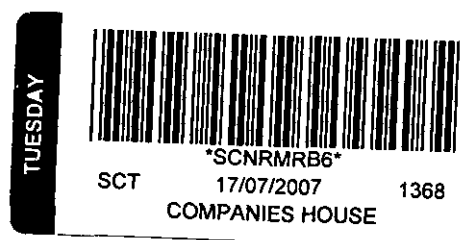


**SUNDIAL PROPERTIES
(GILMERTON) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006**



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SUNDIAL PROPERTIES (GILMERTON) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

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SUNDIAL PROPERTIES (GILMERTON) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

A Gray Muir
A M Gray Muir
W J Gray Muir
E K Stirling
A Stirling
C M Aitchison
A J Walker

Company Secretary

A Gray Muir

Registered Office

89 Ravenscroft Street
Edinburgh
EH17 8QS

Auditors

Chiene + Tait
Chartered Accountants
& Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

Bankers

Bank of Scotland
New Ueberior House
Edinburgh
EH3 9BN

Clydesdale Bank plc
50 Lothian Road
Edinburgh
EH3 9AN

Dunfermline Building Society
Caledonian House
Carnegie Avenue
Dunfermline
KY11 PJ

The Royal Bank of Scotland Plc
36 St Andrew Square
Edinburgh
EH2 2YB

Solicitors

Morton Fraser
30 31 Queen Street
Edinburgh
EH2 1JX

A Gray Muir WS
89 Ravenscroft Street
Edinburgh
EH17 8QS

SUNDIAL PROPERTIES (GILMERTON) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2006

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2006

Principal activities and business review

The principal activity of the company during the year was that of property investment and development

During 2006 Sundial Properties (Gilmerton) Limited has continued to reinforce its position as a leading developer of high quality residential property within Edinburgh and South East Scotland, most of which is of historic architectural significance

The directors believe that the principal risk facing the business is volatility in the housing market. Whilst the residential market has continued to strengthen in Edinburgh during the first part of 2007 the directors continue to monitor the progress of the national and global economies. The directors have sought to mitigate this risk by reducing the company's level of gearing, which has fallen from 84.29% at 31 December 2005 to 66.21% at 31 December 2006.

The company's record profitability in 2006 can be attributed to strong demand for high quality housing within Edinburgh and to the directors' decision to realise the profit on certain investment assets and thereby strengthen the company's balance sheet.

The directors are satisfied that suitable development opportunities continue to arise within Edinburgh to sustain the growth of the business for the foreseeable future.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

The directors and their interests in the shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 December 2006	At 1 January 2006
A Gray Muir		
A M Gray Muir		
W J Gray Muir		
E K Stirling		
A Stirling		
C M Aitchison		
A J Walker		

A Gray Muir, A M Gray Muir, W J Gray Muir, A Stirling and E K Stirling are also Directors of Sundial Holdings Limited, the parent company. Their interests in the share capital of Sundial Holdings Limited are disclosed in the financial statements of that company.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2006

The directors and their interests in the shares of the company *(continued)*

The interests of the other directors in the share capital of Sundial Holdings Limited were as follows

	Ordinary Shares of £1 each
	31 December 2006 1 January 2006

C M Aitchison		
A J Walker		

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies, as described on pages 11 to 12, and then apply them consistently,
- make judgments and estimates that are reasonable and prudent, 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Donations

During the year the company made the following contributions

	2006 £	2005 £
Charitable	<u>10,000</u>	<u>1,000</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2006

Auditors

The company has passed a resolution to dispense with the requirement to re appoint auditors annually

Signed by order of the directors



A Gray Muir
Company Secretary

Approved by the directors on 25th April 2007

SUNDIAL PROPERTIES (GILMERTON) LIMITED



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SUNDIAL PROPERTIES (GILMERTON) LIMITED

YEAR ENDED 31 DECEMBER 2006

We have audited the financial statements of Sundial Properties (Gilmerton) Limited for the year ended 31 December 2006 on pages 7 to 23 which have been prepared on the basis of the accounting policies set out on pages 11 to 12

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SUNDIAL PROPERTIES (GILMERTON) LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2006



Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Chiene + Tait

CHIENE + TAIT
Chartered Accountants
& Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

13 July 2007

SUNDIAL PROPERTIES (GILMERTON) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
Turnover	2	12,093,825	18,789,651
Cost of sales		7,787,561	15,151,902
Gross profit		4,306,264	3,637,749
Administrative expenses		1,452,990	1,058,620
Operating profit	3	2,853,274	2,579,129
Profit on disposal of investment properties	6	1,945,830	—
		4,799,104	2,579,129
Interest receivable		16,849	36,533
Interest payable and similar charges	7	(1,204,463)	(1,618,083)
Profit on ordinary activities before taxation		3,611,490	997,579
Tax on profit on ordinary activities	8	827,625	209,971
Profit for the financial year		2,783,865	787,608

All of the activities of the company are classed as continuing

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2006 £	2005 £
Reported profit on ordinary activities before taxation	3,611,490	997,579
Realisation of gains recognised in previous periods	—	20,134
Historical cost profit on ordinary activities before taxation	3,611,490	1,017,713
Historical cost profit for the year after taxation	2,783,865	807,742

The notes on pages 11 to 23 form part of these financial statements

SUNDIAL PROPERTIES (GILMERTON) LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 2006

	2006	2005
	£	£
Profit for the financial year attributable to the shareholders	2,783,865	787,608
Unrealised profit on revaluation of investment properties	450,898	–
Credit to Current Tax Provision from SOTRGL	–	(2,985)
Total gains and losses recognised since the last annual report	<u>3,234,763</u>	<u>784,623</u>

The notes on pages 11 to 23 form part of these financial statements


SUNDIAL PROPERTIES (GILMERTON) LIMITED

BALANCE SHEET

31 DECEMBER 2006

	Note	£	2006 £	2005 £
Fixed assets				
Tangible assets	9		20,159,532	27,869,833
Investments	10		1,797,253	1,462,427
			<u>21,956,785</u>	<u>29,332,260</u>
Current assets				
Stocks	11	8,705,501		8,554,064
Debtors	12	1,233,528		2,695,742
Cash in hand		302		7
			<u>9,939,331</u>	<u>11,249,813</u>
Creditors' amounts falling due within one year	14	<u>16,347,139</u>		<u>12,508,590</u>
Net current liabilities			<u>(6,407,808)</u>	<u>(1,258,777)</u>
Total assets less current liabilities			<u>15,548,977</u>	<u>28,073,483</u>
Creditors: amounts falling due after more than one year	15		<u>5,907,543</u>	<u>21,455,307</u>
			<u>9,641,434</u>	<u>6,618,176</u>
Provisions for liabilities				
Deferred taxation	13		—	1,412
			<u>9,641,434</u>	<u>6,616,764</u>
Capital and reserves				
Called up equity share capital	20		35,000	35,000
Revaluation reserve	21		2,852,211	2,611,406
Profit and loss account	22		6,754,223	3,970,358
Shareholders' funds	23		<u>9,641,434</u>	<u>6,616,764</u>

These financial statements were approved by the directors on the 15th April 2007 and are signed on their behalf by


W J Gray Muir

The notes on pages 11 to 23 form part of these financial statements

SUNDIAL PROPERTIES (GILMERTON) LIMITED**CASH FLOW STATEMENT****YEAR ENDED 31 DECEMBER 2006**

	Note	£	2006 £	2005 £
Net cash inflow from operating activities	24		3,943,575	6,107,901
Returns on investments and Servicing of finance				
Interest received		16,849		36,533
Interest paid		(1,204,463)		(1,617,505)
Interest element of finance leases and similar		—		(578)
Net cash outflow from returns on investments and servicing of finance			(1,187,614)	(1,581,550)
Taxation			(208,216)	(349,880)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(5,699,949)		(4,232,250)
Receipts from sale of fixed assets		15,559,496		4,126,382
Acquisition of investments		(334,826)		(117,000)
Net cash inflow/(outflow) for capital expenditure and financial investment			9,524,721	(222,868)
Cash inflow before financing			12,072,466	3,953,603
Financing				
(Decrease)/increase in bank loans		(16,371,780)		1,222,409
Repayment of amounts owed to group undertakings		(380,000)		(599,960)
Repayment of other loans		(100,278)		(788)
Capital element of finance leases and similar		—		(6,367)
Net cash (outflow)/inflow from financing			(16,852,058)	615,294
(Decrease)/increase in cash	25		(4,779,592)	4,568,897

