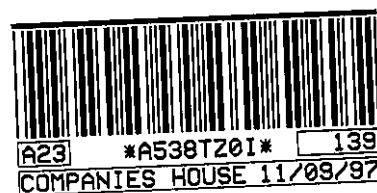


MELROSE FILM PRODUCTIONS LIMITED

FINANCIAL STATEMENTS

for the year ended 31 December 1996

COMPANY NUMBER 1337265

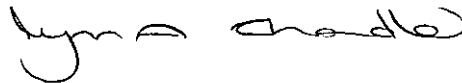


NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Melrose Film Productions Limited will be held on 11 April 1997 at 10.30 am at 16 Bromells Road for the following purposes:

1. To receive, approve and adopt the accounts for the year ended 31 December 1996 together with the reports of the directors and auditors.
2. To re-appoint Ernst & Young as auditors and to authorise the directors to fix their remuneration.
3. To transact any other ordinary business of the company.

By Order of the Board



LYNN A CHANDLER
Secretary

14 March 1997

16 Bromells Road
LONDON
SW4 0BL

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of the company for the year to 31 December 1996.

Results and dividends

The profit and loss account for the year to 31 December 1996 shows a profit after tax of £236,276 (1995 - £388,171). An interim dividend of £11.88 per share was paid during the year, amounting to £120,000 (1995 - £300,071), which leaves a profit of £116,276 (1995 - £88,100) to be retained. The directors do not recommend the payment of a final dividend.

Principal activity and review of the business

The company's principal activity continued to be the production and distribution of training films and video-based training packages.

Future developments

The company is well placed to build on its past success and take full advantage of opportunities as they arise.

Fixed assets

Details of the movements in fixed assets are shown in note 10 to these accounts.

Parent undertaking

The company's ultimate parent undertaking is BPP Holdings plc, a company registered in England and listed on the London Stock Exchange.

Directors' and their interests

The directors who served during the year were:

R R Price	(appointed 12 August 1996)
C C L Prior	
R Y Roxburgh	(resigned 12 August 1996)


The directors did not have any interest in the shares of the company at either 31 December 1995 or 31 December 1996.

Mr R R Price and Mr C C L Prior are directors of the immediate parent undertaking and ultimate parent undertaking. Accordingly the interests of the directors in the share capital of these companies are disclosed in those companies' accounts.

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be put to the members at the Annual General Meeting.

By Order of the Board


Richard Price
Director
11 April 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, 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 accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT

TO THE MEMBERS OF MELROSE FILM PRODUCTIONS LIMITED

We have audited the financial statements on pages 5 to 18 on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 evidence and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

ERNST & YOUNG
Chartered Accountants
Registered Auditor

London, 11 April 1997

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £	1995 £
Turnover	2	4,465,743	4,525,279
Cost of sales		<u>(3,010,780)</u>	<u>(2,936,427)</u>
		1,454,963	1,588,852
Distribution costs and administrative expenses		<u>(1,060,341)</u>	<u>(1,054,240)</u>
Operating profit	3	394,622	534,612
Dividend from subsidiary undertaking		-	298,954
Write off of investment in subsidiary undertaking		-	(298,954)
Interest receivable	6	33,493	60,371
Interest payable	7	<u>(28,564)</u>	<u>(2,705)</u>
Profit on ordinary activities before taxation		399,551	592,278
Tax on profit on ordinary activities	8	<u>(163,275)</u>	<u>(204,107)</u>
Profit on ordinary activities after taxation		236,276	388,171
Dividends	9	<u>(120,000)</u>	<u>(300,071)</u>
Retained profit for the year	18	<u>116,276</u>	<u>88,100</u>

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £236,276 in the year ended 31 December 1996.

In the year ended 31 December 1995 the total recognised gains relating to the year were £388,171, goodwill of £298,954 was written off directly against reserves during the year. The net recognised gains, before dividends, for the year was £89,217.

