

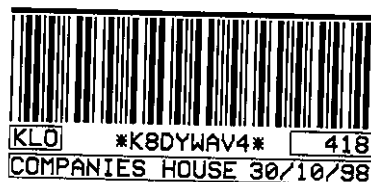


**SODESM PROPERTY LTD**  
**(formerly Power Corporation Property Ltd)**

**Report and Financial Statements**

**31 December 1997**

**Deloitte & Touche.**  
**Hill House**  
**1 Little New Street**  
**London EC4A 3TR**





**REPORT AND FINANCIAL STATEMENTS 1997**

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**REPORT AND FINANCIAL STATEMENTS 1997**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Adrian J Pink

John A Rae – resigned 30 April 1997

Anthony Thompson – appointed 29 April 1997

**SECRETARY**

Temple Secretarial Limited

**REGISTERED OFFICE**

12 Gough Square

London

EC4A 3DE

**BANKERS**

C Hoare & Co

37 Fleet Street

London

EC4P 4DQ

**SOLICITORS**

Withers & Co

12 Gough Square

London

EC4A 3DE

**AUDITORS**

Deloitte & Touche

Chartered Accountants

Hill House

1 Little New Street

London EC4A 3TR



## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

### **ACTIVITIES**

The company's principal activity is the funding of property development in the United Kingdom.

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The company was incorporated under the name of Power Corporation Property Limited and changed its name on 1 July 1998, to SODESM Property Limited. Although the company has made a loss for the year, the directors are optimistic about generating turnover in future years.

### **DIVIDENDS AND TRANSFERS FROM RESERVES**

The results for the year are set out in detail on page 5. The directors do not recommend the payment of a dividend and the retained loss for the year £670,002 (1996: £84,790) has been transferred from reserves.

### **DIRECTORS AND THEIR INTERESTS**

The directors shown on page 1, who served during the year, did not hold any shares in this or other group companies at either the beginning or end of the year.

### **AUDITORS**

Deloitte & Touche 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 1998



## **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 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.



## AUDITORS' REPORT TO THE MEMBERS OF

### SODESM PROPERTY LTD (formerly Power Corporation Property Ltd)

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

#### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of opinion

We conducted our audit in accordance with 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 at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

30 October 1998



**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1997**

	Note	1997 £	1996 £
Administrative expenses		(567,749)	(219,399)
<b>OPERATING LOSS: continuing operations</b>	3	(567,749)	(219,399)
Profit on sale of freehold property	4	-	253,350
Interest receivable and similar income		6,081	45,961
Interest payable and similar charges	5	(106,419)	(91,170)
		(100,338)	(45,209)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(668,087)	(11,258)
Tax on loss on ordinary activities	6	(1,915)	(73,532)
<b>LOSS FOR THE FINANCIAL YEAR</b>		(670,002)	(84,790)
Accumulated losses brought forward		(84,790)	-
Accumulated losses carried forward		(754,792)	(84,790)

There are no recognised gains or losses for the current financial year and the preceding financial year other than as stated in the profit and loss account.



**BALANCE SHEET**  
**31 December 1997**

	Note	1997 £	1996 £
<b>FIXED ASSETS</b>			
Tangible assets	7	4,102,376	4,244,925
Investments	8	478,941	508,760
		<u>4,581,317</u>	<u>4,753,685</u>
<b>CURRENT ASSETS</b>			
Debtors	9	25,427	3,938
Cash at bank and in hand		52,257	320,522
		<u>77,684</u>	<u>324,460</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(5,413,791)</u>	<u>(5,162,933)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(5,336,107)</u>	<u>(4,838,473)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(754,790)</u>	<u>(84,788)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	2	2
Profit and loss account		<u>(754,792)</u>	<u>(84,790)</u>
<b>TOTAL EQUITY SHAREHOLDER'S DEFICIT</b>	12	<u>(754,790)</u>	<u>(84,788)</u>

These financial statements were approved by the Board of Directors on 30 OCTOBER 1998.

Signed on behalf of the Board of Directors

  
Director





**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**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
Motor vehicles	33 $\frac{1}{3}$ % per annum
Fixtures, fittings, and equipment	25% per annum

**Investments**

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

**Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1997 £	1996 £
<b>Directors' remuneration</b>		
Emoluments (excluding pension contributions)	-	-
	<hr/>	<hr/>
	1997 £	1996 £
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	18,622	-
Social security costs	1,590	-
	<hr/>	<hr/>
	20,212	-
	<hr/>	<hr/>

There was only one employee employed during the year (1996 – none).



# **NOTES TO THE ACCOUNTS**

**Year ended 31 December 1997**

## **3. OPERATING LOSS**

	1997 £	1996 £
<b>Operating loss is after charging:</b>		
Depreciation		
Owned assets	217,957	39,195
Leased assets	53,377	-
Auditors' remuneration	7,714	4,500