The notes on pages 11 to 23 form part of these financial statements

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets

The financial statements are prepared in accordance with applicable accounting standards

Turnover

Turnover represents the income receivable (excluding Value Added Tax) in the ordinary course of business for goods and services provided

Profit is recorded in the financial statements in connection with property developments when a legally binding contract for sale of the development has been entered into

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Plant & Machinery	12.5% to 50% straight line
Motor Vehicles	25% straight line

Financial Reporting Standard (FRS) 15 requires all assets to be depreciated over their estimated economic life, taking account of any residual value of the assets. Heritable properties are considered to have a high residual value, and a useful economic life in excess of 50 years. The depreciation charge is therefore immaterial and no charge has therefore been made.

Where no charge for depreciation is made and where the useful economic life exceeds 50 years an impairment review under FRS 11 should be carried out on an annual basis. Such a review has been performed and this shows that the value of the properties exceeds the carrying value in the financial statements.

Investment properties

In accordance with Statement of Standard Accounting Practice 19

- a) Investment properties are revalued annually and the carrying value is adjusted as required,
- b) Any aggregate surplus or deficit on revaluation is transferred to a revaluation reserve, and
- c) No depreciation or amortisation is provided in respect of investment properties

The treatment of the company's investment properties may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, the properties are not held for consumption, but for investment and in the opinion of the directors, systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the valuation carried out by professional surveyors however, and these amounts cannot be separately quantified.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

1 Accounting policies (*continued*)

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

Contributions to the company's pension schemes are charged to the profit and loss account in the period to which they relate

Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of Financial Reporting Standard 19

Deferred tax is provided on the liability method to take account of timing differences between the treatment for certain items for accounts purposes and the treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

Investments

Investments are valued at cost less provision for permanent diminution in value

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

	2006 £	2005 £
United Kingdom	<u>12,093,825</u>	<u>18,789,651</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

3. Operating profit

Operating profit is stated after charging/(crediting)

	2006 £	2005 £
Depreciation of owned fixed assets	20,806	56,359
Loss/(profit) on disposal of fixed assets	16,582	(663,196)
Auditor's remuneration		
as auditor	8,690	8,188
for other services	13,700	5,000
Operating lease costs		
Plant and equipment	1,547	1,402
Motor vehicles	11,662	11,309
Land and buildings	34,760	27,059

4. Particulars of employees

The average number of staff employed by the company during the financial year amounted to

	2006 No	2005 No
Number of administrative staff	9	10
Launderette staff	—	16
Site staff	40	34
	<u>49</u>	<u>60</u>

The aggregate payroll costs of the above were

	2006 £	2005 £
Wages and salaries	1,713,323	2,139,056
Social security costs	184,074	228,881
Other pension costs	31,593	19,687
	<u>1,928,990</u>	<u>2,387,624</u>

5 Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2006 £	2005 £
Emoluments receivable	527,748	979,072
Value of company pension contributions to money purchase schemes	19,875	13,050
	<u>547,623</u>	<u>992,122</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

5. Directors' emoluments (*continued*)

Emoluments of highest paid director.

	2006 £	2005 £
Total emoluments	<u>139,983</u>	<u>371,474</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2006 No	2005 No
Money purchase schemes	<u>3</u>	<u>4</u>

6. Profit on disposal of investment properties

	2006 £	2005 £
Profit on disposal of investment properties	<u>1,945,830</u>	<u>—</u>

7. Interest payable and similar charges

	2006 £	2005 £
Interest payable on bank borrowing	1,145,684	1,562,462
Finance charges	—	578
Other similar charges payable	<u>58,779</u>	<u>55,043</u>
	<u>1,204,463</u>	<u>1,618,083</u>

