 August 2004

Where properties are sold an appropriate proportion of negative goodwill (based on the value of the property at the time the negative goodwill arose) is also treated as being disposed of and is included within the calculation of profit on disposal of tangible fixed assets

Notes to the financial statements

at 30 June 2011

13. Goodwill

Group	*£000*
Cost	
At 1 July 2010 and 30 June 2011	920
Amortisation	
At 1 July 2010	199
Charge for the year	92
Impairment	629
At 30 June 2011	920
Net book amount	
At 30 June 2011	-
At 1 July 2010	721

The goodwill relates to the acquisition of Esprit Limited in April 2008, and was being amortised over its estimated useful life of 10 years

In accordance with FRS 11 'Impairment of Fixed Assets and Goodwill' the carrying value of the goodwill and net assets of Esprit Limited has been compared to their recoverable amounts, represented by the estimated market value of the business It was found that the carrying value of the goodwill was not supported and therefore the carrying amount has been impaired to nil The £629,000 impairment charge has been presented within exceptional operating expenses in the profit and loss account

14. Tangible fixed assets - investment properties

Group	*Freehold* *£000*	*Property under development* *£000*
Valuation		
At 1 July 2010	91,200	931
Additions	511	172
Surplus on revaluation	4,851	-
At 30 June 2011	96,562	1,103

Comparable amounts for properties under the historical cost convention would be

At 30 June 2011	80,195	1,103
At 1 July 2010	79,684	931

The historical cost includes capitalised interest of £942,000 (2010 - £942,000)

The individual investment properties were valued at 30 June 2011 on an open market value basis by the directors, having taken advice from chartered surveyors at DE&J Levy LLP and Glenny LLP (independent property advisors)

Notes to the financial statements

at 30 June 2011

15. Tangible fixed assets - other

Group	*Freehold land and buildings*	*Plant & Machinery*	*Motor vehicles*	*Total*
	£000	*£000*	*£000*	*£000*
Cost or valuation				
At 1 July 2010	1,250	190	93	1,533
Additions	100	236	22	358
Disposals	-	-	(25)	(25)
Surplus on revaluation	250	-	-	250
At 30 June 2011	1,600	426	90	2,116
Depreciation				
At 1 July 2010	-	171	73	244
Charge for year	-	9	15	24
Disposals	-	-	(25)	(25)
At 30 June 2011	-	180	63	243
Net book value				
At 30 June 2011	1,600	246	27	1,873
At 1 July 2010	1,250	19	20	1,289

The freehold land and buildings have been valued at 30 June 2011 by the directors, having taken advice from chartered surveyors at DE&J Levy LLP (independent property advisors) The valuation excluded notional acquisition costs, which were not material

The comparable amount under the historical cost convention would be £1,572,000 (2010 - £1,473,000)

16. Investments

Group	*2011*	*2010*
	£000	*£000*
Listed investments (note 16(a))	161	159
Other investments (note 16(b))	499	557
	660	716

	2011	*2010*
	£000	*£000*
Joint venture undertakings (note 16(c))	700	694

Company	*2011*	*2010*
	£000	*£000*
Subsidiary undertakings (note 16(d))	22,815	22,815

Notes to the financial statements

at 30 June 2011

16. Investments (continued)

(a) Listed investments

Group	*£000*
Cost	
At 1 July 2010	172
Additions	3
Disposals	-
At 30 June 2011	175
Provision for impairment in value	
At 1 July 2010	13
Reversal of provision for impairment	-
Charge for the year	1
Disposals	-
At 30 June 2011	14
Net book value	
At 30 June 2011	161
At 1 July 2010	159

Net book value is analysed as follows

	2011 *£000*	*2010* *£000*
Listed in the UK	96	94
Listed overseas	65	65
	161	159

Market value is analysed as follows

	2011 *£000*	*2010* *£000*
Listed in the UK	131	98
Listed overseas	115	125
	246	223