## **4. EXCEPTIONAL ITEMS**

	1997 £	1996 £
Profit on sale of freehold property	-	253,350

## **5. INTEREST PAYABLE**

	1997 £	1996 £
Bank loans and overdrafts	106,419	91,170

## **6. TAX ON LOSS ON ORDINARY ACTIVITIES**

	1997 £	1996 £
United Kingdom corporation tax at 31.5% (1996:33%)	1,915	73,532

## **7. TANGIBLE FIXED ASSETS**

	Long leasehold property £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 January 1997	3,414,147	117,586	752,387	4,284,120
Additions in year	136,802	-	(8,017)	128,785
At 31 December 1997	3,550,949	117,586	744,370	4,412,905
<b>Accumulated depreciation</b>				
At 1 January 1997	-	39,195	-	39,195
Charge in year	53,377	39,194	178,763	271,334
At 31 December 1997	53,377	78,389	178,763	310,529
<b>Net book value</b>				
At 31 December 1997	3,497,572	39,197	565,607	4,102,376
At 31 December 1996	3,414,147	78,391	752,387	4,244,925



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**8. INVESTMENTS HELD AS FIXED ASSETS**

	<b>Antiques £</b>
<b>Cost</b>	
At 1 January 1997	508,760
Additions in year	23,397
	<hr/>
At 31 December 1997	532,157
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<b>Provision for diminution in value</b>	
At 1 January 1997	-
Charge for year	53,216
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At 31 December 1997	53,216
	<hr/>
<b>Net book value</b>	
At 31 December 1997	478,941
	<hr/>
At 31 December 1996	508,760
	<hr/>

**9. DEBTORS**

	<b>1997 £</b>	<b>1996 £</b>
Amounts owed by fellow subsidiaries	21,998	-
Share capital unpaid	2	2
Prepayments and accrued income	3,427	3,936
	<hr/>	<hr/>
	25,427	3,938
	<hr/>	<hr/>

All amounts are due within one year.

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>1997 £</b>	<b>1996 £</b>
Bank loans and overdrafts	1,202,853	1,096,255
Amounts owed to group undertakings	4,170,476	3,320,476
Corporation tax	1,915	73,532
Other creditors	17,196	468,345
Accruals and deferred income	21,351	204,325
	<hr/>	<hr/>
	5,413,791	5,162,933
	<hr/>	<hr/>

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



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**11. CALLED UP SHARE CAPITAL**

	1997 £	1996 £
Authorised:		
100 ordinary shares of £1.00 each	100	100
Called up, allotted and not paid:		
2 ordinary shares of £1.00 each	2	2

**12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1997 £	1996 £
Loss attributable to members of the company	(670,002)	(84,790)
Opening shareholders' (deficit) / funds	(84,788)	2
Closing shareholders' deficit	(754,790)	(84,788)

**13. ULTIMATE PARENT COMPANY**

In the opinion of the directors, the ultimate parent company and controlling party of SODESM Property Ltd is Power Corporation of Canada, a company incorporated under Canadian law. Group accounts are available from 751 Victoria Square, Montreal H2Y 2J3, Canada.

**14. RELATED PARTY INTEREST**

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.



## **ADDITIONAL INFORMATION**

The additional information on pages 12 to 14 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.


**TRADING PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1997**

	Note	1997 £	1996 £
<b>OVERHEAD EXPENSES</b>			
Office	1	21,130	458
Establishment	2	324,651	128,519
Travel and subsistence	3	3,710	-
Motor	4	47,863	39,195
General	5	117,179	51,227
Financial	6	159,635	91,170
		<u>674,168</u>	<u>310,569</u>
<b>NET TRADING LOSS FOR THE YEAR</b>		<b>(674,168)</b>	<b>(310,569)</b>
<b>ADD: OTHER INCOME</b>			
Interest receivable and similar income	7	6,081	45,961
<b>EXCEPTIONAL ITEMS</b>	8	<u>-</u>	<u>253,350</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b><u>(668,087)</u></b>	<b><u>(11,258)</u></b>


**NOTES TO THE TRADING PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1997**

	1997 £	1996 £
<b>1. OFFICE EXPENSES</b>		
Staff costs:		
Wages and salaries	18,622	-
Employers NI	1,590	-
Telephone	918	458
	<u>21,130</u>	<u>458</u>
<b>2. ESTABLISHMENT EXPENSES</b>		
Service charges	31,700	30,999
General rates	1,026	3,542
Aborted property development	-	20,272
Light and heat	1,312	1,400
Household goods	387	36,211
Rent	38,000	32,755
Property repairs and maintenance	20,086	-
Other expenses	-	3,340
Depreciation on premises	53,377	-
Depreciation on furniture and fittings	178,763	-
	<u>324,651</u>	<u>128,519</u>
<b>3. TRAVEL AND SUBSISTENCE EXPENSES</b>		
Travel expense	<u>3,710</u>	<u>-</u>
<b>4. MOTOR EXPENSES</b>		
Motor expenses	8,669	-
Depreciation on motor vehicles	39,194	39,195
	<u>47,863</u>	<u>39,195</u>
<b>5. GENERAL EXPENSES</b>		
General insurance	8,788	146
Legal	95,409	43,976
Audit and accountancy	12,803	4,500
Bank charges	179	5,085
Sundry income	-	(2,480)
	<u>117,179</u>	<u>51,227</u>



**NOTES TO THE TRADING PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1997**

	1997 £	1996 £
<b>6. FINANCIAL EXPENSES</b>		
Interest payable		
Bank overdraft	106,419	91,170
Investment provisions	53,216	-
	<u>159,635</u>	<u>91,170</u>
<b>7. INTEREST RECEIVABLE AND SIMILAR INCOME</b>		
Bank interest	<u>6,081</u>	<u>45,961</u>
<b>8. EXCEPTIONAL ITEMS</b>		
Profit on sale of freehold property	<u>-</u>	<u>253,350</u>