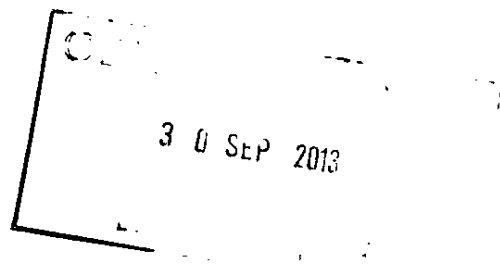
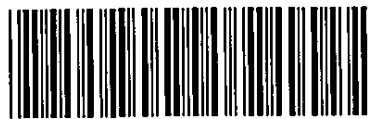


**SUNDIAL PROPERTIES
(GILMERTON) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2012**



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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
C M Aitchison
A J Walker
C S Gray Muir

Company Secretary

A Gray Muir

Registered Office

46 Charlotte Square
Edinburgh
EH2 4HQ

Auditor

Chiene + Tait
Chartered Accountants
& Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Bankers

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

Clydesdale Bank PLC
50 Lothian Road
Edinburgh
EH3 9BY

Solicitors

Andrew Gray Muir, WS
89 Ravenscroft Street
Edinburgh
EH17 8QS

SUNDIAL PROPERTIES (GILMERTON) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2012

The directors present their report and the financial statements of the company for the year ended 31 December 2012.

Principal activities and business review

The principal activities of the company during the year are property investment, property development and construction services.

During the year the company successfully completed a restructuring exercise to strengthen its balance sheet and leave it well placed to take advantage of future development opportunities. The directors believe that all assets have been written down to realistic current market values.

The directors' strategy of continued debt reduction has resulted in bank debt being reduced in the year from £6.6m down to £4.7m having peaked at £34.1m in 2004. With the tight market for bank funding the company has sourced non mainstream bank funding for current and future projects and intends to commence on a number of major new development projects in the near future.

The company has also entered into a number of contracts to provide construction services for joint ventures.

The company will work through its existing projects to provide further equity for new projects. The key to the success of the company continues to be finding profitable projects in high quality locations.

Results and dividends

The loss for the year amounted to £1,584,851. The directors have not recommended a dividend.

Directors

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

A Gray Muir
A M Gray Muir
W J Gray Muir
C M Aitchison
A J Walker
C S Gray Muir

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

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 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2012

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that ought to have been taken to ensure they are aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the directors



A Gray Muir

Company Secretary

Approved by the directors on 23 September 2013

SUNDIAL PROPERTIES (GILMERTON) LIMITED

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

YEAR ENDED 31 DECEMBER 2012



We have audited the financial statements of Sundial Properties (Gilmerton) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. 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 shareholders, 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 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report 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 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 2012 and of its loss 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.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 32 to the financial statements concerning the company's ability to continue as a going concern. The company has recorded a loss for the year ended 31 December 2012 of £1,584,850 and the company had net current liabilities of £1,668,818 at that date. The company relies on the continued support of the company's bankers and transaction activity within property markets to provide liquidity. These conditions, together with the general economic conditions, indicate the existence of a material uncertainty which may cast doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters 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.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

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



YEAR ENDED 31 DECEMBER 2012

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.

Malcolm Beveridge

MALCOLM BEVERIDGE BA CA (Senior Statutory Auditor)

For and on behalf of

CHIENE + TAIT

Chartered Accountants & Statutory Auditor

61 Dublin Street

Edinburgh

EH3 6NL

30 Sep 2013

SUNDIAL PROPERTIES (GILMERTON) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Turnover	2	2,708,139	6,437,284
Cost of sales		<u>2,745,142</u>	<u>5,050,795</u>
Gross (loss)/profit		(37,003)	1,386,489
Administrative expenses		<u>1,089,638</u>	<u>1,037,252</u>
Operating (loss)/profit	3	(1,126,641)	349,237
Profit on disposal of fixed assets	6	190,562	152,195
Provision against investment		<u>(392,643)</u>	<u>(520,001)</u>
		(1,328,722)	(18,569)
Interest receivable		1,858	6,126
Interest payable and similar charges	7	(257,986)	(250,951)
Loss on ordinary activities before taxation		(1,584,850)	(263,394)
Tax on loss on ordinary activities	8	-	-
Loss for the financial year		(1,584,850)	(263,394)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

