

SODESM PROPERTY LIMITED

Report and Financial Statements

31 December 2002

**Deloitte & Touche LLP
Cambridge**

**04/02/04
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REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002**OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

Adrian J Pink
Anthony J Thompson

SECRETARY

Temple Secretarial Limited

REGISTERED OFFICE

16 Old Bailey
London
EC4M 7EG

BANKERS

C Hoare & Co
37 Fleet Street
London
EC4P 4DQ

SOLICITORS

Withers & Co
16 Old Bailey
London
EC4M 7EG

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Cambridge

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

ACTIVITIES

The company's principal activity is property investment in the United Kingdom.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company made a loss of £104,756 (2001 - profit £41,053). The directors expect a similar level of activity in the year ahead, and the company's ultimate parent company has undertaken to provide the company with financial support.

DIVIDENDS

The directors do not recommend the payment of a dividend (2001 - nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year were as follows:

Adrian J Pink

Anthony J Thompson

Neither director held any beneficial interest in the shares of the company or other group companies at 1 January or 31 December 2002 or at any time during the year.

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. 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;
- 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 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.

Approved by the Board of Directors
and signed on behalf of the Board



Director

5/2/04

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SODESM PROPERTY LIMITED

We have audited the financial statements of Sodesm Property Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

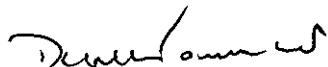
Basis of audit opinion

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and
Registered Auditors

Cambridge

17/2/04

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £	2001 £
Turnover	2	347,465	333,369
Administrative expenses		(352,232)	(301,541)
Other operating income		-	19,111
OPERATING (LOSS) PROFIT	4	<u>(4,767)</u>	<u>50,939</u>
Interest receivable and similar income		16	158
Interest payable and similar charges	5	<u>(105,236)</u>	<u>(98,535)</u>
		<u>(105,220)</u>	<u>(98,377)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(109,987)</u>	<u>(47,438)</u>
Tax on loss on ordinary activities	6	<u>5,231</u>	<u>88,491</u>
(LOSS) PROFIT FOR THE FINANCIAL YEAR		<u>(104,756)</u>	<u>41,053</u>
Accumulated losses brought forward		<u>(1,649,001)</u>	<u>(1,690,054)</u>
Accumulated losses carried forward		<u><u>(1,753,757)</u></u>	<u><u>(1,649,001)</u></u>

All activities derive from continuing operations.

There are no recognised gains and losses for the current financial year and the preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been prepared.

BALANCE SHEET 31 December 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	7	4,115,873	4,210,414
Investments	8	799,874	560,309
		<u>4,915,747</u>	<u>4,770,723</u>
CURRENT ASSETS			
Debtors	9	2,197,293	1,643,709
Cash at bank and in hand		85,361	62,809
		<u>2,282,654</u>	<u>1,706,518</u>
CREDITORS: amounts falling due within one year	10	<u>1,423,813</u>	<u>1,078,790</u>
NET CURRENT ASSETS		<u>858,841</u>	<u>627,728</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,774,588</u>	<u>5,398,451</u>
CREDITORS: amounts falling due after more than one year	11	(7,522,214)	(7,047,274)
PROVISIONS FOR LIABILITIES AND CHARGES	6	<u>(6,129)</u>	<u>(176)</u>
		<u>(1,753,755)</u>	<u>(1,648,999)</u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Profit and loss account		(1,753,757)	(1,649,001)
TOTAL EQUITY SHAREHOLDERS' DEFICIT		<u>(1,753,755)</u>	<u>(1,648,999)</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

5 February 2004


Director

NOTES TO THE ACCOUNTS**Year ended 31 December 2002****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The company's ultimate parent company has undertaken to provide the company with necessary financial support and accordingly the directors have prepared the financial statements on a going concern basis.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Long leasehold property	2% per annum
Fixtures, fittings and equipment	25% per annum

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Deferred taxation

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Rentals are charged to profit and loss in equal annual amounts over the lease term.

2. TURNOVER

Turnover comprises revenue from provision of property and services relating to Sodesm International Limited. The turnover, all of which arises in the United Kingdom, is attributable to the company's principal activity.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Neither of the directors received any emoluments in this year or the preceding financial year.