Notes to the financial statements

at 30 June 2011

16. Investments (continued)

(b) Other investments

Group	*£000*
Cost	
At 1 July 2010	647
Additions	13
Disposals	(71)
At 30 June 2011	589
Provision for impairment in value	
At 1 July 2010 and 30 June 2011	90
Net book value	
At 30 June 2011	499
At 1 July 2010	557

Other investments comprise unlisted investments

(c) Shares in joint venture undertakings

Group	*£000*
Share of net assets	
At 1 July 2010	694
Share of profits	2
Share of surplus on revaluation of investment properties	4
At 30 June 2011	700

Shares held in joint venture undertakings at 30 June 2010 were in the following companies (all of which are registered in England and Wales)

Name	*Nature of business*	*Ownership*	*% owned*
Mullheath Properties Limited	Property investment	Ordinary equity share	25%
Mullheath Estates Limited	Property investment	Ordinary equity share	40%
Plantcreate Limited	Property development	Ordinary equity share	25%
REP (Maygrove Road) Developments LLP	Property investment	Partnership share	33%
Regal (Sinclair Road) LLP	Property investment	Partnership share	32%
TETW LLP	Musical instrument dealing	Partnership share	20%

Notes to the financial statements

at 30 June 2011

16. Investments (continued)

(c) Shares in joint venture undertakings (continued)

In addition the group has interests of 25% and 15% in property developments respectively Legal title to the properties is held in trust for the joint ventures by companies named Riverbee Limited and Wadstone Properties Limited respectively, which are registered in England and Wales The group has no cost of investment in these property development businesses, which are funded by short term loans from the group All profits earned by these property development businesses are distributed out of pre-tax profits to the participating companies

During the year the group became a 32% partner in Regal (Sinclair Road) LLP, a property investment partnership registered in England and Wales

During the year the group became a 33% partner in REP (Maygrove Road) Developments LLP, a property investment partnership registered in England and Wales

During the year the group became a 20% partner in TETW LLP, a partnership dealing in antique stringed instruments registered in England and Wales

Details of transactions with the group's joint venture undertakings are as follows

Amounts receivable	*Long-term loans £000*	*Short-term loans £000*	*Total £000*
At 1 July 2009	1,093	45	1,138
Amounts advanced	-	-	-
Interest charged	61	-	61
Capital repaid	-	(18)	(18)
At 1 July 2010	1,154	27	1,181
Amounts advanced	3,093	-	3,093
Interest charged	77	-	77
Capital repaid	(523)	(27)	(550)
At 30 June 2011	3,801	-	3,801

Notes to the financial statements

at 30 June 2011

16. Investments (continued)

(d) Shares in subsidiary undertakings

Company	*£000*
At 1 July 2010 and 30 June 2011	22,815

Shares held in subsidiary undertakings at 30 June 2011 were in the following companies (all of which are registered in England and Wales)

Owned directly	*Nature of business*	*% of equity share capital owned*
The Endeavour Trust Limited	Holding company	100%
Owned by The Endeavour Trust Limited		
Estates & Agency Holdings Limited	Property investment	100%
Embershire Limited	Property dealer	100%
Esprit Limited	Development and sale of software solutions	100%
Endeavour (Europe) Limited	Non-trading	100%
Owned by Estates & Agency Holdings Limited		
Estates & Agency Properties Limited	Property investment	100%
Estates & Agency (Westminster) Limited	Property investment	100%
Calder Island Development Company Limited	Property investment	100%
Estates & Agency (Clarges Street) Limited	Property investment	100%
Son et Lumiere (W1) Limited*	Dormant	75%
EA Strategic Land LLP	Strategic land development	52%

* in addition Estates & Agency Holdings Limited owns 100% of the preference share capital of Son et Lumiere (W1) Limited