BALANCE SHEET

31 DECEMBER 2012

	Note	£	2012 £	2011 £
Fixed assets				
Tangible assets	9		4,722,737	5,171,981
Investments	10		2,060,694	2,237,336
			<u>6,783,431</u>	<u>7,409,317</u>
Current assets				
Stocks	11	4,278,923		4,628,623
Debtors due within one year	12	1,046,476		1,531,598
Cash at bank and in hand		303,764		348,036
		<u>5,629,163</u>		<u>6,508,257</u>
Creditors: amounts falling due within one year	13	<u>7,297,981</u>		<u>11,585,858</u>
Net current liabilities			<u>(1,668,818)</u>	<u>(5,077,601)</u>
Total assets less current liabilities			<u>5,114,613</u>	<u>2,331,716</u>
Creditors: amounts falling due after more than one year	14		<u>2,068,851</u>	<u>1,501,104</u>
			<u>3,045,762</u>	<u>830,612</u>
Capital and reserves				
Called-up equity share capital	18		35,380	35,000
Share premium account	19		3,799,620	—
Revaluation reserve	20		273,762	308,223
Profit and loss account	21		(1,063,000)	487,389
Shareholders' funds	22		<u>3,045,762</u>	<u>830,612</u>

These financial statements were approved by the directors and authorised for issue on 23 Sep 2013, and are signed on their behalf by:


W J Gray Muir

Company Registration Number: SC068924

SUNDIAL PROPERTIES (GILMERTON) LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Net cash inflow from operating activities	23	1,273,994	4,511,805
Returns on investments and servicing of finance	24	(256,128)	(244,825)
Taxation	25	(714)	–
Capital expenditure and financial investment	26	787,515	781,894
Acquisitions and disposals	27	–	(200,001)
Cash inflow before financing		<u>1,804,667</u>	<u>4,788,873</u>
Financing	28	(1,615,495)	(2,319,414)
Increase in cash	29	<u>189,172</u>	<u>2,469,459</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

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.

Going concern

The financial statements have been prepared on a going concern basis. The directors have assessed the company's ability to continue as a going concern and have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

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
Fixtures & Fittings	- 33 1/3% straight line
Motor Vehicles	- 33 1/3% to 20% 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 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

Investment properties are shown at their open market value. The surplus or deficit arising from the annual revaluation is transferred to the investment revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

This is a departure from the Companies Act 2006 which requires all tangible fixed assets to be depreciated. Investment properties are held for their investment potential and not for use by the company and so their current value is of prime importance. The departure from the provisions of the Act is required in order to give a true and fair view.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

1. Accounting policies (*continued*)

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.

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

The company makes contributions to defined contribution pension schemes on behalf of certain employees. Contributions are charged to the profit and loss account in the period to which they relate.

Deferred taxation

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.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell at the balance sheet date.

Investments

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

2. Turnover

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

An analysis of turnover is given below:

	2012 £	2011 £
United Kingdom	<u>2,708,139</u>	<u>6,437,284</u>

3. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2012 £	2011 £
Depreciation of owned fixed assets	12,290	52,163
Auditor's remuneration - as auditor	<u>12,560</u>	<u>11,910</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

4. Particulars of employees

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

	2012	2011
	No	No
Number of administrative staff	13	13
Site staff	28	31
	<u>41</u>	<u>44</u>

The aggregate payroll costs of the above were:

	2012	2011
	£	£
Wages and salaries	1,294,166	1,185,930
Social security costs	136,279	123,059
Other pension costs	16,974	16,974
	<u>1,447,419</u>	<u>1,325,963</u>

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2012	2011
	£	£
Remuneration receivable	407,949	312,616
Value of company pension contributions to money purchase schemes	4,270	4,270
	<u>412,219</u>	<u>316,886</u>

Remuneration of highest paid director:

	2012	2011
	£	£
Total remuneration (excluding pension contributions)	117,274	96,236
Value of company pension contributions to money purchase schemes	—	4,270
	<u>117,274</u>	<u>100,506</u>

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

	2012	2011
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

6. Profit on disposal of fixed assets

	2012	2011
	£	£
Profit on disposal of fixed assets	<u>190,562</u>	<u>152,195</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

7. Interest payable and similar charges

	2012 £	2011 £
Interest payable on bank borrowing	<u>257,986</u>	<u>250,951</u>

8. Taxation on ordinary activities

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2011 - 46.74%).