8. Taxation on ordinary activities

(a) Analysis of charge in the year

	2006 £	2005 £
Current tax		
UK Corporation tax based on the results for the year	825,006	136,955
Payments for group relief	23,345	57,737
Adjustments in respect of previous periods		
Corporation tax	(5,364)	14,313
Group relief	—	5,121
Total current tax	<u>842,987</u>	<u>214,126</u>
Deferred tax		
Origination and reversal of timing differences	(15,530)	(983)
Adjustments in respect of previous periods	168	(187)
Tax on profit on ordinary activities	<u>827,625</u>	<u>212,956</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

8. Taxation on ordinary activities (*continued*)

(b) Tax included in statement of total recognised gains and losses

The current tax liability of £nil (2005 £2,985) arising on recognised gains on the disposal of investment properties not recognised in the profit and loss account has been taken directly to the Statement of Total Recognised Gains and Losses

(c) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 30%), as explained below

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>3,611,490</u>	<u>997,579</u>
Profit/(loss) on ordinary activities by rate of tax	1,083,447	299,274
Expenses not deductible for tax purposes	6,163	37,345
Capital allowances in advance of depreciation	93	1,421
Adjustments for tax purposes in connection with the disposal of properties	(256,789)	(116,624)
Marginal relief		(26,286)
Adjustments in respect of previous periods	(5,364)	19,434
Other timing differences	<u>15,437</u>	<u>(438)</u>
Total current tax (note 8(a))	<u>842,987</u>	<u>214,126</u>

(d) Factors that may affect future tax charges

No provision has been made for £473,000 of tax (2005 £534,000) which would arise if the revalued properties were disposed of at their accounting valuation. No provision has been made for this tax as there is no commitment or intention at the balance sheet date to sell these properties

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

9. Tangible fixed assets

	Investment Property £	Plant & Machinery £	Motor Vehicles £	Heritable Property £	Total £
Cost or valuation					
At 1 January 2006	27,256,707	285,232	12,600	505,116	28,059,655
Additions	5,610,962	81,231	—	7,756	5,699,949
Disposals	(13,766,342)	(183,358)	—	—	(13,949,700)
Revaluations	450,898	—	—	—	450,898
Transfers	464,716	—	—	(464,716)	—
At 31 December 2006	20,016,941	183,105	12,600	48,156	20,260,802
Depreciation					
At 1 January 2006	—	179,722	10,100	—	189,822
Charge for the year	—	18,306	2,500	—	20,806
On disposals	—	(109,358)	—	—	(109,358)
At 31 December 2006	—	88,670	12,600	—	101,270
Net book value					
At 31 December 2006	20,016,941	94,435	—	48,156	20,159,532
At 31 December 2005	27,256,707	105,510	2,500	505,116	27,869,833

The original cost of the investment properties noted above at valuation is £17,164,730 (2005 £24,645,302). The investment properties were revalued by the directors on 31 December 2006.

10. Investments

	Shares in Subsidiaries £	Shares in Joint Ventures £	Loans to Joint Ventures £	Total £
Cost				
At 1 January 2006	3,151	1	1,462,425	1,465,577
Additions	—	1	334,825	334,826
At 31 December 2006	3,151	2	1,797,250	1,800,403
Amounts written off				
At 1 January 2006 and 31 December 2006	3,150	—	—	3,150
Net book value				
At 31 December 2006	1	2	1,797,250	1,797,253
At 31 December 2005	1	1	1,462,425	1,462,427

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

10. Investments (*continued*)

Investments comprise the following shareholdings

Name	Principal Activity	Shareholding	Year end Date	Aggregate Capital and Reserves £	Loss for the Last Financial Year £
Sundial Drumsheugh Limited	Dormant	100% Ordinary shares	31 December	1	-
Yor Limited	Property Development	50% Ordinary shares	30 April	(511,975)	(430,837)
Flagstep Limited ⁽¹⁾	Property Development	50% Ordinary shares	31 December	(655)	(657)

⁽¹⁾ Results from incorporation on 27 March 2006 to 31 December 2006

11. Stocks

	2006 £	2005 £
Work in progress	<u>8,705,501</u>	<u>8,554,064</u>

12 Debtors

	2006 £	2005 £
Trade debtors	9,843	69,613
Amounts owed by group undertakings	84,985	84,985
Amounts owed by joint ventures	52,680	
Prepayments and accrued income	985,990	2,540,354
Other debtors	100,030	790
	<u>1,233,528</u>	<u>2,695,742</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