The notes on pages 10 to 18 form part of these accounts

BALANCE SHEET**AT 31 DECEMBER 1996**

	Notes	1996	1995
		£	£
Fixed Assets			
Tangible assets	10	963,006	1,137,998
Investment in subsidiary undertakings	11	36,277	36,277
		<u>999,283</u>	<u>1,174,275</u>
Current Assets			
Stocks and work-in-progress	12	633,400	703,280
Debtors	13	1,726,516	1,530,548
Cash at bank and in hand		-	34,883
		<u>2,359,916</u>	<u>2,268,711</u>
Creditors: amounts falling due within one year	14	<u>(840,664)</u>	<u>(848,456)</u>
Net Current Assets		<u>1,519,252</u>	<u>1,420,255</u>
Total Assets less Current Liabilities		<u>2,518,535</u>	<u>2,594,530</u>
Provision for Liabilities and Charges			
Deferred Consideration	15	(142,974)	(257,779)
Deferred Taxation	16	<u>(6,884)</u>	<u>(84,350)</u>
		<u>(149,858)</u>	<u>(342,129)</u>
		<u>2,368,677</u>	<u>2,252,401</u>
Capital and Reserves			
Called Up Share Capital	17	10,100	10,100
Profit and Loss Account	18	<u>2,358,577</u>	<u>2,242,301</u>
		<u>2,368,677</u>	<u>2,252,401</u>



Richard R Price

Director

11 April 1997

The notes on pages 10 to 18 form part of these accounts

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1996

	1996	1995
	£	£
<i>Net cash inflow from operating activities</i>	908,429	1,360,799
<i>Returns on investments and servicing of finance</i>		
Interest received	33,493	60,371
Interest paid	(51)	(122)
<i>Net cash outflow from returns on investments and servicing of finance</i>	33,442	60,249
<i>Taxation</i>		
Overseas taxation paid	(20,166)	(21,963)
UK Corporation tax refunded		2,670
UK Corporation tax paid	(158,288)	(209,861)
<i>Tax paid</i>	(178,454)	(229,154)
<i>Capital Expenditure</i>		
Payments for fixed assets	(692,865)	(818,173)
Payments for investments		(72,842)
Proceeds from sale of fixed assets	44,500	11,335
Deferred consideration paid for Monitor Training Limited	(143,319)	
<i>Net cash outflow from capital expenditure</i>	(791,684)	(879,680)
<i>Equity Dividends paid</i>	(120,000)	(300,071)
	(120,000)	(300,071)
<i>(Decrease)/Increase in cash</i>	(148,267)	12,143
<i>Reconciliation of net cash flow to movement in net debt</i>		
(Decrease)/Increase in cash in the period	(148,267)	12,143
Net funds at 1 January 1996	34,883	22,740
Net funds at 31 December 1996	(113,384)	34,883

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1996

(a) *Reconciliation of operating profit to net cash inflows from operating activity*

	1996 £	1995 £
Operating profit	394,622	534,612
Depreciation	832,503	684,037
Profit on disposal of fixed assets	(9,145)	(3,997)
Decrease/(Increase) in stocks and work-in-progress	69,880	(246,506)
Decrease/(Increase) in debtors	160,625	(78,710)
Decrease/(Increase) in loan to parent undertaking	(356,075)	330,065
Increase in current account with subsidiary undertaking	(518)	(706)
(Decrease)/Increase in creditors	<u>(183,463)</u>	<u>142,004</u>
	<u>908,429</u>	<u>1,360,799</u>

(b) *Expenditure on films*

Expenditure on production of films made by the company has been included as purchase of fixed assets and disclosed as an outflow of funds from investing activities. The movement in work-in-progress has been included as an adjustment to operating profit. For information, the net movement on production of films is as follows:

	1996 £	1995 £
Expenditure on films capitalised in the period	544,787	673,180
(Decrease)/Increase in work-in-progress	<u>(62,144)</u>	<u>129,779</u>
Net increase in carrying value of films	<u>482,643</u>	<u>802,959</u>