	2002 £	2001 £
Staff costs during the year (including directors)		
Wages and salaries	31,744	31,365
Social security costs	3,201	2,189
	<u>34,945</u>	<u>33,554</u>
	No	No
Number of persons employed:		
Administration	<u>3</u>	<u>3</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002**4. OPERATING (LOSS) PROFIT**

	2002 £	2001 £
Operating (loss) profit is after charging:		
Depreciation		
Owned assets	94,541	110,970
Auditors' remuneration	8,700	8,605
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank loans and overdrafts	105,236	98,535
	<u> </u>	<u> </u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2002 £	2001 £
Current taxation		
Group relief receivable	(11,184)	(13,364)
Adjustment in respect of prior years	-	(75,303)
	<u> </u>	<u> </u>
Total current tax	(11,184)	(88,667)
Deferred taxation		
Origination and reversal of timing differences	5,953	176
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	<u>(5,231)</u>	<u>(88,491)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

6. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2001 - 30%). The actual tax credit for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2002 £	2001 £
Loss on ordinary activities before tax	(109,987)	(47,438)
Tax on loss on ordinary activities at standard rate	(32,996)	(14,231)
Factors affecting credit for the year:		
Expenses not deductible for tax purposes	27,765	33,275
Capital allowances in deficit (excess) of depreciation	926	(124)
Utilisation of tax losses	(6,879)	(32,284)
Prior period adjustments	-	(75,303)
Total actual amount of current tax	(11,184)	(88,667)
Deferred taxation		£
As at 1 January 2002		176
Charge for the year		5,953
As at 31 December 2002		6,129

The amounts of deferred tax provided in the financial statements and potential amounts not provided are as follows:

	Provided		Unprovided	
	2002 £	2001 £	2002 £	2001 £
Capital allowances in excess of depreciation	6,129	176	-	-
Capital losses	-	-	(9,000)	-
Revenue losses	-	-	-	(29,185)
	6,129	176	(9,000)	(29,185)

A deferred tax asset in respect of capital losses of £9,000 (2001 - Nil) has not been provided as there is insufficient evidence that the asset will be recovered. The asset would be recovered if there were capital gains of more than £30,000 in Sodesm Property Limited.

NOTES TO THE ACCOUNTS Year ended 31 December 2002

7. TANGIBLE FIXED ASSETS

	Long leasehold property £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 January 2002 and 31 December 2002	4,591,382	794,324	5,385,706
Accumulated depreciation			
At 1 January 2002	384,141	791,151	1,175,292
Charge in year	91,828	2,713	94,541
At 31 December 2002	475,969	793,864	1,269,833
Net book value			
At 31 December 2002	4,115,413	460	4,115,873
At 31 December 2001	4,207,241	3,173	4,210,414

8. INVESTMENTS HELD AS FIXED ASSETS

	Antiques £
Cost	
At 1 January 2002	638,166
Additions	239,565
At 31 December 2002	877,731
Provision for impairment in value	
At 1 January 2002 and 31 December 2002	77,857
Net book value	
At 31 December 2002	799,874
At 31 December 2001	560,309

9. DEBTORS

	2002 £	2001 £
Amounts owed by fellow subsidiaries	2,035,194	1,520,870
Share capital unpaid	2	2
Other debtors	51,585	18,413
Corporation tax recoverable	77,529	71,958
Prepayments and accrued income	32,983	32,466
	2,197,293	1,643,709

Amounts due from fellow subsidiaries of £2,035,194 (2001 - £1,520,870) are due after more than one year.

NOTES TO THE ACCOUNTS Year ended 31 December 2002

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Amounts owed to parent	239,565	-
Bank overdraft	1,140,954	1,045,238
Accruals and deferred income	43,294	33,552
	<u>1,423,813</u>	<u>1,078,790</u>

There is an agreed bank overdraft facility of up to £1,100,000 which is repayable on demand. The bank has a legal charge, as security for the overdraft, over the long leasehold property.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Amounts owed to group undertakings	<u>7,522,214</u>	<u>7,047,274</u>

This amount falls due after more than five years.

12. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Called up, allotted and not paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

13. ULTIMATE PARENT COMPANY

In the opinion of the directors, the immediate and ultimate parent company and ultimate controlling party is Power Corporation of Canada, a company incorporated in Canada.

Group accounts are available from 751 Victoria Square, Montreal H2Y 2J3, Canada.

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under section 3 (c) of FRS 8 (Related Party Transactions) not to disclose details of transactions with fellow group companies.

Mr P G Desmarais is a director of the parent company, Power Corporation of Canada. During the year the company charged Mr P G Desmarais £63,118 (2001 - £66,200) for the use of a flat and related expenses. At 31 December 2002 the amount due from Mr P G Desmarais was £51,585 (2001 - £18,413).