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GYLE DEVELOPMENTS LIMITED
FINANCIAL STATEMENTS
For the year ended 31 December 2005

Contents	Page
Directors' report	2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 10

GYLE DEVELOPMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities and business review

The company is principally engaged in property development and investment. The results for the year are shown in the attached financial statements.

Proposed dividend

The directors do not recommend payment of a dividend (2004: £nil).

Directors and their interests

The directors who held office during the year were as follows:

I Wall
J M Di Ciacca
C Hunter
J Smart
D Turner

No director had any interest in the shares of the company during the year.

Directors' interests, where applicable, in the company's immediate parent company are disclosed in its financial statements which are publicly available.

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 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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. The going concern basis of preparation is explained further in note 1 to the financial statements.

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 also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Elective resolution

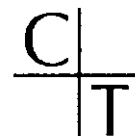
An elective resolution has been passed in accordance with Section 379A of the Companies Act 1985 that, pursuant to Sections 252, 366A and 386 of the Act, the requirement to hold Annual General Meetings at which accounts are presented and auditors re-appointed has been dispensed with.

By Order of the Board



Mary Wilson, Company Secretary
4 Hunter Square
Edinburgh
EH1 1QW

28th March 2006



GYLE DEVELOPMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of Gyle Developments Limited for the year ended 31 December 2005 set out on pages 4 to 10. 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.

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

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 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 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 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 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures in note 14 to the financial statements regarding the going concern basis upon which the financial statements have been prepared. In view of the significance of this matter we should like to draw it to your attention but our opinion is not qualified in this respect.

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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

29 May 2006

GYLE DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	2	134,053	98,964
Cost of sales		(133,123)	(271,672)
Gross profit/(loss)		930	(172,708)
Administrative expenses		(71,567)	(11,305)
Exceptional item: amounts written off fixed assets		-	(557,499)
Operating loss	3	(70,637)	(741,512)
Interest payable	4	(532,422)	(337,236)
Loss on ordinary activities before taxation		(603,059)	(1,078,748)
Tax on loss on ordinary activities	5	187,002	146,616
Retained loss for the financial year		(416,057)	(932,132)

Other than the loss for the year there have been no other recognised gains or losses.

All results relate to continuing activities.

The notes on pages 6 to 10 form part of the financial statements.

GYLE DEVELOPMENTS LIMITED

BALANCE SHEET

As at 31 December 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	6	12,271,369	11,900,000
		-----	-----
Current assets			
Debtors: amounts falling due after one year	7	368,234	551,006
Debtors: amounts falling due within one year	7	57,247	63,052
		-----	-----
		425,481	614,058
Creditors: amounts falling due within one year	8	(13,838,074)	(13,359,363)
		-----	-----
Net current liabilities		(13,412,593)	(12,745,305)
		-----	-----
Total assets less current liabilities		(1,141,224)	(845,305)
		-----	-----
Provision for liabilities and charges	9	(657,099)	(536,961)
		-----	-----
Net liabilities		(1,798,323)	(1,382,266)
		=====	=====
Capital and reserves			
Called up share capital	10	100	100
Profit and loss account	11	(1,798,423)	(1,382,366)
		-----	-----
Equity shareholders' deficit	12	(1,798,323)	(1,382,266)
		=====	=====

The financial statements were approved by the Board of Directors on *28th March* 2006 and are signed on its behalf by:

Ian Wall

.....
Ian Wall
Director

D Turner

.....
D Turner
Director

The notes on pages 6 to 10 form part of the financial statements.

GYLE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules, modified for the revaluation of investment properties, and in accordance with applicable accounting standards.

As the company is a wholly owned subsidiary of The EDI Group Limited the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Cash flow statement

The cash flows of the company are included in the consolidated cash flow statement of The EDI Group Limited. Consequently, the company is exempt under the terms of FRS 1 from publishing a cash flow statement.

Turnover

Turnover represents the amounts (excluding VAT) receivable for land and buildings leased during the year and for management fees receivable.

In accordance with the provisions of Urgent Issues Task Force Abstract 28 "Operating Lease Incentives", the cost of rent free periods is recognised and allocated over the lease term up to the first rent review date.

Investment properties

Investment properties are included in the balance sheet at a directors' assessment of their open market value. In accordance with SSAP 19, depreciation is not provided on investment properties that are held as freehold investment properties. This is a departure from the Companies Act 1985 which requires all tangible assets to be depreciated. In the opinion of the directors this departure is necessary for the financial statements to give a true and fair view and to comply with applicable accounting standards. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot reasonably be separately identified or quantified.

Deferred taxation

The accounting policy of deferred taxation reflects the requirements of FRS 19. Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for accounting purposes and their treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences that have originated but not reversed at the balance sheet date, with the following exemption:

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

The company has not adopted a policy of discounting deferred tax assets and liabilities.