(c) *Cash and cash equivalents at balance sheet date*

	1996 £	1995 £
Cash in hand and at bank	<u>(113,384)</u>	<u>34,883</u>

(d) *Analysis of changes in net debt*

	At 1 Jan 1996	Cash Flows	At 31 Dec 1996
Cash in hand, at bank	34,883	(34,883)	-
Net cash inflow/(outflow)	<u>-</u>	<u>(113,384)</u>	<u>(113,384)</u>
	<u>34,883</u>	<u>(148,267)</u>	<u>(113,384)</u>

CASH FLOW STATEMENT

(e) *Purchase of subsidiary undertaking and transfer of business*

	1996 £	1995 £
<i>Net assets acquired</i>		
Fixed assets	-	17,912
Stock	-	9,786
Cash	-	7,193
Creditors	-	(7,314)
Tax recoverable	-	8,700
Goodwill	-	298,954
	<u>-</u>	<u>335,231</u>
<i>Satisfied by</i>		
Cash paid	-	80,035
Creditor movement	-	257,779
Notional interest charge in accordance with FRS 7	-	(2,583)
	<u>-</u>	<u>335,231</u>

(f) *Analysis of the outflow of cash and cash equivalents in respect of purchase of subsidiary undertaking and transfer of business*

	£	£
Cash paid	-	80,035
Cash acquired	-	(7,193)
Net cash outflow	<u>-</u>	<u>72,842</u>

The notes on pages 10 to 18 form part of these accounts

NOTES TO THE ACCOUNTS

AT 31 DECEMBER 1996

1. Accounting policies

(a) *Accounting convention*

The accounts have been prepared under the historical convention modified to include the revaluation of freehold land and buildings in accordance with applicable Accounting Standards.

(b) *Tangible fixed assets*

Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	-	over 50 years
Films	-	over 30 months
Equipment	-	over 5 years
Motor vehicles	-	over 5 years

(c) *Deferred government grants*

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit evenly over the expected useful lives of the relevant assets.

Grants of a revenue nature are credited to income in the period to which they relate.

(d) *Stocks*

Stocks are stated at the lower of cost and net realisable value as follows:

Raw materials	-	purchase cost on a first-in, first-out basis
Work-in-progress and finished goods	-	costs of direct material and labour incurred in the production of training films

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

(e) *Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences expected to give rise to taxation liabilities in the foreseeable future. No credit is taken for reversal of differences which will give rise to reduced taxation liabilities in future years unless such reversals can be predicted with reasonable certainty.

(f) *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date.

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)**(g) Leasing and hire purchase commitments**

Assets acquired under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful life.

The interest element of rental obligations is charged to the profit and loss account over the period of the lease using the sum of digits method.

Rentals paid under operating leases are charged to profit on a straight line basis over the lease term.

(h) Group accounts

The company is not obliged to prepare group accounts in accordance with s.228 of the Companies Act 1985, as it is subsidiary undertaking of BPP Holdings plc, a company incorporated in England & Wales.

2. Turnover

Turnover represents the invoiced amount of goods and services provided during the period from continuing operations, stated net of value added tax.

No segmental analysis of turnover, profit on ordinary activities and net assets is presented since, in the opinion of the directors, such disclosure would be seriously prejudicial to the interest of the company.

3. Operating profit

Profit is stated after charging the following items:

	1996 £	1995 £
Depreciation	832,503	684,037
Distribution expenses	723,414	695,425
Auditors' remuneration		
- audit	15,398	14,000
- other services	-	2,800
Directors' remuneration	105,279	84,892
Operating lease rentals		
- plant and machinery	9,967	9,352
- leasehold property	90,000	90,000
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

4. Employees

Staff costs during the year amounted to:

	1996 £	1995 £
Wages and salaries	928,350	869,877
Social security costs	83,880	53,176
Other pension costs	11,607	37,872
	<u>1,023,837</u>	<u>960,925</u>
	Number	Number
The average number of employees during the year was:	38	39

5. Directors' emoluments

	1996 £	1995 £
Directors' remuneration		
(including pension contributions)	56,337	84,892
Compensation for loss of office	48,942	-
	<u>105,279</u>	<u>84,892</u>

On 12 August 1996 R Roxburgh resigned as a director of BPP Holdings plc and the service agreement between R Roxburgh and Melrose Film Productions Limited relating to his employment as a director and employee of that company was terminated. Compensation for loss of office, in accordance with the terms of R Roxburgh's service contract, was paid.