	2012 £	2011 £
Loss on ordinary activities before taxation	<u>(1,584,851)</u>	<u>(263,394)</u>
Loss on ordinary activities by rate of tax	(313,642)	(53,337)
Expenses not deductible for tax purposes	86,850	140,257
Capital allowances in advance of depreciation	2,706	2,723
Group relief surrendered	-	(759)
Tax losses carried forward	243,547	(77,966)
Income not taxable	(538)	(666)
Other timing differences	<u>(18,923)</u>	<u>(10,252)</u>
Total current tax	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of £288,867 (2011: £7,147). This has arisen from accelerated capital allowances, other short term timing differences and tax losses carried forward. Its recoverability is dependent upon future taxable trading profits arising, the likelihood of which cannot at this stage be determined with reasonable certainty.

No provision has been made for £46,000 (2011: £52,000) of tax 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 at the balance sheet date to sell these properties.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

9. Tangible fixed assets

	Investment Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Heritable Property £	Total £
Cost or valuation						
At 1 Jan 2012	2,821,738	52,669	255,375	12,692	2,337,205	5,479,679
Additions	–	1,080	6,710	–	4,800	12,590
Disposals	(449,544)	(16,584)	(16,206)	–	–	(482,334)
At 31 Dec 2012	2,372,194	37,165	245,879	12,692	2,342,005	5,009,935
Depreciation						
At 1 Jan 2012	–	48,325	246,681	12,692	–	307,698
Charge for the year	–	2,893	9,397	–	–	12,290
On disposals	–	(16,584)	(16,206)	–	–	(32,790)
At 31 Dec 2012	–	34,634	239,872	12,692	–	287,198
Net book value						
At 31 Dec 2012	2,372,194	2,531	6,007	–	2,342,005	4,722,737
At 31 Dec 2011	2,821,738	4,344	8,694	–	2,337,205	5,171,981

The original cost of the investment properties noted above at valuation is £2,098,432 (2011: £2,513,515). The investment properties were revalued by the directors on 31 December 2008 on an open market value basis.

The directors have considered the value of the investment and heritable property as at 31 December 2012 and are satisfied that there is no material movement in valuation in use or indicators of impairment to report in the statutory financial statements.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

10. Investments

	Investment in Sundial (Drumsheugh) Limited £	Investment in Yor Limited £	Fine Art £	Total £
Cost				
At 1 January 2012 and 31 December 2012	<u>3,151</u>	<u>3,520,002</u>	<u>237,335</u>	<u>3,760,488</u>
Amounts written off				
At 1 January 2012	3,150	1,680,001	-	1,683,151
Written off in year	-	16,643	-	16,643
At 31 December 2012	<u>3,150</u>	<u>1,696,644</u>	<u>-</u>	<u>1,699,794</u>
Loans				
At 1 January 2012	-	159,999	-	159,999
Repaid in year	-	(159,999)	-	(159,999)
At 31 December 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
At 31 December 2012	<u>1</u>	<u>1,823,358</u>	<u>237,335</u>	<u>2,060,694</u>
At 31 December 2011	<u>1</u>	<u>2,000,000</u>	<u>237,335</u>	<u>2,237,336</u>

The company owns 100% of the issued share capital of the companies listed below. Sundial (Drumsheugh) Limited is a property investment company, Yor Limited is a property development company and Yor Lettings Limited (a wholly owned subsidiary of Yor Limited) is a property development and rental company. All of these companies were incorporated in Scotland and have a 31 December 2012 year end.

Aggregate capital and reserves

	2012 £	2011 £
Sundial (Drumsheugh) Limited	(375,283)	41,474
Yor Limited	1,793,606	2,737,116
Yor Lettings Limited	29,752	3,602

Profit and (loss) for the year

Sundial (Drumsheugh) Limited	(416,757)	16,526
Yor Limited	(943,510)	(338,083)
Yor Lettings Limited	26,150	3,601

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by the Companies Act 2006 not to prepare group financial statements on the basis that the parent company is included in the accounts of a larger group.

