



**SODESM PROPERTY LIMITED**  
**(formerly Power Corporation Property**  
**Limited)**

**Report and Financial Statements**

**31 December 1998**

**Deloitte & Touche**  
**Leda House**  
**Station Road**  
**Cambridge CB1 2RN**

**27/01/00**  
**AC10sp19**





**REPORT AND FINANCIAL STATEMENTS 1998**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Auditors' report</b>	<b>3</b>
<b>Profit and loss account</b>	<b>4</b>
<b>Balance sheet</b>	<b>5</b>
<b>Notes to the accounts</b>	<b>6</b>



**REPORT AND FINANCIAL STATEMENTS 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Adrian J Pink  
Anthony J Thompson

**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  
Leda House  
Station Road  
Cambridge  
CB1 2RN

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

**ACTIVITIES**

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

**REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The company changed its name from Power Corporation Property Limited on 1 July 1998 to SODESM Property Limited. Although the company has made a loss for the year, the directors are optimistic regarding future prospects.

**DIVIDENDS**

The directors do not recommend the payment of a dividend.

**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 1998 or at any time during the year.

**YEAR 2000**

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the Year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business. However the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not anticipated to be significant.

**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.

**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.

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

Director

ANTHONY J THOMPSON

27/1/2000



## AUDITORS' REPORT TO THE MEMBERS OF SODESM PROPERTY LIMITED (formerly Power Corporation Property Limited)

We have audited the financial statements on pages 4 to 10 which have been prepared under the accounting policies set out on page 6.

### Respective responsibilities of directors and auditors

As described on page 2 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 as at 31 December 1998 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

28 JANUARY 2000

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1998**

	Note	1998 £	1997 £
Turnover		225,000	-
Administrative expenses		494,929	514,533
<b>OPERATING LOSS</b>	4	<u>(269,929)</u>	<u>(514,533)</u>
Amounts written off investments	8	(56,516)	(53,216)
Interest receivable and similar income		310	6,081
Interest payable and similar charges	5	<u>(112,505)</u>	<u>(106,419)</u>
		<u>(168,711)</u>	<u>(153,554)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(438,640)	(668,087)
Tax on loss on ordinary activities	6	<u>161</u>	<u>(1,915)</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u>(438,479)</u>	<u>(670,002)</u>
Accumulated losses brought forward		<u>(754,792)</u>	<u>(84,790)</u>
Accumulated losses carried forward		<u><u>(1,193,271)</u></u>	<u><u>(754,792)</u></u>

All activities derive from continuing operations.

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 1998**

	Note	1998 £	1997 £
<b>FIXED ASSETS</b>			
Tangible assets	7	3,840,780	4,102,376
Investments	8	470,800	478,941
		<u>4,311,580</u>	<u>4,581,317</u>
<b>CURRENT ASSETS</b>			
Debtors	9	395,234	25,427
Cash at bank and in hand		30,088	52,256
		<u>425,322</u>	<u>77,683</u>
<b>CREDITORS: amounts falling due within one year</b>	10	5,930,171	5,413,790
<b>NET CURRENT LIABILITIES</b>		<u>(5,504,849)</u>	<u>(5,336,107)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(1,193,269)</u>	<u>(754,790)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	2	2
Profit and loss account		<u>(1,193,271)</u>	<u>(754,792)</u>
<b>TOTAL EQUITY SHAREHOLDER'S DEFICIT</b>		<u>(1,193,269)</u>	<u>(754,790)</u>

These financial statements were approved by the Board of Directors on 27 / 1 / ~~1999~~ 2000

Signed on behalf of the Board of Directors

  
Director  
ANTHONY S THOMPSON



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**

**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 <sup>1</sup> / <sub>3</sub> % 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 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.

**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 Ltd. The turnover, all of which arises in the United Kingdom, is attributable to the company's principal activity.

