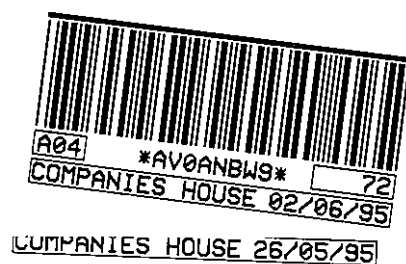


1994  
Annual report  
and accounts

Melrose Film  
Productions Limited

Year ended  
31 December 1994

Company Number  
1337265



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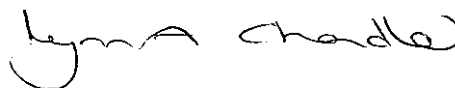
## NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Melrose Film Productions Limited will be held on 8 May 1995 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 1994 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

31 March 1995

16 Bromells Road  
LONDON  
SW4 0BL

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## DIRECTORS' REPORT

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The directors submit their report together with the audited financial statements of the company for the year to 31 December 1994.

### Results and dividends

The profit and loss account for the year to 31 December 1994 shows a profit after tax of £538,925 (1993 - £433,222). An interim dividend of £29.70 per share was paid during the year, amounting to £300,000 (1993 - £400,000), which leaves a profit of £238,925 (1993 - £33,222) 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 11 to these accounts.

### Donations

During the year the company made charitable donations of £Nil (1993 - £1,329).

### Holding company

The company's ultimate holding company 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:

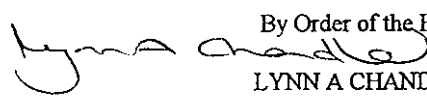
R R Price  
C C L Prior  
R Y Roxburgh

The directors did not have any interest in the shares of the company at either 31 December 1993 or 31 December 1994.

Mr R R Price and Mr R Y Roxburgh are directors of the immediate parent undertaking and ultimate parent undertaking. Mr C C L Prior is a director of the 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  
LYNN A CHANDLER  
Secretary

31 March 1995

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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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.

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## AUDITORS' REPORT

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### TO THE MEMBERS OF MELROSE FILM PRODUCTIONS LIMITED

We have audited the financial statements on pages 5 to 15 on the basis of the accounting policies set out on pages 9 to 10.

#### 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 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG  
Chartered Accountants  
Registered Auditor

London, 31 March 1995

## PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994 £	1993 £
Turnover	2	4,279,625	3,889,549
Cost of sales		<u>(2,581,109)</u>	<u>(2,358,444)</u>
		1,698,516	1,531,105
Distribution costs and administrative expenses		<u>(1,063,843)</u>	<u>(984,515)</u>
	3	634,673	546,590
Other operating income	4	<u>120,268</u>	<u>53,098</u>
Operating profit		754,941	599,688
Interest receivable	7	50,438	64,636
Interest payable	8	<u>(480)</u>	<u>(198)</u>
Profit on ordinary activities before taxation		804,899	664,126
Tax on ordinary activities	9	<u>(265,974)</u>	<u>(230,904)</u>
Profit on ordinary activities after taxation		538,925	433,222
Dividends	10	<u>(300,000)</u>	<u>(400,000)</u>
Retained profit for the year	18	<u>238,925</u>	<u>33,222</u>

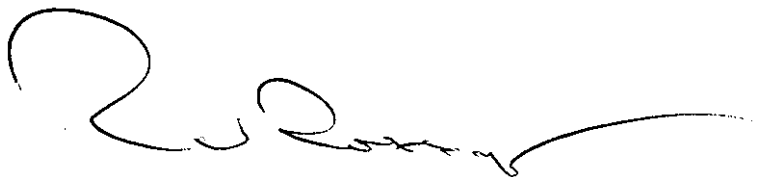
There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £538,925 in the year ended 31 December 1994 and £433,222 in the year ended 31 December 1993.

the notes on pages 9 to 15 form part of these accounts

# BALANCE SHEET

AT 31 DECEMBER 1994

	Notes	1994		1993	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible assets	11		993,288		717,500
Investment in subsidiary undertakings	12		-		-
			<u>993,288</u>		<u>717,500</u>
<b>Current Assets</b>					
Stocks and work-in-progress	13	456,774		413,257	
Debtors	14	1,778,167		1,770,582	
Cash at bank and in hand		<u>22,740</u>		<u>21,115</u>	
		2,257,681		2,204,954	
<b>Creditors: amounts falling due within one year</b>	15	<u>727,364</u>		<u>(679,974)</u>	
Net Current Assets			<u>1,530,317</u>		<u>1,524,980</u>
Total Assets less Current Liabilities			2,523,605		2,242,480
<b>Provision for Liabilities and Charges</b>					
Deferred Taxation	16		<u>(60,350)</u>		<u>(18,150)</u>
			<u>2,463,255</u>		<u>2,224,330</u>
<b>Capital and Reserves</b>					
Called Up Share Capital	17		10,100		10,100
Profit and Loss Account	18		<u>2,453,155</u>		<u>2,214,230</u>
			<u>2,463,255</u>		<u>2,224,330</u>