17. Stock

Group	*2011*	*2010*
	£000	*£000*
Work-in-progress	228	-

Notes to the financial statements

at 30 June 2011

18. Debtors

	2011	*2010*
	£000	*£000*
Trade debtors	672	1,086
Tax recoverable	294	55
Amounts owed by joint venture undertakings (note 16(c))	3,801	1,181
Other debtors	212	109
Amounts recoverable on long-term contracts	-	98
Prepayments and accrued income	375	427
Deferred taxation (note 9(c))	-	181
	5,354	3,137

Amounts owed by joint venture undertakings include amounts due after more than one year of £3,801,000 (2010 - £1,154,000)

19. Current investments

Group

	2011	*2010*
	£000	*£00*
Listed investments at lower of cost and net realisable value	253	281

The market value of the listed investments at 30 June 2011 was £346,000 (2010 - £367,000)

20. Creditors: amounts falling due within one year

		Group		*Company*
	2011	*2010*	*2011*	*2010*
	£000	*£000*	*£000*	*£000*
Trade creditors	55	28	-	-
Taxation and social security	544	488	-	-
Other creditors	3,210	2,743	-	-
Accruals and deferred income	2,554	2,320	-	-
Amounts owed to subsidiary undertakings	-	-	8,225	8,225
	6,363	5,579	8,225	8,225

Notes to the financial statements

at 30 June 2011

21. Creditors: amounts falling due after more than one year

Group	*2011*	*2010*
	£000	*£000*
Bank loans (secured)	49,748	49,706
Deferred income	446	551
Other	155	-
	50,349	50,257

The bank loan at 30 June 2011 is of £50,000,000 (nominal) (2010 - £50,000,000) which is secured by a fixed charge over freehold investment properties, stated in the financial statements at £77,325,000,000 (2010 - £72,250,000), owned by Estates & Agency Properties Limited This loan is repayable on 15 July 2016 and bears interest at a fixed rate of 6 0265% per annum

The group incurred costs relating to the raising of this loan These are being amortised over the term of the loan At 30 June 2011 deferred issue costs of £252,000 (2010 - £294,000) are offset against the carrying amount of this loan, which is consequently stated at a net amount of £49,748,000 (2010 - £49,706,000)

22. Provisions for liabilities

Deferred tax (note 9(c))	*Group*	*Company*
	£000	*£000*
At 1 July 2010	-	-
Arising during the year	14	-
At 30 June 2011	14	-

23. Maturity of borrowings

Group	*2011*	*2010*
	£000	*£000*
In five years or more	49,748	49,706

Consisting of

	2011	*2010*
	£000	*£000*
Bank loans repayable after more than one year	49,748	49,706

The covenant tests relating to the £50 million term loan, include a condition such that if the loan to value ratio exceeds 55% on or before 15 October 2013, £3m of the loan is repayable in predetermined instalments over the period to maturity of the loan

Notes to the financial statements

at 30 June 2011

24. Issued share capital

Allotted, called up and fully paid	No	2011 £000	No	2010 £000
Ordinary shares of £1 each	158,002	158	158,002	158

25. Movements on reserves

Group	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 July 2010	14,420	6,828	14,860
Surplus on revaluation of properties	-	5,101	-
Share of surplus on revaluation of properties of joint ventures	-	4	-
Share of joint venture transfer between revaluation reserve and profit and loss account	-	(200)	200
Loss for the year	-	-	(175)
At 30 June 2011	14,420	11,733	14,885

The revaluation reserve relates to

	2011 £000	2010 £000
Investment properties		
Group	11,154	6,303
Joint venture	593	789
	11,747	7,092
Other properties	(14)	(264)
	11,733	6,828

Company	Share premium account £000	Profit and loss account £000
At 1 July 2010	14,420	19
Profit for the year	-	-
At 30 June 2011	14,420	19

Notes to the financial statements

at 30 June 2011

26. Reconciliation of shareholders' funds

Group	*2011*	*2010*
	£000	*£000*
Total recognised gains and losses during the year	4,930	4,024
Opening shareholders' funds	36,266	32,242
Closing shareholders' funds	41,196	36,266