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1998 £	1997 £
<b>Directors' remuneration</b>		
Emoluments (excluding pension contributions)	-	-
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	25,000	18,622
Social security costs	2,500	1,590
	<u>27,500</u>	<u>20,212</u>
	No	No
<b>Number of persons employed:</b>		
Administration	<u>3</u>	<u>3</u>





**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**

**4. OPERATING LOSS**

	1998 £	1997 £
<b>Operating loss is after charging:</b>		
Depreciation		
Owned assets	285,845	271,333
Rentals under operating leases		
Land and buildings	40,320	38,000
Auditors' remuneration	7,394	7,714
	<u>          </u>	<u>          </u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	1998 £	1997 £
Bank loans and overdrafts	<u>112,505</u>	<u>106,419</u>

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

	1998 £	1997 £
United Kingdom corporation tax at 31.5% (1997 - 31.5%) based on loss for the year	-	1,915
Corporation tax repayable	<u>(161)</u>	<u>-</u>
	<u>(161)</u>	<u>1,915</u>

No corporation tax is due in respect of the year to 31 December 1998 as a result of the losses incurred.

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

	<b>Provided</b>		<b>Unprovided</b>	
	1998 £	1997 £	1998 £	1997 £
Revenue losses	<u>-</u>	<u>-</u>	<u>(143,599)</u>	<u>-</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**

**7. TANGIBLE FIXED ASSETS**

	<b>Long leasehold property £</b>	<b>Motor vehicles £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 January 1998	3,550,948	117,586	744,370	4,412,904
Additions in year	(1,726)	-	46,785	45,059
Disposals in year	-	(117,586)	-	(117,586)
At 31 December 1998	<u>3,549,222</u>	<u>-</u>	<u>791,155</u>	<u>4,340,377</u>
<b>Accumulated depreciation</b>				
At 1 January 1998	53,376	78,389	178,763	310,528
Charge in year	70,914	18,387	196,544	285,845
Disposals in year	-	(96,776)	-	(96,776)
At 31 December 1998	<u>124,290</u>	<u>-</u>	<u>375,307</u>	<u>499,597</u>
<b>Net book value</b>				
At 31 December 1998	<u>3,424,932</u>	<u>-</u>	<u>415,848</u>	<u>3,840,780</u>
At 31 December 1997	<u>3,497,572</u>	<u>39,197</u>	<u>565,607</u>	<u>4,102,376</u>

**8. INVESTMENTS HELD AS FIXED ASSETS**

	<b>Antiques £</b>
<b>Cost</b>	
At 1 January 1998	532,157
Additions in year	79,000
Disposals in year	(35,000)
At 31 December 1998	<u>576,157</u>
<b>Provision for impairment in value</b>	
At 1 January 1998	53,216
Increase	56,516
Disposals in year	(4,375)
At 31 December 1998	<u>105,357</u>
<b>Net book value</b>	
At 31 December 1998	<u>470,800</u>
At 31 December 1997	<u>478,941</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**

**9. DEBTORS**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Amounts owed by fellow subsidiaries	388,141	21,998
Share capital unpaid	2	2
Prepayments and accrued income	7,091	3,427
	<u>395,234</u>	<u>25,427</u>

All amounts are due within one year.

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

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Bank overdraft	1,112,548	1,202,853
Amounts owed to group undertakings	4,773,366	4,170,476
Corporation tax	1,915	1,915
Other creditors	17,196	17,196
Accruals and deferred income	25,146	21,350
	<u>5,930,171</u>	<u>5,413,790</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. CALLED UP SHARE CAPITAL**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Authorised:		
100 ordinary shares of £1 each	100	100
Called up, allotted and not paid:		
2 ordinary shares of £1 each	2	2



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**

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

	1998 £	1997 £
Loss attributable to members of the company	(438,479)	(670,002)
Opening shareholders' funds	<u>(754,790)</u>	<u>(84,788)</u>
Closing shareholders' funds	<u><u>(1,193,269)</u></u>	<u><u>(754,790)</u></u>

**13. OPERATING LEASE COMMITMENTS**

At 31 December 1998 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 1998 £	1997 £
Leases which expire:		
Within one year	34,650	-
Within two to five years	<u>-</u>	<u>40,500</u>
	<u><u>34,650</u></u>	<u><u>40,500</u></u>

**14. ULTIMATE PARENT COMPANY**

In the opinion of the directors, the ultimate parent company and controlling party of SODESM Property Limited is Power Corporation of Canada, a company incorporated under Canadian law.

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

**15. 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.