11. Stocks

	2012 £	2011 £
Work in progress	<u>4,278,923</u>	<u>4,628,623</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

12. Debtors

	2012 £	2011 £
Trade debtors	342,650	246,273
Amounts owed by group undertakings	390,317	809,260
Director's loan - A M Gray Muir	8	-
Other debtors	113,555	262,330
Director's loan - W J Gray Muir	13,904	-
Prepayments and accrued income	186,042	213,735
	<u>1,046,476</u>	<u>1,531,598</u>

13. Creditors: amounts falling due within one year

	2012 £	2011 £
Other loans	146,021	4,860,597
Bank loans and overdrafts	4,417,544	5,834,230
Trade creditors	298,328	250,020
Amounts owed to group undertakings	1,684,000	4,784
Taxation and social security	94,417	40,982
Other creditors	119,945	115,164
Director's loan - C S Gray Muir	220,000	235,340
Director's loan - W J Gray Muir	-	937
Accruals and deferred income	317,726	243,804
	<u>7,297,981</u>	<u>11,585,858</u>

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

	2012 £	2011 £
Bank loans and overdrafts	<u>4,417,544</u>	<u>5,834,230</u>

The bank overdrafts and loans are secured by standard securities over specific properties. Interest is charged on specific loans at base rate plus 1.5%, LIBOR plus 1.5% and LIBOR plus 4.5%.

The loans from directors are for no fixed period, interest is charged at rates between 8.5% and 9.5%.

The other loans are repayable within twelve months and pay interest at rates between 1.5% above bank base rate and 9.5%.

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

	2012 £	2011 £
Bank loans and overdrafts	303,234	735,487
Amounts owed to group undertakings	765,617	765,617
Convertible loan notes	1,000,000	-
	<u>2,068,851</u>	<u>1,501,104</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

14. Creditors: amounts falling due after more than one year (*continued*)

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

	2012 £	2011 £
Bank loans and overdrafts	<u>303,234</u>	<u>735,487</u>

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	2012 £	2011 £
Convertible loan notes	<u>1,000,000</u>	<u>-</u>

The convertible loan notes carry an interest rate of 10.55% and are fully repayable on 31 January 2019.

15. 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 £16,974 (2011: £16,974). At 31 December 2012 contributions of £nil (2011: £nil) were payable to the funds.

16. Commitments under operating leases

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below.

	2012		2011	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	4,907	4,500	4,681
Within 2 to 5 years	-	1,848	-	1,848
	<u>-</u>	<u>6,755</u>	<u>4,500</u>	<u>6,529</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

17. Related party transactions

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

	2012 £	2011 £
C S Gray Muir	220,000	235,340
W J Gray Muir	(13,904)	937
A Gray Muir	(8)	-
	<u>206,088</u>	<u>236,277</u>

Interest on the above loans was paid at commercial rates.

A Gray Muir and W J Gray Muir provided personal guarantees for up to £660,000 (2011: £660,000) of sums due to the Royal Bank of Scotland Plc. A guarantee fee of £23,100 (2011: £13,200) was paid to Mr W J Gray Muir for the year.

During the year Andrew Gray Muir WS, Solicitor, a business run by A Gray Muir, director, charged the company £18,794 plus VAT (2011: £30,312). At the year end the balance outstanding was £10,546 plus VAT (2011: £742).

During the year Muir Gilmerton Limited, a company of which A Gray Muir is a director, advanced and were repaid various loans. Loans of £75,052 (2011: £5,928) remained outstanding at the year end. Interest was paid on the loans at a commercial rate. During the year Sundial Properties (Gilmerton) Limited carried out £7,283 plus VAT of construction works for Muir Gilmerton Limited on normal commercial terms. The amount outstanding at the year end was £3,249.

The company entered into construction contracts and sales contracts on commercial terms for the joint venture companies Eglinton Developments Limited, RW Developments Limited and related companies HV Developments Limited and FV Developments Limited. W J Gray Muir is a director in all four companies and A Gray Muir is a director within Eglinton Developments Limited, HV Developments Limited and FV Developments Limited. A M Gray Muir, C S Gray Muir and C M Aitchison are also directors of FV Developments Limited.

In the previous year the company sold certain properties to RW Developments Limited on normal commercial terms. At the year end a deferred payment of £100,000 (2011: £100,000) was due from RW Developments Limited. During the year the company charged £1,054,575 plus VAT (2011: £nil) to RW Developments Limited for construction services. The amount outstanding at the year end was £21,905 plus VAT (2011: £nil).

During the year the company charged £427,827 plus VAT (2011: £nil) to FV Developments Limited and the amount outstanding at the year end was £58,877 (2011: credit of £4,783).

