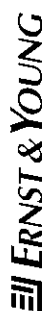


THE BOUNTIFUL COMPANY LIMITED

Report and Financial Statements

30 September 2001

 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  
Becket House  
1 Lambeth Palace Road  
London SE1 7EU

## **BANKERS**

National Westminster Bank PLC  
208 Piccadilly  
London W1A 2DG

## **SOLICITORS**

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

## **REGISTERED OFFICE**

5 Chancery Lane  
London EC4A 1BV

# The Bountiful Company Limited

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## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 September 2001.

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to US\$2,494,838 (2000 – US\$1,989,630).

The directors do not recommend payment of a dividend (2000 – £nil).

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company provides finance for the production of various motion pictures.

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year are as follows:

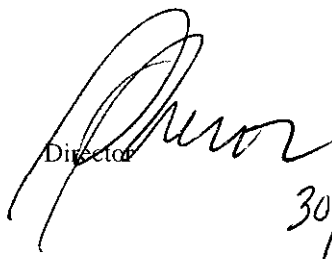
K Murakami  
E H Senat (resigned 31 January 2001)  
K W Kinsella (resigned 31 January 2001)  
D J Gormley (appointed 31 January 2001; resigned 1 May 2001)  
N Blair (appointed 31 January 2001; resigned 31 July 2001)  
M A Imi (appointed 1 May 2001)  
S W Mertz (appointed 31 July 2001)

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

### AUDITORS

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

  
Director  
30/7/02

## The Bountiful Company Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 and of the profit or loss of the company for the 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; and
- 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BOUNTIFUL COMPANY LIMITED**

We have audited the company's financial statements for the year ended 30 September 2001, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.

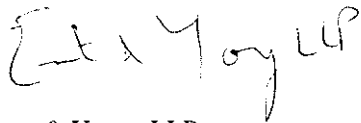
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

### *Fundamental uncertainty*

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning future financial support being made available to the company. The financial statements have been prepared on a going concern basis, the validity of which depends on the continued financial support of the shareholders. The financial statements 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 financial statements give a true and fair view of the state of affairs of the company as at 30 September 2001 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

# The Bountiful Company Limited

## PROFIT AND LOSS ACCOUNT for the year ended 30 September 2001

	Notes	2001 US\$	2000 US\$
<b>TURNOVER</b>	2	2,047,290	1,557,566
Cost of sales		—	—
<b>GROSS PROFIT</b>		2,047,290	1,557,566
Administrative expenses		(11,283)	(6,800)
<b>OPERATING PROFIT</b>	3	2,036,007	1,550,776
Bank interest receivable		638,231	628,864
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,674,238	2,179,630
Tax on profit on ordinary activities	4	(179,400)	(190,000)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		2,494,838	1,989,630
<b>LOSSES BROUGHT FORWARD</b>		(44,478,792)	(46,468,422)
<b>LOSSES CARRIED FORWARD</b>		(41,983,954)	(44,478,792)

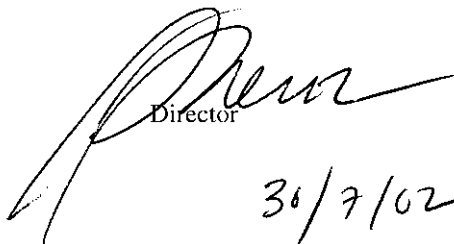
## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of US\$2,494,838 in the year ended 30 September 2001 and the profit of US\$1,989,630 in the year ended 30 September 2000.

# The Bountiful Company Limited

## BALANCE SHEET at 30 September 2001

	Notes	2001 US\$	2000 US\$
<b>FIXED ASSETS</b>			
Film production costs	5	—	—
<b>CURRENT ASSETS</b>			
Debtors	6	14,996	6,064
Cash at bank and in hand		13,645,344	11,813,101
		13,660,340	11,819,165
<b>CREDITORS: amounts falling due within one year</b>	7	(55,574,822)	(56,228,485)
<b>NET CURRENT LIABILITIES</b>		(41,914,482)	(44,409,320)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(41,914,482)	(44,409,320)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	69,472	69,472
Profit and loss account	9	(41,983,954)	(44,478,792)
Equity shareholders' funds	9	(41,914,482)	(44,409,320)

  
 Director  
 30/7/02



# The Bountiful Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2001

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

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

#### *Basis of preparation*

The financial statements 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, and to provide for any further liabilities which might arise.

#### *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 will generally commence 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.

#### *Cash flow statement*

A cash flow statement 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. All turnover relates to the company's principal activity of providing finance for the production of various motion pictures. All turnover arises in The United States of America.

### 3. OPERATING PROFIT

This is stated after charging:

	2001	2000
	US\$	US\$
Auditors' remuneration	4,762	5,000

The directors received no emoluments from the company during the year (2000 – £nil).

There were no employees other than the directors during the year and in the prior year.

# The Bountiful Company Limited

## NOTES TO THE FINANCIAL STATEMENTS at 30 September 2001

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	2001 US\$	2000 US\$
UK corporation tax	179,400	190,000

The company has tax losses amounting to approximately US\$16 million (2000 – US\$18 million) available for carry forward against future profits from the same trade.

### 5. FILM PRODUCTION COSTS

	US\$
Cost or valuation: At 1 October 2000 and 30 September 2001	65,217,620
Amortisation: At 1 October 2000	65,217,620
Charge for the year	–
At 30 September 2001	65,217,620
Net book value: At 30 September 2001	–
At 30 September 2000	–

### 6. DEBTORS

	2001 US\$	2000 US\$
Other debtors	14,996	6,064

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

	2001 US\$	2000 US\$
Amount due to related company	13,602,407	14,264,570
Accruals	16,000	12,500
Corporation tax payable	195,000	190,000
Redeemable investment stock	41,761,415	41,761,415
	55,574,822	56,228,485

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 Bountiful Company Limited

## NOTES TO THE FINANCIAL STATEMENTS at 30 September 2001

### 8. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</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 AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
At 30 September 1999	69,472	(46,468,422)	(46,398,950)
Profit for the year	–	1,989,630	1,989,630
At 30 September 2000	<u>69,472</u>	<u>(44,478,792)</u>	<u>(44,409,320)</u>
Profit for the year	–	2,494,838	2,494,838
At 30 September 2001	<u>69,472</u>	<u>(41,983,954)</u>	<u>(41,914,482)</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.