

Company Registration No. 3110104

SODESM PROPERTY LIMITED

Report and Financial Statements

31 December 2007

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SODESM PROPERTY LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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SODESM PROPERTY LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Robert H Stuart
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 LLP
16 Old Bailey
London
EC4M 7EG

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Cambridge

SODESM PROPERTY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985

PRINCIPAL ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company has made a profit of £627,340 (2006 - loss of £320,593) Contracts were exchanged on 30 November 2007 for the sale of the long leasehold property Contractual completion was on 28 February 2008 This will have an impact on the rental income in the future

DIRECTORS

The directors who served during the year were as follows

Adrian J Pink (resigned 12 February 2007)

Anthony J Thompson

Robert H Stuart (appointed 12 February 2007)

AUDITORS


Each of the persons who is a director at the date of approval of this report confirms that

- ☐ so far as the director is aware, there are no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- ☐ the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

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


Director

30 October 2008

SODESM PROPERTY LIMITED

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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, and
- ☐ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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

30 October 2008

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 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 19. 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

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

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

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

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

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

Basis of audit opinion

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

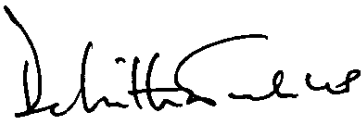
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SODESM PROPERTY LIMITED (continued)**

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 2007 and of its profit for the year then ended,
- ☐ the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- ☐ the information given in the Directors' Report is consistent with the financial statements.



~~Deloitte & Touche LLP~~
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom

31 October 2008

SODESM PROPERTY LIMITED

PROFIT AND LOSS ACCOUNT **Year ended 31 December 2007**

| | Note | 2007 £ | 2006 £ |
|---|-------------|-------------------------|-------------------------|
| Turnover | 2 | 325,398 | 311,797 |
| Administrative expenses | | (311,433) | (283,236) |
| OPERATING PROFIT | 4 | 13,965 | 28,561 |
| Interest receivable and similar income | 5 | 535 | 156,008 |
| Interest payable and similar charges | 6 | (385,326) | (505,014) |
| Exceptional item | 7 | 1,922,108 | - |
| | | 1,537,317 | (349,006) |
| PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,551,282 | (320,445) |
| Tax on profit (loss) on ordinary activities | 8 | (923,942) | (148) |
| PROFIT (LOSS) FOR THE FINANCIAL YEAR | 15 | 627,340 | (320,593) |

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES **Year ended 31 December 2007**

| | 2007 £ | 2006 £ |
|---|-------------------------|-------------------------|
| Retained loss for the financial year | 627,340 | (320,593) |
| Unrealised surplus on revaluation of property | - | 1,863,749 |
| Total gains recognised for the year | 627,340 | 1,543,156 |

SODESM PROPERTY LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Year ended 31 December 2007

| | 2007 | 2006 |
|---|------------------|------------------|
| | £ | £ |
| Reported profit (loss) on ordinary activities before taxation | 1,551,282 | (320,445) |
| Realisation of valuation gains of previous periods | 4,130,694 | - |
| Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount | - | 46,264 |
| Historical cost profit (loss) on ordinary activities before taxation | <u>5,681,976</u> | <u>(274,181)</u> |
| Historical cost profit (loss) on ordinary activities after taxation | <u>4,758,034</u> | <u>(274,329)</u> |


SODESM PROPERTY LIMITED

BALANCE SHEET 31 December 2007

| | Note | 2007 £ | 2006 £ |
|---|------|------------------|------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | - | 7,000,000 |
| Investments | 10 | 558,843 | 558,843 |
| | | <u>558,843</u> | <u>7,558,843</u> |
| CURRENT ASSETS | | | |
| Debtors | | | |
| Due within one year | 11 | 9,494,608 | 5,657 |
| Due in more than one year | 11 | - | 104,350 |
| Cash at bank and in hand | | 32,967 | 202,688 |
| | | <u>9,527,575</u> | <u>312,695</u> |
| CREDITORS amounts falling due within one year | 12 | (7,210,594) | (208,749) |
| NET CURRENT ASSETS | | <u>2,316,981</u> | <u>103,946</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,875,824 | 7,662,789 |
| CREDITORS amounts falling due after more than one year | 13 | - | (5,414,305) |
| NET ASSETS | | <u>2,875,824</u> | <u>2,248,484</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 2 | 2 |
| Profit and loss account | 15 | 2,875,822 | (1,882,212) |
| Revaluation reserve | 15 | - | 4,130,694 |
| TOTAL SHAREHOLDERS' FUNDS | 16 | <u>2,875,824</u> | <u>2,248,484</u> |

These financial statements were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors


 Director
 30 October 2008

SODESM PROPERTY LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2007**

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of leasehold property (see Tangible Fixed Assets below)

Cash flow statement

The company is a wholly-owned subsidiary of Power Corporation of Canada and is included in the consolidated financial statements of Power Corporation of Canada which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 "Cash Flow Statements"

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

Tangible fixed assets (except for the long leasehold property) are recognised at cost, less amounts written off over their expected useful lives

In accordance with Financial Reporting Standard No 15, long leasehold property is revalued every 5 years by an independent valuer. Interim valuations are carried out in the third year after the full valuation and in intervening years where it is likely that there has been a material change in value. Revaluation surpluses are transferred to a revaluation reserve and amounts transferred to the profit and loss account in equal instalments over the life of the asset in relation to the revaluation element of the annual depreciation charge.