13. Deferred taxation

The deferred tax included in the Balance sheet is as follows

	2006 £	2005 £
Included in debtors (note 12)	13,950	
Included in provisions		(1,412)
	<u>13,950</u>	<u>(1,412)</u>

The movement in the deferred taxation account during the year was

	2006 £	2005 £
Balance brought forward	(1,412)	2,582
Profit and loss account movement arising during the year	15,362	(1,170)
Balance carried forward	<u>13,950</u>	<u>1,412</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2006 £	2005 £
Excess of taxation allowances over depreciation on fixed assets	<u>13,950</u>	<u>1,412</u>

14 Creditors amounts falling due within one year

	2006 £	2005 £
Other loans	75,909	146,492
Bank loans and overdrafts	13,968,197	10,392,326
Trade creditors	97,189	104,088
Amounts owed to group undertakings	50,101	50,101
Amounts owed to undertakings in which the company has a participating interest	23,345	62,858
Corporation tax	825,006	142,573
Other taxation and social security	59,295	165,992
Other creditors	81,524	8,548
Director's loan Mr A Gray Muir	300,000	300,000
Director's loan Mrs A Gray Muir	103,066	119,773
Director's loan W Gray Muir	75,618	126,574
Director's loan A Stirling	182,513	200,000
Accruals and deferred income	505,376	689,265
	<u>16,347,139</u>	<u>12,508,590</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

14. Creditors: amounts falling due within one year (*continued*)

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2006 £	2005 £
Bank loans and overdrafts	<u>13,968,197</u>	<u>10,392,326</u>

Both the bank overdrafts and loans are secured by standard security over specific properties

The loans from directors are for no fixed period, interest is charged at 8 5%

The other loans are repayable within twelve months and pay interest at rates between 7 5% and 10%

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

	2006 £	2005 £
Bank loans and overdrafts	5,141,926	20,309,690
Amounts owed to group undertakings	<u>765,617</u>	<u>1,145,617</u>
	<u>5,907,543</u>	<u>21,455,307</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	2006 £	2005 £
Bank loans and overdrafts	<u>5,141,926</u>	<u>20,309,690</u>

16 Creditors: capital instruments

Creditors include finance capital which is due for repayment as follows

	2006 £	2005 £
Amounts repayable		
In one year or less or on demand	314,058	1,518,074
In more than one year but not more than two years	332,568	511,999
In more than two years but not more than five years	1,119,994	7,667,165
In more than five years	<u>3,689,364</u>	<u>12,130,526</u>
	<u>5,455,984</u>	<u>21,827,764</u>

17. Pensions

The company contributes to defined contribution pension schemes on behalf of certain employees. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds. The pension charge for the year was £31,593 (2005: £19,687). At 31 December 2006 contributions of nil (2005: nil) were payable to the funds.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

18. Commitments under operating leases

At 31 December 2006 the company had annual commitments under non cancellable operating leases as set out below

	2006		2005	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 1 year	35,000	2,507		1,966
Within 2 to 5 years		16,653	42,000	14,252
After more than 5 years	15,000		15,000	
	<u>50,000</u>	<u>19,160</u>	<u>57,000</u>	<u>16,218</u>

19. Related party transactions

At the end of the year, the company owed the following amounts to directors of the company

	2006 £	2005 £
A M Gray Muir	103,066	119,773
W J Gray Muir	75,618	126,574
A Stirling	182,513	200,000
A Gray Muir	300,000	300,000
	<u>661,197</u>	<u>746,347</u>

The directors and other loans are postponed in favour of the Clydesdale Bank plc in respect of certain bank loans

During the year the company made a loan to William Gray Muir, a director, of £89,135 which was repaid in full during the year along with interest

Andrew Gray Muir and William Gray Muir provided a personal guarantee for up to £660,000 of sums due to the Royal Bank of Scotland Plc

William Gray Muir provided a personal guarantee for up to £350,000 of the sums due to the Clydesdale Bank plc

