

SUNDIAL PROPERTIES (GILMERTON) LIMITED

REPORT and FINANCIAL STATEMENTS

For the year to 31 December 2001



SUNDIAL PROPERTIES (GILMERTON) LIMITED

DIRECTORS

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

SECRETARY

A Gray Muir

AUDITORS

Chiene & Tait, CA
Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

BANKERS

Bank of Scotland
PO Box 12
61 Grassmarket
Edinburgh
EH1 2JF

Clydesdale Bank plc
50 Lothian Road
Edinburgh
EH3 9AN

Royal Bank of Scotland plc
Edinburgh Service Centre
Drummond House
1 Redheughs Avenue
Edinburgh
EH12 9JN

SOLICITORS

Morton Fraser WS
30-31 Queen Street
Edinburgh
EH2 1JX

A Gray Muir WS
89 Ravenscroft Street
Edinburgh
EH4 1LW

REGISTERED OFFICE

89 Ravenscroft Street
Edinburgh
EH17 8QS

SUNDIAL PROPERTIES (GILMERTON) LIMITED

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2001.

Results and dividends

The profit for the year, after taxation, of £279,677 (2000: £91,834) has been transferred to reserves. The directors recommend that no final dividend be paid (2000: Nil).

Review of the business and future developments

The directors are satisfied with the level of business and the year end financial position, they expect that the present level of activity will be sustained for the foreseeable future.

Principal activities

The principal activity of the company during the year was that of property investment and development. During the year the company took on the operation of laundrettes following the transfer of the trade of Sundial Properties (Edinburgh), a fellow subsidiary.

Directors and their interests

The directors who served the company during the year and their beneficial interests in the share capital of the company were as follows:

	Ordinary shares of £1 each	
	2001	2000
A Gray Muir (as nominee)	1	1
A M Gray Muir	-	-
W J Gray Muir	-	-
E K Stirling	-	-
A Stirling (alternate)	-	-
C M Aitchison	-	-
A J Walker	-	-

A Gray Muir and A M Gray Muir 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.

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

	Ordinary shares of £1 each	
	2001	2000
W J Gray Muir	98	98
E K Stirling	50	50
A Stirling (alternate)	-	48
C M Aitchison	-	-
A J Walker	-	-

In addition, A Stirling holds a non-beneficial interest in 48 ordinary shares of £1 each.

Statement of directors' responsibilities

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

- ❖ select suitable accounting policies and then apply them consistently;
- ❖ make judgements and estimates that are reasonable and prudent;
- ❖ 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. They are 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

DIRECTORS' REPORT (Contd)

Auditors

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

Small company provisions

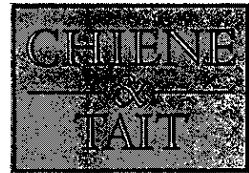
This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Andrew Gray Muir', with a horizontal line underneath the signature.

ANDREW GRAY MUIR
Secretary

16 October 2002



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

We have audited the financial statements of Sundial Properties (Gilmerton) Limited for the year ended 31 December 2001 set out on pages 5 to 12. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the 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 with the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CHIENE & TAIT CA
Registered Auditors
61 Dublin Street
Edinburgh EH3 6NL

16 October 2002

SUNDIAL PROPERTIES (GILMERTON) LIMITED**PROFIT and LOSS ACCOUNT****For the year ended 31 December 2001**

	Notes	2001 £	2000 £
Turnover	2	3,765,265	2,241,896
Cost of sales		(2,670,229)	(1,553,707)
Gross profit		1,095,036	688,189
Administrative expenses		(468,538)	(254,781)
Operating profit	3	624,498	433,408
Interest payable and similar charges	4	(321,419)	(320,200)
Profit on ordinary activities before taxation		305,079	113,208
Taxation on profit on ordinary activities	5	(25,402)	(21,374)
Retained profit for year	14	279,677	91,834

STATEMENT of TOTAL RECOGNISED GAINS and LOSSES

	2001 £	2000 £
Profit for the year	279,677	91,834
Unrealised (deficit)/surplus on revaluation of properties	(45,000)	108,900
	234,677	200,734

The notes on pages 7 to 12 form part of these financial statements.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

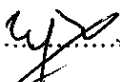
BALANCE SHEET

For the year ended 31 December 2001

	Notes	£	2001 £	£	2000 £
Fixed assets					
Intangible assets	6		9,000		-
Tangible assets	7		4,891,564		3,511,077
Investments	8		-		-
			<u>4,900,564</u>		<u>3,511,077</u>
Current assets					
Stock		6,050,968		3,179,268	
Debtors	9	221,563		59,608	
Cash in hand		13,902		-	
		<u>6,286,433</u>		<u>3,238,876</u>	
Creditors: amounts falling due within one year	10	(7,242,444)		(3,112,456)	
Net current (liabilities)/assets			(956,011)		126,420
Total assets less current liabilities			<u>3,944,553</u>		<u>3,637,497</u>
Creditors: amounts falling due after more than one year	11	(2,191,467)		(2,153,988)	
Net assets			<u>1,753,086</u>		<u>1,483,509</u>
Capital and reserves					
Called up share capital	12		35,000		100
Revaluation reserve	13		735,277		805,747
Profit and loss account	14		982,809		677,662
Equity shareholders' funds			<u>1,753,086</u>		<u>1,483,509</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (March 2000).