Richard Y Roxburgh  
Director

31 March 1995

the notes on pages 9 to 15 form part of these accounts

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1994

	1994	1993
	£	£
<i>Net cash inflow from operating activities</i>	1,319,574	1,152,516
<i>Returns on investments and servicing of finance</i>		
Interest received	56,974	64,636
Interest paid	(480)	(198)
Dividends paid	(300,000)	(400,000)
<i>Net cash outflow from returns on investments and servicing of finance</i>	(243,506)	(335,562)
<i>Taxation</i>		
Overseas taxation paid	(13,912)	(10,561)
UK Corporation tax paid	(207,796)	(286,515)
<i>Tax paid</i>	(221,708)	(297,076)
<i>Investing activities</i>		
Payments for fixed assets	(854,835)	(549,313)
Proceeds from sale of fixed assets	2,100	5,666
<i>Net cash outflow from investing activities</i>	(852,735)	(543,647)
<i>Net cash inflow/(outflow) before financing</i>	1,625	(23,769)
<i>Increase/(Decrease) in cash and cash equivalents</i>	1,625	(23,769)

the notes on pages 9 to 15 form part of these accounts



## NOTES TO CASH FLOW STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 1994

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

	1994 £	1993 £
Operating profit	754,941	599,688
Depreciation	579,047	581,635
Profit on disposal of fixed assets	(2,100)	(5,522)
Increase in stocks and work-in-progress	(43,517)	(96,768)
Increase in debtors	(41,926)	(26,351)
Decrease in loan to parent undertaking	27,805	63,881
Decrease/increase in current account with subsidiary undertaking	-	(1,107)
Increase in creditors	45,324	37,060
	<u>1,319,574</u>	<u>1,152,516</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:

	1994 £	1993 £
Expenditure on films capitalised in the period	810,381	440,748
Increase in work-in-progress	(109,092)	(46,362)
	<u>701,289</u>	<u>394,386</u>

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

	1994 £	1993 £
Cash in hand and at bank	<u>22,740</u>	<u>21,115</u>

(d) *Analysis of changes in cash and cash equivalents*

	1994 £	1993 £
At start of period	21,115	44,884
Net cash inflow/(outflow)	<u>1,625</u>	<u>(23,769)</u>
At end of period	<u>22,740</u>	<u>21,115</u>

the notes on pages 9 to 15 form part of these accounts

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## NOTES TO THE ACCOUNTS

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AT 31 DECEMBER 1994

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 charges 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:

	1994 £	1993 £
Depreciation	579,047	581,635
Distribution expenses	659,709	597,093
Auditors' remuneration		
- audit	13,500	15,000
- other services	750	1,500
Directors' remuneration	63,637	64,194
Operating lease rentals		
- plant and machinery	7,891	9,261
- leasehold property	90,000	90,000
	<u>579,047</u>	<u>581,635</u>

### 4. Other operating income

	1994 £	1993 £
Grant income	30,070	32,925
Breach of copyright compensation	90,198	20,173
	<u>120,268</u>	<u>53,098</u>

## NOTES TO THE ACCOUNTS

### 5. Employees

Staff costs during the period amounted to:

	1994 £	1993 £
Wages and salaries	784,056	770,414
Social security costs	78,341	79,196
Other pension costs	19,148	40,638
	<u>881,545</u>	<u>890,248</u>

	Number	Number
The average number of employees during the period was:	39	40

### 6. Directors' emoluments

	1994 £	1993 £
Directors' remuneration (including pension contributions)	88,163	85,706

The emoluments, excluding pension contributions, of the chairman who was also the highest paid director were:

Chairman and highest paid director	63,637	64,194
	Number	Number

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

£ 0 - £ 5,000	2	2
£ 60,001 - £ 65,000	1	1

### 7. Interest receivable

	1994 £	1993 £
Interest on loan to ultimate holding company	<u>50,438</u>	<u>64,636</u>

### 8. Interest payable

	1994 £	1993 £
Interest on bank overdrafts	<u>480</u>	<u>198</u>

## NOTES TO THE ACCOUNTS

### 9. Taxation on results from ordinary activities

	1994 £	1993 £
Based on profit for the period		
Corporation tax @ 33%	223,774	218,500
Deferred taxation	42,200	(6,350)
	<u>265,974</u>	<u>212,150</u>
Double taxation relief	(13,912)	(10,561)
	<u>251,062</u>	<u>201,589</u>
Overseas taxation	13,912	10,561
Taxation under/over provided in previous years	-	18,754
	<u><u>265,974</u></u>	<u><u>230,904</u></u>