During the year £119,830 was charged to the company and £56,250 was accrued by the company in respect of legal fees payable to Andrew Gray Muir WS, Solicitor, a director of the company

During the year Garden Estates Limited, a company owned by A Stirling, a director, invoiced £16,653 for office support services. At the year end the company owed Garden Estates £3,456 for these services

At 31 December 2006 the company was owed by Yor Limited, a joint venture partner, £52,680 (2005 £38,120). During the year Sundial Properties (Gilmerton) Limited charged a management fee of £119,404 (2005 £19,844) and received rental income of £9,464 (2005 £4,550). These amounts are included in amounts owed by joint venture companies

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YEAR ENDED 31 DECEMBER 2006

20 Share capital

Authorised share capital.

	2006 £	2005 £
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Allotted, called up and fully paid:

	2006 No	£	2005 No	£
Ordinary shares of £1 each	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>
Equity shares				
Ordinary shares of £1 each	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>

21 Revaluation reserve

	2006 £	2005 £
Balance brought forward	2,611,406	2,957,734
Revaluation of fixed assets	450,898	—
Transfer to the Profit and Loss Account on realisation	—	(20,134)
Released following transfer of asset to WIP	<u>(210,093)</u>	<u>(326,194)</u>
Balance carried forward	<u>2,852,211</u>	<u>2,611,406</u>

22. Profit and loss account

	2006 £	2005 £
Balance brought forward	3,970,358	3,165,601
Profit for the financial year	2,783,865	787,608
Transfer from revaluation reserve	—	20,134
Current tax on investment properties sold	—	(2,985)
Balance carried forward	<u>6,754,223</u>	<u>3,970,358</u>

23 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	2,783,865	787,608
Other net recognised gains and losses	450,898	—
Current tax on investment properties sold	—	(2,985)
Release of revaluation reserve (note 21)	<u>(210,093)</u>	<u>(326,194)</u>
Net addition to shareholders' funds	3,024,670	458,429
Opening shareholders' funds	6,616,764	6,158,335
Closing shareholders' funds	<u>9,641,434</u>	<u>6,616,764</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

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YEAR ENDED 31 DECEMBER 2006

24. Reconciliation of operating profit to net cash inflow from operating activities

	2006 £	2005 £
Operating profit	2,853,274	2,579,129
Depreciation	20,806	56,359
Loss/(profit) on disposal of fixed assets	16,582	(720,296)
(Increase)/decrease in stocks	(151,437)	4,180,527
Decrease/(increase) in debtors	1,476,164	(448,830)
(Decrease)/increase in creditors	(271,814)	461,012
Net cash inflow from operating activities	<u>3,943,575</u>	<u>6,107,901</u>

25. Reconciliation of net cash flow to movement in net debt

	£	2006 £	2005 £
(Decrease)/increase in cash in the period	(4,779,592)		4,568,897
Net cash outflow/(inflow) from decrease/(increase) in debt	16,852,058		(621,661)
Cash outflow in respect of finance leases and similar	—		6,367
Change in net debt		12,072,466	3,953,603
Net debt at 1 January 2006		(31,998,939)	(35,952,542)
Net debt at 31 December 2006		<u>(19,926,473)</u>	<u>(31,998,939)</u>

26. Analysis of changes in net debt

	At 1 Jan 2006 £	Cash flows £	At 31 Dec 2006 £
Net cash			
Cash in hand and at bank	7	295	302
Overdrafts	(8,874,252)	(4,779,887)	(13,654,139)
	<u>(8,874,245)</u>	<u>(4,779,592)</u>	<u>(13,653,837)</u>
Debt			
Debt due within 1 year	(1,669,387)	1,304,294	(365,093)
Debt due after 1 year	(21,455,307)	15,547,764	(5,907,543)
	<u>(23,124,694)</u>	<u>16,852,058</u>	<u>(6,272,636)</u>
Net debt	<u>(31,998,939)</u>	<u>12,072,466</u>	<u>(19,926,473)</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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27. Ultimate parent company

The ultimate parent undertaking is Sundial Holdings Limited, a company incorporated in Scotland. Copies of the financial statements of that company are available from 89 Ravenscroft Street, Edinburgh, EH17 8QS.