Revaluation losses are recognised in the revaluation reserve until the carrying amount falls to depreciated historical cost, with the balance being recognised directly in the profit and loss account.

Profits and losses on disposal of land and buildings represent the difference between the net proceeds and the net carrying value at the date of sale. Sales are accounted for when there is an exchange of unconditional contracts.

Depreciation is provided on cost or valuation 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.

SODESM PROPERTY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2007

1 ACCOUNTING POLICIES (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

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. Turnover is recognised when the economic risks and rewards are transferred to Sodesm International Limited.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any emoluments for their services to the company in this year or the preceding financial year

| | 2007 £ | 2006 £ |
|--|---------------|---------------|
| Staff costs during the year | | |
| Wages and salaries | 27,622 | 26,869 |
| Social security costs | 13,215 | 14,751 |
| | <u>40,837</u> | <u>41,620</u> |
| Average number of persons employed: | No | No |
| Administration | <u>3</u> | <u>3</u> |

4. OPERATING PROFIT

| | 2007 £ | 2006 £ |
|--|---------------|--------------|
| Operating profit is after charging: | | |
| Depreciation | | |
| Owned assets | 104,999 | 104,999 |
| Auditors' remuneration | <u>14,095</u> | <u>6,463</u> |

SODESM PROPERTY LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2007**

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2007 £ | 2006 £ |
|--|-----------|-----------|
| Interest receivable from group companies | 535 | 156,008 |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2007 £ | 2006 £ |
|--|----------------|----------------|
| On bank loans and overdrafts | 11,402 | - |
| Interest payable to group undertakings | 373,924 | 505,014 |
| | <u>385,326</u> | <u>505,014</u> |

7. EXCEPTIONAL ITEMS

| | 2007 £ | 2006 £ |
|---|-----------|-----------|
| Profit on disposal of investment property | 1,922,108 | - |

Contracts exchanged on 30 November 2007 for the sale of Flat 4, 33 Chesham Place, London and Storage Vault 17, 30/37 Chesham Place for £9,000,000 Contractual completion date was 28 February 2008

8 TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES

| | 2007 £ | 2006 £ |
|--|----------------|------------|
| Current taxation | | |
| United Kingdom corporation tax at 30% (2006 - 30%) | 923,942 | - |
| Adjustment in respect of previous periods | - | 148 |
| Tax on profit (loss) on ordinary activities | <u>923,942</u> | <u>148</u> |

SODESM PROPERTY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

8. TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2006 - 30%)
The actual tax charge (credit) for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation

| | 2007 £ | 2006 £ |
|--|----------------|------------|
| Profit (loss) on ordinary activities before tax | 1,551,282 | (320,445) |
| Tax on profit (loss) on ordinary activities at standard rate | 465,385 | (96,134) |
| Factors affecting charge (credit) for the year | | |
| Permanent differences | 31,500 | 31,500 |
| Capital allowances in excess of depreciation | (59) | (79) |
| Utilisation of tax losses | (114,236) | - |
| Other timing differences in respect of revaluation | 971,071 | 64,713 |
| Indexation allowance | (429,719) | - |
| Adjustments to tax charge in respect of previous periods | - | 148 |
| Total actual amount of current tax | <u>923,942</u> | <u>148</u> |

Deferred tax

The deferred taxation asset not recognised in the accounts is as follows

| | 2007 £ | 2006 £ |
|--------------------------|------------|----------------|
| Other timing differences | <u>166</u> | <u>114,236</u> |

The deferred tax asset has not been recognised due to uncertainty over the availability of suitable future taxable profits

In March 2007 the UK government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. The legislation was substantially enacted in June 2007. The effective tax rate for any current tax charge for the year ended 31 December 2008 would be reduced accordingly.

SODESM PROPERTY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2007

9. TANGIBLE FIXED ASSETS

| | Long leasehold property £ | Fixtures, fittings and equipment £ | Total £ |
|---------------------------------|------------------------------------|--|-------------|
| Cost or valuation | | | |
| At 1 January 2007 | 7,000,000 | 794,324 | 7,794,324 |
| Disposals | (7,000,000) | (492,272) | (7,492,272) |
| At 31 December 2007 | - | 302,052 | 302,052 |
| Accumulated depreciation | | | |
| At 1 January 2007 | - | 794,324 | 794,324 |
| Charge in year | 104,999 | - | 104,999 |
| On disposals | (104,999) | (492,272) | (597,271) |
| At 31 December 2007 | - | 302,052 | 302,052 |
| Net book value | | | |
| At 31 December 2007 | - | - | - |
| At 31 December 2006 | 7,000,000 | - | 7,000,000 |

The long leasehold property was last revalued on 31 December 2006 by qualified professional valuers, being members of the Royal Institute of Chartered Surveyors, working for Chesterfield Chartered Surveyors, acting in the capacity of External Valuers. The property was valued on an open market basis in accordance with the RICS Appraisal and Valuation Manual.