Approved by the Board of Directors and signed on it's behalf by:

 Director
W Gray Muir

16th Oct 2002

The notes on pages 7 to 12 form part of these financial statements.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 December 2001

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention modified for the revaluation of certain assets and in accordance with both applicable accounting standards and the Financial Reporting Standard for Smaller Entities (March 2000).

Depreciation

Depreciation is provided on all tangible fixed assets, other than heritable property, at rates calculated to write off the cost or valuation, less the estimated residual value of each asset evenly over its expected useful economic life as follows:

Furniture and fittings – 25% straight line

Plant and equipment – 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.

Goodwill

Goodwill on the purchase of laundrettes is amortised at a rate of 20% on a straight line basis. No goodwill has been amortised during the year as the transfer from the subsidiary undertaking did not take place until December 2001.

Investments

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

Stocks

Stocks are represented by property regarded as trading stock and are valued at the lower of cost and net realisable value. Transfers from investment properties to work in progress are carried out at market value at the date of transfer.

Pension costs

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

SUNDIAL PROPERTIES (GILMERTON) LIMITED**NOTES to the FINANCIAL STATEMENTS (Contd.)****For the year ended 31 December 2001****2. Turnover**

Turnover, which is stated net of value added taxation, is attributable to the principal activity of the business, arising exclusively in the United Kingdom.

3. Operating profit	2001	2000
	£	£
Operating profit is stated after charging/(crediting):		
Directors' emoluments	271,036	151,657
Depreciation	8,745	8,933
Provision for diminution in value of investments	100,000	-
Auditors' remuneration	3,000	2,000
Operating lease rentals	5,970	3,017
Gain on disposal of fixed assets	(125,561)	-
	<u> </u>	<u> </u>

At the year end there was one director with benefits accruing under a money purchase pension scheme.

4. Interest payable	2001	2000
	£	£
Bank overdraft interest	8,694	7,291
Term loan interest	312,725	312,909
	<u> </u>	<u> </u>
	321,419	320,200
	<u> </u>	<u> </u>

5. Taxation on profit on ordinary activities

Corporation tax based on results for the year	26,316	21,374
Adjustment in respect of prior years	(914)	-
	<u> </u>	<u> </u>
	25,402	21,374
	<u> </u>	<u> </u>

6. Intangible assets	Goodwill
	£
Cost	
At 1 January 2001	-
Transfer from fellow subsidiary undertaking	45,000
	<u> </u>
At 31 December 2001	45,000
	<u> </u>
Depreciation	
At 1 January 2000	-
Charge for year	-
Transfer from fellow subsidiary undertaking	36,000
	<u> </u>
At 31 December 2001	36,000
	<u> </u>
Net book value	
At 31 December 2001	9,000
	<u> </u>
At 31 December 2000	-
	<u> </u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 December 2001

7. Tangible fixed assets	Investment properties £	Heritable properties £	Plant, machinery & fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2001	3,487,027	-	38,183	-	3,525,210
Additions	294,173	67,186	1,813	1,382	364,554
Disposals	(415,068)	-	-	-	(415,068)
Transfers	(201,027)	201,027	-	-	-
Transfer from fellow subsidiary undertaking	750,017	580,682	305,954	11,400	1,648,053
Revaluation	(45,000)	-	-	-	(45,000)
At 31 December 2001	3,870,122	848,895	345,950	12,782	5,077,749
Depreciation					
At 1 January 2001	-	-	14,133	-	14,133
Charge for year	-	-	8,363	382	8,745
Transfer from fellow subsidiary undertaking	-	-	154,407	8,900	163,307
At 31 December 2001	-	-	176,903	9,282	186,185
Net book value					
At 31 December 2001	3,870,122	848,895	169,047	3,500	4,891,564
At 31 December 2000	3,487,027	-	24,050	-	3,511,077

The original cost of the investment properties noted above at valuation is £2,681,280. The investment properties were revalued by the directors on 31 December 2001.

The directors carry out annual impairment reviews of the heritable properties in accordance with FRS 11.