The emoluments, excluding pension contributions and compensation for loss of office, of the chairman who was also the highest paid director were:

Chairman and highest paid director	45,392	67,360
	Number	Number

The emoluments of the directors, excluding pension contributions, fell within the following ranges:

£ 0 - £ 5,000	2	2
£ 45,001 - £ 50,000	1	-
£ 65,001 - £ 70,000	-	1
£ 85,001 - £ 90,000	-	1

6. Interest receivable

	1996 £	1995 £
Interest on loan to ultimate parent undertaking	33,493	60,252
Bank deposits	-	117
	<u>33,493</u>	<u>60,371</u>

NOTES TO THE ACCOUNTS

7. Interest payable

	1996 £	1995 £
Interest on bank overdrafts	51	122
Notional interest charge arising on acquisition of subsidiary in accordance with FRS 7 requirements	28,513	2,583
	<u>28,564</u>	<u>2,705</u>

8. Tax on profit on ordinary activities

	1996 £	1995 £
Based on profit for the year		
Corporation tax @ 33%	240,846	180,250
Deferred taxation	(77,466)	24,000
	<u>163,380</u>	<u>204,250</u>
Double taxation relief	(20,166)	(21,963)
	<u>143,214</u>	<u>182,287</u>
Overseas taxation	20,166	21,963
Taxation over provided in previous years	(105)	(143)
	<u>163,275</u>	<u>204,107</u>

9. Dividends

	1996 £	1995 £
Paid in the year	<u>120,000</u>	<u>300,071</u>

NOTES TO THE ACCOUNTS

10. Tangible fixed assets

	Films	Equipme nt	Motor vehicles	Freehold buildings	Total
	£	£	£	£	£
Cost:					
At 1 January 1996	5,029,675	723,613	145,546	34,585	5,933,419
Additions	544,787	55,890	92,188	-	692,865
Disposals	-	(1,000)	(92,735)	-	(93,735)
At					
31 December 1996	<u>5,574,462</u>	<u>778,503</u>	<u>144,999</u>	<u>34,585</u>	<u>6,532,549</u>
Depreciation:					
At 1 January 1996	4,165,941	523,939	96,953	8,588	4,795,421
Provided during the year	738,907	68,985	23,919	692	832,503
Disposals	-	(1,000)	(57,381)	-	(58,381)
At					
31 December 1996	<u>4,904,848</u>	<u>591,924</u>	<u>63,491</u>	<u>9,280</u>	<u>5,569,543</u>
Net book value:					
31 December 1996	<u>669,614</u>	<u>186,579</u>	<u>81,508</u>	<u>25,305</u>	<u>963,006</u>
1 January 1996	<u>863,734</u>	<u>199,674</u>	<u>48,593</u>	<u>25,997</u>	<u>1,137,998</u>

11. Investment in subsidiary undertakings

	£
Cost	
At 1 January 1996	342,731
Additions in year	-
At December 1996	<u>342,731</u>
Amounts provided	
At 1 January 1996	306,454
Provided in year	-
At December 1996	<u>306,454</u>
Net book value	
At 31 December 1996	<u>36,277</u>
At 1 January 1996	<u>36,277</u>

NOTES TO THE ACCOUNTS

11. Investment in subsidiary undertakings (continued)

The company holds more than 10% of the equity share capital of the following company:

Name of company	Country of registration	Holding	Proportion held	Nature of business
Melrose Mitchell Limited	England	Ordinary shares	75%	Management training
Monitor Training Limited	England	Ordinary shares	100%	Video training

On 1 June 1995 the company acquired 100% of the issued share capital of Monitor Training Limited for £335,231 (including costs and the discounted value of future payments). The maximum consideration payable is £375,000, the final payment under the acquisition agreement is likely to be in 2001. In accordance with FRS 7 the net present value of the future payments has been provided for in these accounts.

