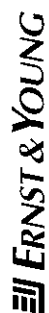


THE BOUNTIFUL COMPANY LIMITED

Report and Accounts

30 September 2000

 ERNST & YOUNG



# The Bountiful Company Limited

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Registered No. 2278326

## **DIRECTORS**

K Murakami  
S W Mertz  
M A Imi

## **SECRETARY**

Gray's Inn Secretaries Limited

## **AUDITORS**

Ernst & Young LLP  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

## **BANKERS**

National Westminster Bank PLC  
208 Piccadilly  
London W1A 2DG

## **SOLICITORS**

Denton Wilde Sapte  
Five Chancery Lane  
Clifford's Inn  
London EC4A 1BV

## **REGISTERED OFFICE**

Five Chancery Lane  
London WC2A 1LF

# The Bountiful Company Limited

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## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 September 2000.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to US\$1,989,630 (1999 - profit US\$1,592,728).

The directors do not recommend payment of a dividend (1999 - £nil).

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company continues to provide finance for the production of various motion pictures. The directors do not envisage any change to this activity.

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 30 September 2000 were as follows:

K Murakami  
E H Senat (resigned 31 January 2001)  
K W Kinsella (resigned 31 January 2001)

Subsequent to the year end, the following appointments were made:

D J Gormley (appointed 31 January 2001; resigned 1 May 2001)  
N Blair (appointed 31 January 2001; resigned 31 July 2001)  
S W Mertz (appointed 31 July 2001)  
M A Imi (appointed 1 May 2001)

There are no directors' interests requiring disclosure under the Companies Act 1985.

### AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the board



Director

29 October 2001

## The Bountiful Company Limited

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### 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 the 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE AUDITORS**  
to the shareholders of The Bountiful Company Limited

We have audited the accounts on pages 5 to 9, which have been prepared under the historical cost convention and on the basis of 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 the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

**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.

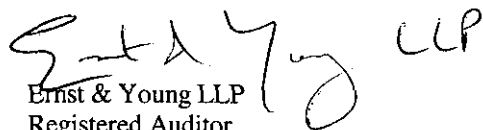
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

*Fundamental uncertainty*

In forming our opinion we have considered the adequacy of the disclosures made in the accounts concerning future financial support being made available to the company. The accounts have been prepared on a going concern basis, the validity of which depends on the continued financial support of the shareholders. The accounts do not include any adjustments which would result from a withdrawal of this support. Our opinion is not qualified in this respect.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 September 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
London  
30 October 2001

# The Bountiful Company Limited

## PROFIT AND LOSS ACCOUNT for the year ended 30 September 2000

	Notes	2000 US\$	Restated 1999 US\$
<b>TURNOVER</b>		1,557,566	2,584,759
Cost of sales		-	(1,296,964)
<b>GROSS PROFIT</b>		1,557,566	1,287,795
Administration expenses		(6,800)	(2,739)
<b>OPERATING PROFIT</b>	3	1,550,766	1,285,056
Interest receivable		628,864	430,672
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,179,630	1,715,728
Tax on profit on ordinary activities	4	(190,000)	(123,000)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,989,630	1,592,728
<b>LOSSES BROUGHT FORWARD</b>		(46,468,422)	(48,061,150)
<b>LOSSES CARRIED FORWARD</b>		(44,478,792)	(46,468,422)


## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of US\$1,989,630 in the year ended 30 September 2000 and the profit of US\$1,592,728 in the year ended 30 September 1999.

# The Bountiful Company Limited

## BALANCE SHEET at 30 September 2000

	Notes	2000 US\$	1999 US\$
<b>FIXED ASSETS</b>			
Film production costs	5	-	-
<b>CURRENT ASSETS</b>			
Debtors	6	6,064	11,677
Cash at bank and in hand		11,813,101	10,172,571
		11,819,165	10,184,248
<b>CREDITORS: amounts falling due within one year</b>	7	(56,228,485)	(56,583,198)
<b>NET CURRENT LIABILITIES</b>		(44,409,320)	(46,398,950)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(44,409,320)	(46,398,950)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	69,472	69,472
Profit and loss account		(44,478,792)	(46,468,422)
Equity shareholders' funds	9	(44,409,320)	(46,398,950)

  
 Director  
 29 October 2001

# The Bountiful Company Limited

## NOTES TO THE ACCOUNTS at 30 September 2000

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Fundamental accounting concept*

The accounts have been prepared on the going concern basis on the assumption that continued financial support will be made available by the shareholders, who are also holders of the redeemable investment stock, to enable it to continue operating and to meet its liabilities as they fall due.