8. Fixed asset investment	Unlisted Investments £
Cost	
At 1 January 2001	-
Additions	100,000
At 31 December 2001	100,000
Provision for diminution in value	
At 1 January 2001	-
Provision during year	100,000
At 31 December 2001	100,000
Net book value	
31 December 2001	-
31 December 2000	-

Investments comprise a shareholding of 3.4% in the ordinary shares of Vestech Limited, a company registered in Scotland.

SUNDIAL PROPERTIES (GILMERTON) LIMITED**NOTES to the FINANCIAL STATEMENTS (Contd.)****For the year ended 31 December 2001**

9. Debtors	2001	2000
	£	£
Trade debtors	62,484	-
Amounts owed by group companies	84,985	27,736
Other debtors	74,094	31,872
	<u>221,563</u>	<u>59,608</u>

10. Creditors: amounts falling due within one year

Bank overdrafts	5,904,809	2,006,957
Bank loans	100,289	302,610
Trade creditors	123,396	100,804
Obligations under finance leases and hire purchase contracts	11,455	-
Amounts owed to group undertakings	394,417	-
Corporation tax	182,849	21,374
Taxation and social security	30,998	-
Other creditors	26,056	78,031
Other loans	-	50,000
Accruals	197,151	512,200
Loans from directors	271,024	40,480
	<u>7,242,444</u>	<u>3,112,456</u>

Both the bank overdrafts and loans are secured by standard security over specific properties. In addition, a fellow subsidiary undertaking, Sundial Properties (Edinburgh), has granted a guarantee to the company, in respect of balances held with Clydesdale Bank Plc, without limit.

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

11. Creditors: Amounts falling due after more than one year	2001	2000
	£	£
Bank loans	666,125	2,079,459
Other loans	105,779	74,529
Obligations under finance leases and hire purchase contracts	18,303	-
Amounts owed to group undertakings	1,401,260	-
	<u>2,191,467</u>	<u>2,153,988</u>

£223,376 (2000: £896,528) of the bank loans are repayable by instalments due in more than five years.

Other loans are repayable in more than one year and interest is charged at 10%.

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 December 2001

12. Share capital	2001	2000
	£	£
Authorised share capital		
50,000 Ordinary shares of £1 each	50,000	100
	<u> </u>	<u> </u>
Allotted, called up and fully paid share capital		
35,000 Ordinary shares of £1 each	35,000	100
	<u> </u>	<u> </u>

On 20 August 2001 the company passed a resolution to increase the authorised share capital by a further 49,900 ordinary shares of £1 each. On the same date a further 34,900 ordinary shares of £1 each were issued at par for cash.

13. Revaluation reserve	2001
	£
Balance at 1 January 2001	805,747
Deficit on revaluation in year	(45,000)
Transfer on disposal of property	(25,470)
	<u> </u>
Balance at 31 December 2001	735,277
	<u> </u>

14. Profit and loss account	
Balance at 1 January 2001	677,662
Retained profit for the year	279,677
Transfer from revaluation reserve on disposal of properties	25,470
	<u> </u>
Balance at 31 December 2001	982,809
	<u> </u>

15. Reconciliation of movement in shareholders' funds	2001	2000
	£	£
Profit for the financial year	279,677	91,834
New share capital subscribed	34,900	-
(Deficit)/surplus on revaluation	(45,000)	108,900
Opening shareholders' funds	1,483,509	1,282,775
	<u> </u>	<u> </u>
Closing shareholders' funds	1,753,086	1,483,509
	<u> </u>	<u> </u>

SUNDIAL PROPERTIES (GILMERTON) LIMITED

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 December 2001

16. Capital commitments	2001 £	2000 £
Authorised and contracted	5,900,000	-

17. Other financial commitments

The company had annual commitments under non-cancellable operating leases as set out below:

	2001 £	2000 £
Operating leases which expire:		
Within one year	-	-
Within two to five years	8,633	5,172
	<u>8,633</u>	<u>5,172</u>

18. Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

The pension charge for the year was £2,688 (2000: Nil). At 31 December 2001 contributions of Nil (2000: Nil) were payable to the fund and are included in creditors.

19. Ultimate parent undertaking

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 Ravenscoft Street, Edinburgh, EH17 8QS.

20. Related party transactions

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

	2001 £	2000 £
Mrs A M Gray Muir	116,463	40,480
W Gray Muir	4,561	-
A and E K Stirling	150,000	-

During the year the company purchased a property at 138 Queensferry Road for £83,000 from E H M Limited, a company in which the shares are owned by W Gray Muir and in which W Gray Muir, A Gray Muir and Mrs A M Gray Muir are directors. The transaction was carried out on an arms length basis.

During the year, £98,160 was charged to the profit and loss account of the company in respect of professional fees payable to A Gray Muir, a director of the company.

A Gray Muir has provided a personal guarantee for up to £75,000 of the sums due to the Royal Bank of Scotland plc.