### 10. Dividends

	1994 £	1993 £
Paid in the year	<u><u>300,000</u></u>	<u><u>400,000</u></u>

### 11. Tangible fixed assets

	Films	Equipment	Motor vehicles	Freehold buildings	Total
Cost:					
At 1 January 1994	3,531,882	545,946	157,277	34,585	4,269,690
Additions	810,381	44,454	-	-	854,835
Disposals	-	-	(6,870)	-	(6,870)
	<u>4,342,263</u>	<u>590,400</u>	<u>150,407</u>	<u>34,585</u>	<u>5,117,655</u>
At 31 December 1994	<u><u>4,342,263</u></u>	<u><u>590,400</u></u>	<u><u>150,407</u></u>	<u><u>34,585</u></u>	<u><u>5,117,655</u></u>
Depreciation:					
At 1 January 1994	3,043,810	427,586	73,589	7,205	3,552,190
Charge for the year	509,953	45,993	22,409	692	579,047
Disposals	-	-	(6,870)	-	(6,870)
	<u>3,553,763</u>	<u>473,579</u>	<u>89,128</u>	<u>7,897</u>	<u>4,124,367</u>
At 31 December 1994	<u><u>3,553,763</u></u>	<u><u>473,579</u></u>	<u><u>89,128</u></u>	<u><u>7,897</u></u>	<u><u>4,124,367</u></u>
Net book value:					
At 31 December 1994	788,500	116,821	61,279	26,688	993,288
At 1 January 1994	488,072	118,360	83,688	27,380	717,500

## NOTES TO THE ACCOUNTS

### 12. Investment in subsidiary undertakings

	£
<i>Cost</i>	
At 1 January 1994 and 31 December 1994	<u>7,500</u>
<i>Amounts provided</i>	
At 1 January 1994 and 31 December 1994	<u>7,500</u>
<i>Net book value</i>	
At 1 January 1994 and 31 December 1994	-

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

### 13. Stocks and work in progress

	1994 £	1993 £
Work-in-progress	176,584	171,098
Finished goods and hire stock	<u>280,190</u>	<u>242,159</u>
	<u>456,774</u>	<u>413,257</u>

### 14. Debtors

	1994 £	1993 £
Trade debtors	522,788	513,993
Parent undertaking	1,018,372	1,046,177
Subsidiary undertaking	3,500	3,500
Prepayments and accrued income	230,046	203,205
Other debtors	<u>3,461</u>	<u>3,707</u>
	<u>1,778,167</u>	<u>1,770,582</u>

Amounts due from subsidiary undertaking are unsecured loan notes without a specific repayment period, bearing no interest, to Melrose Mitchell Limited.

## NOTES TO THE ACCOUNTS

### 15. Creditors: amounts falling due within one year

	1994 £	1993 £
Trade creditors	279,125	155,702
Other taxes and social security costs	53,536	83,566
Corporation tax	210,005	207,939
Accruals and sundry creditors	184,698	232,767
	<u>727,364</u>	<u>679,974</u>

### 16. Deferred taxation

Deferred taxation provided in the accounts is as follows:

	1994 £	1993 £
Potential and provided		
Capital allowances in advance of depreciation	61,317	28,300
Other timing differences	(967)	(10,150)
	<u>60,350</u>	<u>18,150</u>

### 17. Share capital

	1994 Number	1993 Number
Authorised number of ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
	£	£
Allotted, issued and fully paid ordinary shares of £1	<u>10,100</u>	<u>10,100</u>

### 18. Reconciliation of shareholders' funds and movements on reserves

	Share capital £	Profit and loss account £	Total £
At 1 January 1993	10,100	2,181,008	2,191,108
Profit for the year	-	433,222	433,222
Dividend	-	(400,000)	(400,000)
	<u>10,100</u>	<u>2,214,230</u>	<u>2,224,330</u>
At 1 January 1994	10,100	2,214,230	2,224,330
Profit for the year	-	538,925	538,925
Dividend	-	(300,000)	(300,000)
	<u>10,100</u>	<u>2,453,155</u>	<u>2,463,255</u>
At 31 December 1994	10,100	2,453,155	2,463,255

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## NOTES TO THE ACCOUNTS

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### 19. Obligations under leases and hire purchase contracts

At 31 December 1994 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
	<u>          </u>	<u>          </u>

### 20. Directors' interest in a contract with the company

The freehold of the premises occupied by the company is partly owned by Mr R Y Roxburgh. The lease expires in December 1995 and the total annual rental payable under the lease is £90,000.

### 21. Capital commitments

There were no capital commitments at the balance sheet date (1993 - nil)

### 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.