Details of the net assets acquired are given in note 19 to the accounts.

12. Stocks and work in progress

	1996 £	1995 £
Work-in-progress	244,219	306,363
Finished goods and hire stock	389,181	396,917
	<u>633,400</u>	<u>703,280</u>

13. Debtors

	1996 £	1995 £
Trade debtors	470,646	625,874
Parent undertaking	1,044,382	688,307
Corporation tax recoverable	-	6,030
Subsidiary undertaking	4,724	4,206
Prepayments and accrued income	205,342	205,712
Other debtors	1,422	419
	<u>1,726,516</u>	<u>1,530,548</u>

Amounts due from subsidiary undertaking include £3,500 of unsecured loan notes without a specific repayment period, bearing no interest, to Melrose Mitchell Limited.

NOTES TO THE ACCOUNTS

14. Creditors: amounts falling due within one year

	1996 £	1995 £
Bank overdraft	113,384	-
Trade creditors	105,254	329,571
Other taxes and social security costs	86,288	42,112
Corporation tax	190,574	158,287
Due to subsidiary undertaking	36,277	36,277
Accruals and sundry creditors	278,887	282,209
Advance Corporation Tax	30,000	-
	<u>840,664</u>	<u>848,456</u>

15. Deferred consideration

	1996 £	1995 £
Deferred consideration in respect of the acquisition of Monitor Training Limited (see note 19)	<u>142,974</u>	<u>257,779</u>

16. Deferred taxation

Deferred taxation provided in the accounts is as follows:

	1996 £	1995 £
Potential and provided		
Capital allowances in advance of depreciation	6,884	84,350
Other timing differences	-	-
	<u>6,884</u>	<u>84,350</u>

17. Share capital

	1996 Number	1995 Number
Authorised number of ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
	£	£
Allotted, called up and fully paid ordinary shares of £1	<u>10,100</u>	<u>10,100</u>

NOTES TO THE ACCOUNTS

18. Reconciliation of shareholders' funds and movements on reserves

	Share capital £	Profit and loss account £	Total £
At 1 January 1995	10,100	2,453,155	2,463,255
Profit for the year	-	388,171	388,171
Goodwill written off	-	(298,954)	(298,954)
Dividend	-	(300,071)	(300,071)
At 1 January 1996	10,100	2,242,301	2,252,401
Profit for the year	-	236,276	236,276
Goodwill written off	-	-	-
Dividend	-	(120,000)	(120,000)
At 31 December 1996	10,100	2,358,577	2,368,677

19. Goodwill and deferred consideration payable

On 1 June 1995 the company acquired 100% of the issued share capital of Monitor Training Limited for £335,231 (including deferred consideration and costs). The business, including all net tangible assets, of Monitor Training Limited was then transferred to the company. On 31 December 1995 a dividend of £298,954 was declared by Monitor Training Limited. Following these transactions the investment in Monitor was written down by £298,954, this representing the difference between the carrying value of the investment and its underlying assets. The net tangible assets at the date of acquisition and transfer were £36,277, leaving £298,954 to be treated as goodwill.

The total consideration payable was £375,000 of which £212,717 had been paid by 31 December 1996. The balance of the consideration payable consists of one fixed payment of £62,500 in June 1997. The remainder of the consideration is a percentage of sales and will be paid annually until the total consideration paid reaches the maximum limit of £375,000.

20. Obligations under leases and hire purchase contracts

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as follows:

	Leasehold property	Other leases
Operating leases expiring		
in less than one year	90,000	-
between two and five years	-	10,490

21. Capital commitments

There were no capital commitments at the balance sheet date (1995 - nil)

NOTES TO THE ACCOUNTS

22. Parent undertaking

Melrose Film Productions Limited is a subsidiary undertaking of BPP Holdings plc, a company registered in England and Wales and listed on the London Stock Exchange. BPP Holdings plc is the parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member. Copies of BPP Holdings plc's accounts can be obtained from The Registrar, Companies House, Crown Way, Cardiff, CF4 3UZ.