2. Turnover

Turnover is wholly attributable to the company's principal activities, and arose entirely in the United Kingdom.

GYLE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. Operating loss

Operating loss is stated after charging:

	2005	2004
	£	£
Auditors' remuneration:		
- audit fee	800	1,250
- other services	1,000	1,900
	=====	=====

The only employees of the company were the directors and they received no remuneration (2004 - £nil).

4. Interest payable

	2005	2004
	£	£
Bank overdraft interest	612,842	671,278
Less: amounts capitalised in the year	(305,846)	(334,042)
Group loans	225,426	-
	-----	-----
	532,422	337,236
	=====	=====

5. Taxation

	2005	2004
	£	£
(a) Analysis of credit in year		
Current tax:		
Payment for group relief	(301,055)	(284,682)
Adjustments in respect of previous periods		
Group relief	(38,369)	(50,339)
Transfer pricing adjustment	32,284	-
	-----	-----
Total current tax (note 5 (b))	(307,140)	(335,021)
	-----	-----
Deferred tax:		
Origination and reversal of timing differences	120,138	138,068
Adjustments in respect of previous periods	-	50,337
	-----	-----
Total deferred tax	120,138	188,405
	-----	-----
Tax on loss on ordinary activities	(187,002)	(146,616)
	=====	=====

(b) Factors affecting tax credit for year

The tax assessed for the year is lower (2004: lower) than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

Loss on ordinary activities before tax	(603,059)	(1,078,748)
	=====	=====
Loss on ordinary activities multiplied by standard rate of corporation tax of 30% (2004: 30%)	(180,918)	(323,624)
Effects of:		
Expenses not deductible for tax purposes	-	177,010
Capital allowances in advance of depreciation	(28,383)	(37,845)
Other timing differences	(91,754)	(100,223)
Adjustments in respect of previous periods	(6,085)	(50,339)
	-----	-----
Current tax credit for year (note 5 (a))	(307,140)	(335,021)
	=====	=====

GYLE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

6. Tangible assets	Investment properties £
<u>Cost</u>	
At 1 January 2005	12,981,659
Additions in year	371,369

At 31 December 2005	13,353,028

<u>Amounts written off</u>	
At 1 January 2005 and at 31 December 2005	1,081,659

<u>Valuation</u>	
At 31 December 2005	12,271,369
	=====
At 1 January 2005	11,900,000
	=====

The company's investment properties were valued at £12,400,000 on 31 December 2005 by Jones Lang LaSalle, Chartered Surveyors, on an open market basis.

7. Debtors	2005 £	2004 £
Due after one year:		
Amounts owed by group undertakings	368,234	551,006
	=====	=====
Due within one year:		
Trade debtors	5,258	296
Other debtors	141	2,330
Prepayments and accrued income	51,848	60,426
	-----	-----
	57,247	63,052
	=====	=====

8. Creditors : amounts falling due within one year	2005 £	2004 £
Bank overdraft	9,520,980	11,238,466
Trade creditors	10,177	121,442
Amounts owed to parent undertaking	2,701,135	1,872,816
Amounts owed to group undertakings	1,512,404	-
Accruals and deferred income	93,378	126,639
	-----	-----
	13,838,074	13,359,363
	=====	=====

The bank overdraft is secured by standard securities, in favour of the lenders, over the company's investment properties.

GYLE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

9. Provision for liabilities and charges

	2005 £	2004 £
<u>Deferred tax</u>		
Provision at start of year	536,961	348,556
Deferred tax charge for year	120,138	188,405
Provision at end of year	657,099	536,961
Accelerated capital allowances	116,550	88,166
Other timing differences	540,549	448,795
	657,099	536,961

10. Called up share capital

	2005 £	2004 £
Authorised share capital		
"A" Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
"A" Ordinary shares of £1 each	100	100

11. Profit and loss account

	2005 £	2004 £
At beginning of year	(1,382,366)	(450,234)
Loss for the financial year	(416,057)	(932,132)
At end of year	(1,798,423)	(1,382,366)

12. Reconciliation of movements in equity shareholders' deficit

	2005 £	2004 £
Loss for the financial year	(416,057)	(932,132)
Opening shareholders' deficit	(1,382,266)	(450,134)
Closing shareholders' deficit	(1,798,323)	(1,382,266)

13. Parent undertakings

The immediate parent company is The EDI Group Limited, a company registered in Scotland.

The ultimate holding organisation is The City of Edinburgh Council.

GYLE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

14. Contingent liabilities

The company has entered into a cross guarantee with Clocktower Edinburgh Limited, a fellow subsidiary of The EDI Group Limited, in respect of their bank borrowings.

15. Going concern

The future of the company is dependent on the continued financial support of the company's shareholders. The directors have received assurances that this support will continue for the foreseeable future. The financial statements have been prepared on the going concern basis.