On 30 November 2007 contracts were exchanged for the sale of the above property. Contractual completion date was 28 February 2008.

If the long leasehold property had not been included at valuation they would have been included under the historical cost convention as follows:

| | 2007 £ | 2006 £ |
|---|-------------|-----------|
| Long leasehold property | | |
| At cost | 3,549,222 | 3,549,222 |
| Aggregate depreciation | (733,154) | (679,916) |
| Disposals | (2,816,068) | - |
| Net book value based on historical cost | - | 2,869,306 |

SODESM PROPERTY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

10. INVESTMENTS HELD AS FIXED ASSETS

| | Antiques £ |
|--|---------------|
| Cost | |
| At 1 January 2007 and 31 December 2007 | 587,600 |
| Provision for impairment in value | |
| At 1 January 2007 and 31 December 2007 | 28,757 |
| Net book value | |
| At 31 December 2006 and 31 December 2007 | 558,843 |

11. DEBTORS

| | 2007 £ | 2006 £ |
|-------------------------------------|------------------|--------------|
| Due within one year | | |
| Amounts due from group undertakings | 489,915 | - |
| Share capital unpaid | 2 | 2 |
| Other debtors | 9,000,000 | - |
| Prepayments and accrued income | 4,691 | 5,655 |
| | <u>9,494,608</u> | <u>5,657</u> |
| Due in more than one year | | |
| Amounts due from group undertakings | - | 104,350 |

Amounts due from group undertakings are not secured and have no set repayment terms. Interest is charged on the balance at a rate of Bank of England base rate +1%

Other debtors relate to proceeds from the sale of the long leasehold property

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2007 £ | 2006 £ |
|-----------------------------------|------------------|----------------|
| Amounts due to group undertakings | 6,063,151 | - |
| Corporation tax payable | 923,942 | - |
| Accruals and deferred income | 223,501 | 208,749 |
| | <u>7,210,594</u> | <u>208,749</u> |

Amounts due to group undertakings are not secured. Interest is accrued on the balance at a rate of Bank of England base rate +1% and have no set repayment terms

SODESM PROPERTY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

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

| | 2007 | 2006 |
|-----------------------------------|------|-----------|
| | £ | £ |
| Amounts due to group undertakings | - | 5,414,305 |

Amounts due to group undertakings fall due after more than five years and are not secured Interest is charged on the balance at a rate of Bank of England base rate +1% The loan has been repaid during the year

14 CALLED UP SHARE CAPITAL

| | 2007 | 2006 |
|----------------------------------|------|------|
| | £ | £ |
| Authorised | | |
| 100 ordinary shares of £1 each | 100 | 100 |
| Called up, allotted and not paid | | |
| 2 ordinary shares of £1 each | 2 | 2 |

15. STATEMENT OF MOVEMENT IN RESERVES

| | Revaluation reserve £ | Profit and loss account £ | Total £ |
|--|-----------------------------|------------------------------------|------------|
| At 1 January 2007 | 4,130,694 | (1,882,212) | 2,248,482 |
| Profit for the year | - | 627,340 | 627,340 |
| Transfer between revaluation reserve and profit and loss account | (4,130,694) | 4,130,694 | - |
| At 31 December 2007 | - | 2,875,822 | 2,875,822 |

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2007 | 2006 |
|---|-----------|-----------|
| | £ | £ |
| Profit (loss) for the financial year | 627,340 | (320,593) |
| Other recognised gains and losses during the year | - | 1,863,749 |
| Net addition to shareholders' funds | 627,340 | 1,543,156 |
| Opening shareholders' funds | 2,248,484 | 705,328 |
| Closing shareholders' funds | 2,875,824 | 2,248,484 |

SODESM PROPERTY LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2007**

17. FINANCIAL COMMITMENTS

The company's principal financial assets are the bank balance and the inter-company loans to a fellow subsidiary. The credit risk on the bank balance on liquid funds is limited because counterparties are banks with high credit ratings assigned by international credit rating agencies.

18. 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.

19. 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.

The directors of the company, Robert H Stuart and Anthony J Thompson are partners in Withers LLP, a firm of lawyers. During the year, Withers LLP charged Sodesm Property Limited £79,494 (2006 - £41,949) for management services. At 31 December 2007, the amount due to Withers LLP was £33,178 (2006 - £10,000).