Company	*2011*	*2010*
	£000	*£000*
There were no recognised gains and losses during the year		
Opening shareholders' funds	14,597	14,597
Closing shareholders' funds	14,597	14,597

27. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2011	*2010*
	£000	*£000*
Operating profit	2,981	3,749
Dividend income on current asset investments	-	(7)
Depreciation	24	25
Amortisation of goodwill	92	92
Impairment of goodwill	629	-
Decrease in trade and other debtors	462	112
Increase/(decrease) in creditors and deferred income	636	(476)
Movement in provision against current asset investments	-	(9)
Net cash inflow from operating activities	4,824	3,486

(b) Analysis of net debt

	At 1 July 2010	*Cash flow*	*Non-cash transactions*	*At 31 June 2011*
	£	*£*	*£*	*£*
Cash	8,438	(907)	-	7,531
Short term deposits*	2,277	(973)	-	1,304
Debt due after one year	(49,706)	-	(42)	(49,748)
	(38,991)	(1,880)	(42)	(40,913)

*Short term deposits are included within cash at bank and in hand in the balance sheet These comprise treasury deposits with a maturity not exceeding 3 months and are classified as liquid resources in the group statement of cash flows

Notes to the financial statements

at 30 June 2011

26. Notes to the statement of cash flows (continued)

(a) Non-cash transactions

Non-cash transactions affecting net debt comprise

	Increase net debt	
	2011	*2010*
	£000	*£000*
Amortisation of deferred issue costs	(42)	(39)

27. Capital commitments

At the balance sheet date there were no contracted capital commitments for the group or for the company (2010 - £nil)

28. Contingent liabilities

The group has provided assets as security against a loan from HSBC of £3,055,000 to REP (Maygrove Road) Developments LLP by way of a first legal charge over investment properties with book value of £6,970,000 and a debenture including but not limited to, fixed charges over freehold and leasehold property and a floating charge over all assets of Estates & Agency (Westminster) Limited and Calder Island Development Company Limited

29. Other financial commitments

At the balance sheet date there were no commitments under non-cancellable operating leases for the group or the company

Notes to the financial statements

at 30 June 2011

30. Related party transactions

A subsidiary company received management fees of £45,000 (2010 - £45,000) from The Endeavour Investment Company Limited, a company of which S M Rosefield is a director Fees outstanding at 30 June 2011 were £11,250 (2010 - £22,500)

During the year the group became a 52% partner in EA Strategic Land LLP, a property development partnership registered in England and Wales which is consolidated within the group The Endeavour Investment Company Limited has a 28% holding in EA Strategic Land LLP and is therefore considered to be a related party During the year a loan was made to EA Strategic Land LLP by The Endeavour Investment Company Limited of £140,587 The balance outstanding at the year end is £140,587

During the year the group became a 32% partner in Regal (Sinclair Road) LLP, a property investment partnership registered in England and Wales A loan was made to Regal (Sinclair Road) LLP of £1,709,000 during the year and interest was earned amounting to £24,000 The balance outstanding at the year end is £1,733,000

During the year the group became a 33% partner in REP (Maygrove Road) Developments LLP, a property investment partnership registered in England and Wales A loan of £1,310,000 was made to REP (Maygrove Road) Developments LLP during the year and interest was earned on the loan amounting £5,000 The balance outstanding at the year end is £1,315,000 In addition, the group pledged assets as security over the HSBC loan to REP (Magrove Road) Developments LLP as described in the contingent liabilities note above

During the year the group became a 20% partner in TETW LLP, a partnership dealing in musical instruments, registered in England and Wales A loan was made to TETW LLP of £75,000 during the year The balance outstanding at the year end is £75,000

The Endeavour Investment Company Limited, for which S M Rosefield is also a director, is also a partner in (Regal Sinclair Road) LLP and REP (Maygrove Road) Developments LLP As at 30 June 2011 an amount £126,000 was due by the group to The Endeavour Investment Company Limited This amount was repaid in July 2011