If such financial support was not made available, adjustments would have to be made to reduce the value of assets to their realisable amount, to provide for any further liabilities which might arise and to reclassify fixed assets as current assets.

#### *Film production costs*

Film production costs are amortised at a rate calculated to write off the cost of the film evenly over the period during which it is generating revenue. This generally commences when the film has been released. If appropriate, provision is made in full for any expected shortfall between the net revenue generated and the production costs incurred.

#### *Film income*

Credit is taken for income which has been received from or declared by distributors at the period end.

#### *Foreign currencies*

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

Transactions in foreign currencies are recorded at the rate ruling at the date on which the transaction took place.

All differences are either taken to the relevant film production account, if the film has not been released, or the profit and loss account.

#### *Statement of cash flows*

A statement of cash flows has not been prepared as the company is a small company within the meaning of section 247 of the Companies Act 1985.

### 2. TURNOVER

Turnover represents amounts receivable from distributors, stated net of value added tax.

### 3. OPERATING PROFIT

a) This is stated after charging:

	2000	1999
	US\$	US\$
Amortisation charge in respect of film production costs	-	1,296,964
Auditors' remuneration	5,000	5,000



# The Bountiful Company Limited

## NOTES TO THE ACCOUNTS at 30 September 2000

### 3. OPERATING PROFIT (continued)

- b) The directors received no emoluments from the company during the year.  
c) There were no employees other than the directors during the year.

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 US\$	1999 US\$
Corporation tax	676,000	123,000

The company has tax losses amounting to approximately US\$17 million (1999 - US\$19 million) available for carry forward against future profits from the same trade.

### 5. FILM PRODUCTION COSTS

	US\$
Cost or valuation: At 1 October 1999 and 30 September 2000	65,217,620
Amortisation: At 1 October 1999 and 30 September 2000	65,217,620
Net book value: At 30 September 2000	-
At 30 September 1999	-

### 6. DEBTORS

	2000 US\$	1999 US\$
Other debtors	6,064	11,677

### 7. CREDITORS: amounts falling due within one year

	2000 US\$	1999 US\$
Amount due to related company	14,264,570	14,687,783
Accruals	12,500	11,000
Corporation tax payable	190,000	123,000
Redeemable investment stock	41,761,415	41,761,415
	56,228,485	56,583,198

# The Bountiful Company Limited

## NOTES TO THE ACCOUNTS at 30 September 2000

### 7. CREDITORS: amounts falling due within one year (continued)

The amount due to the related company Time Warner Entertainment Limited, is repayable pari passu with amounts receivable by The Bountiful Company Limited under a distribution agreement.

The redeemable investment stock was redeemable on or before 1 October 1993 or, failing that on such other date as the stockholder with the largest holding of stock notifies the company.

### 8. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>No.</i>	<i>No.</i>	<i>US\$</i>	<i>US\$</i>
Ordinary shares of £1 each	44,998	44,998	62,294	62,294
'A' Ordinary shares of £1 each	5,002	5,002	7,178	7,178
	<u>50,000</u>	<u>50,000</u>	<u>69,472</u>	<u>69,472</u>

### 9. RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>2000</i>	<i>1999</i>
	<i>US\$</i>	<i>US\$</i>
Shareholders' funds at 1 October	(46,398,950)	(47,991,678)
Retained profit for the year	<u>1,989,630</u>	<u>1,592,728</u>
Shareholders' funds at 30 September	<u>(44,409,320)</u>	<u>(46,398,950)</u>

### 10. PARENT UNDERTAKING AND CONTROLLING PARTY

Time Warner Entertainment Limited holds 50% of the share capital in the company. However, in the opinion of the directors, there is no overall controlling party.