During the year the company charged £69,134 plus VAT (2011: £nil) to HV Developments Limited for construction services. The amount outstanding at the year end was £24,005 plus VAT (2011: £nil).

During the year the company charged Eglinton Developments Limited £389,423 plus VAT (2011: £nil) for construction services, £52,617 plus VAT (2011: £nil) for selling agents fees and £50,000 plus VAT (2011: £nil) for management fees. There was no balance outstanding at the year end (2011: £nil).

During the year, the company received various loan advances from Fox Edinburgh Limited, a company whose director is W J Gray Muir. At the year end, £26,336 (2011: debit of £28,000) was due to Fox Edinburgh Limited.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

17. Related party transactions (continued)

At the year end £1,000,000 (2011: £4,812,665) was due from the company to Octant Investments Limited, a company whose director is W J Gray Muir's sister. £3,800,000 of the loan during the year was converted to 380 Ordinary B shares of £1 each and the remaining £1,000,000 loan became a convertible loan with an interest rate of 10.55% which is fully repayable 31 January 2019.

An aggregate amount of £44,634 (2011: £42,004) was due at the year end from the company to two trusts set up by A Gray Muir for various family members.

During the year W J Gray Muir, director, advanced and was repaid various loan amounts. At the year end £1,258 (2011: £937) was outstanding. Interest was paid on the loans at a commercial rate. W J Gray Muir and C S Gray Muir were charged £51,334 plus VAT (2011: £nil) for construction services on commercial terms. The amount outstanding at the year end was £14,439 plus VAT (2011: £nil).

During the year C S Gray Muir, a director received various loan repayments and advanced various loans. At the year end £220,000 (2011: £235,340) remained outstanding. Interest was paid on the loans at a commercial rate.

18. Share capital

Authorised share capital:

	2012 £	2011 £
50,000 Ordinary shares of £1 each	50,000	50,000
380 Ordinary Class B shares of £1 each	380	-
	<u>50,380</u>	<u>50,000</u>

Allotted, called up and fully paid:

	2012 No	£	2011 No	£
35,000 Ordinary shares of £1 each	35,000	35,000	35,000	35,000
380 Ordinary Class B shares of £1 each	380	380	-	-
	<u>35,380</u>	<u>35,380</u>	<u>35,000</u>	<u>35,000</u>

The Ordinary shares carry voting and dividend rights.

The Ordinary Class B shares carry no entitlement to dividends. The shares also carry no entitlement to capital distributions until 1 January 2026 when both the Ordinary and Ordinary Class B shareholders are entitled to share equally in any capital distribution. The Ordinary Class B shares also carry no voting entitlement.

19. Share premium account

	2012 £	2011 £
Premium on shares issued in the year	3,799,620	-
Balance carried forward	<u>3,799,620</u>	<u>-</u>

In return for the discharging of £3,800,000 of loan facilities previously recorded in other creditors, 380 Ordinary Class B shares of £1 fully paid were issued. This resulted in a premium on shares issued during the year of £3,799,620.

SUNDIAL PROPERTIES (GILMERTON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

20. Revaluation reserve

	2012 £	2011 £
Balance brought forward	308,223	354,777
Transfer to the Profit and Loss Account on realisation	(34,461)	(46,554)
Balance carried forward	<u>273,762</u>	<u>308,223</u>

21. Profit and loss account

	2012 £	2011 £
Balance brought forward	487,389	704,229
Loss for the financial year	(1,584,850)	(263,394)
Transfer from revaluation reserve	34,461	46,554
Balance carried forward	<u>(1,063,000)</u>	<u>487,389</u>

22. Reconciliation of movements in shareholders' funds

	£	2012 £	2011 £
Loss for the financial year		(1,584,850)	(263,394)
New equity share capital subscribed	380		—
Premium on new share capital subscribed	<u>3,799,620</u>		—
		3,800,000	
Transfer from revaluation reserve		34,461	46,554
Transfer to profit and loss account on realisation		(34,461)	(46,554)
Net addition/(reduction) to shareholders' funds		2,215,150	(263,394)
Opening shareholders' funds		<u>830,612</u>	1,094,006
Closing shareholders' funds		<u>3,045,762</u>	<u>830,612</u>

23. Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2012 £	2011 £
Operating (loss)/profit	(1,126,641)	349,237
Depreciation	12,290	52,163
Decrease in stocks	349,700	4,101,323
Decrease in debtors	109,122	311,793
Increase/(decrease) in creditors	1,929,523	(302,711)
Net cash inflow from operating activities	<u>1,273,994</u>	<u>4,511,805</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED
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YEAR ENDED 31 DECEMBER 2012

24. Returns on investments and servicing of finance

	2012 £	2011 £
Interest received	1,858	6,126
Interest paid	<u>(257,986)</u>	<u>(250,951)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(256,128)</u>	<u>(244,825)</u>

25. Taxation

	2012 £	2011 £
Taxation	<u>(714)</u>	<u>—</u>

26. Capital expenditure and financial investment

	2012 £	2011 £
Payments to acquire tangible fixed assets	(12,590)	(50,302)
Receipts from sale of fixed assets	640,106	452,195
Repayment of loans by participating interests	<u>159,999</u>	<u>320,001</u>
Net cash inflow for capital expenditure and financial investment	<u>787,515</u>	<u>721,894</u>

27. Acquisitions and disposals

	2012 £	2011 £
Acquire investments in participating interests	—	(200,001)
Net cash outflow from acquisitions and disposals	<u>—</u>	<u>(200,001)</u>

28. Financing

	2012 £	2011 £
Repayment of bank loans	(1,615,495)	(2,319,414)
Net cash outflow from financing	<u>(1,615,495)</u>	<u>(2,319,414)</u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

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YEAR ENDED 31 DECEMBER 2012

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

	£	2012 £	2011 £
Increase in cash in the period	189,172		2,469,459
Net cash outflow from bank loans	<u>1,615,495</u>		<u>2,319,414</u>
		<u>1,804,667</u>	<u>4,788,873</u>
Change in net debt		<u>1,804,667</u>	<u>4,788,873</u>
Conversion of creditors to loan notes		(1,000,000)	—
Net debt at 1 January 2012		<u>(6,221,681)</u>	<u>(11,010,554)</u>
Net debt at 31 December 2012		<u>(5,417,014)</u>	<u>(6,221,681)</u>

30. Analysis of changes in net debt

	At 1 Jan 2012 £	Cash flows £	Non-cash Movement £	At 31 Dec 2012 £
Net cash:				
Cash in hand and at bank	348,036	(44,272)	—	303,764
Overdrafts	<u>(233,444)</u>	<u>233,444</u>	—	<u>—</u>
	<u>114,592</u>	<u>189,172</u>	—	<u>303,764</u>
Debt:				
Debt due within 1 year	(5,600,786)	1,183,242	—	(4,417,544)
Debt due after 1 year	<u>(735,487)</u>	<u>432,253</u>	<u>(1,000,000)</u>	<u>(1,303,234)</u>
	<u>(6,336,273)</u>	<u>1,615,495</u>	<u>(1,000,000)</u>	<u>(5,720,778)</u>
Net debt	<u>(6,221,681)</u>	<u>1,804,667</u>	<u>(1,000,000)</u>	<u>(5,417,014)</u>

During the year the company reached agreement with certain creditors to convert £1,000,000 of other creditors into convertible loan notes with an interest rate of 10.55%. These loan notes are fully repayable on 31 January 2019.

31. 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 46 Charlotte Square, Edinburgh, EH2 4HQ.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

32. Going concern

The directors consider the company to be a going concern and therefore the financial statements have been prepared on a going concern basis. The future operations of the company are dependent on the continued financial support of the company's bankers and transaction activity within property markets to provide liquidity to the company prospectively.

In particular, as disclosed in note 13, the company has significant short term finance associated with medium term property assets under development. During the year the company underwent a financial restructuring that has strengthened their balance sheet and subsequent to the year end it has concluded the refinancing of certain of the loan facilities and has also further reduced its indebtedness to the bank.

The company relies on transaction activity within property markets to realise assets to provide liquidity for the foreseeable future. Although the ability to realise property assets and to provide property related services prospectively is uncertain in current property sector markets, the company is fortunate to have a balance of activities through its property development and rental operations.

The directors in preparing these financial statements are mindful of general economic conditions and have prepared financial forecasts for a period of 12 months from the date of approval, which indicate that the company, subject to considered revenue assumptions, can meet its obligations as they fall due. The key assumption is the continued financial support of all the company's bankers.

Material adverse changes could occur in the amount and timing of cash flows compared to management prepared projections which could cast significant doubt upon the company's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.