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THE BOUNTIFUL COMPANY LIMITED

Report and Accounts

30 September 1999

 ERNST & YOUNG



The Bountiful Company Limited

Registered No. 2278326

DIRECTORS

K Murakami
N Blair
D Gormley

SECRETARY

Gray's Inn Secretaries Limited

AUDITORS

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

BANKERS

National Westminster Bank PLC
208 Piccadilly
London W1A 2DG

SOLICITORS

Denton Wilde Sapte
One Fleet Place
London EC4M 7WS

REGISTERED OFFICE

5 Chancery Lane
London WC2A 1LF

The Bountiful Company Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 September 1999.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to US\$1,592,728 (1998 profit - US\$260,050).

The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company continues to provide finance for the production of various motion pictures. No changes to this activity are envisaged.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 30 September 1999 were as follows:

K Murakami

E H Senat (resigned 31 January 2001)

K W Kinsella (resigned 31 January 2001)

Subsequent to the year end, D Gormley and N Blair were appointed directors of the company with effect from 31 January 2001.

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


AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

On behalf of the board

Director


25 June 2001

The Bountiful Company Limited

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.

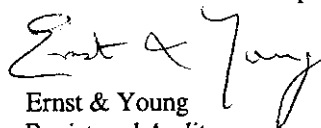
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'Ernst & Young', written over the printed name.

Ernst & Young
Registered Auditor
London

28 June 2001

The Bountiful Company Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 September 1999

	<i>Notes</i>	<i>1999</i> <i>US\$</i>	<i>1998</i> <i>US\$</i>
TURNOVER		3,640,582	944,505
Cost of sales		(2,352,787)	(944,505)
GROSS PROFIT		<u>1,287,795</u>	<u>-</u>
Administration expenses		(2,739)	(6,637)
OPERATING PROFIT/(LOSS)	3	<u>1,285,056</u>	<u>(6,637)</u>
Interest receivable		430,672	383,687
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,715,728</u>	<u>377,050</u>
Tax on profit on ordinary activities	4	(123,000)	(117,000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,592,728</u>	<u>260,050</u>
LOSSES BROUGHT FORWARD		(48,061,150)	(48,321,200)
LOSSES CARRIED FORWARD		<u>(46,468,422)</u>	<u>(48,061,150)</u>

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\$1,592,728 in the year ended 30 September 1999 and the profit of US\$260,050 in the year ended 30 September 1998.

The Bountiful Company Limited

BALANCE SHEET at 30 September 1999

	Notes	1999 US\$	1998 US\$
FIXED ASSETS			
Film production costs	5	-	1,296,964
CURRENT ASSETS			
Debtors	6	11,677	9,869
Cash at bank and in hand		10,172,571	8,134,809
		10,184,248	8,144,678
CREDITORS: amounts falling due within one year	7	(56,583,198)	(57,433,320)
NET CURRENT LIABILITIES		(46,398,950)	(49,288,642)
TOTAL ASSETS LESS CURRENT LIABILITIES		(46,398,950)	(47,991,678)
CAPITAL AND RESERVES			
Called up share capital	8	69,472	69,472
Profit and loss account		(46,468,422)	(48,061,150)
Equity shareholders' funds	9	(46,398,950)	(47,991,678)

Director



25 June 2001

The Bountiful Company Limited

NOTES TO THE ACCOUNTS

at 30 September 1999

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 a 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 and when they fall due.

If such financial support is 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 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.

3. OPERATING PROFIT/(LOSS)

This is stated after charging:

	1999	1998
	US\$	US\$
Amortisation charge in respect of film production costs	1,296,964	944,505
Auditors' remuneration	5,000	4,500

The directors received no emoluments from the company during the year.

There were no employees other than the directors during the year.

The Bountiful Company Limited

NOTES TO THE ACCOUNTS

at 30 September 1999

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	US\$	US\$
Corporation tax	123,000	117,000

The company has tax losses amounting to approximately US\$20 million (1998 – US\$21 million) available for carry forward against future profits from the same trade.

5. FILM PRODUCTION COSTS

	US\$
Cost or valuation:	
At 1 October 1998 and 30 September 1999	65,217,620
Amortisation:	
At 1 October 1998	63,920,656
Charge for the year	1,296,964
At 30 September 1999	65,217,620
Net book value:	
At 30 September 1999	-
At 30 September 1998	1,296,964

6. DEBTORS

	1999	1998
	US\$	US\$
Other debtors	11,677	9,869

7. CREDITORS: amounts falling due within one year

	1999	1998
	US\$	US\$
Amount due to related company	14,687,783	15,546,863
Accruals	11,000	8,000
Corporation tax payable	123,000	117,042
Redeemable investment stock	41,761,415	41,761,415
	56,583,198	57,433,320

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.

The Bountiful Company Limited

NOTES TO THE ACCOUNTS at 30 September 1999

8. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</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>1999</i>	<i>1998</i>
	<i>US\$</i>	<i>US\$</i>
Shareholders' funds at 1 October	(47,991,678)	(48,251,728)
Total recognised gains and losses	<u>1,592,728</u>	<u>260,050</u>
Shareholders' funds at 30 September	<u>(46,398,950)</u>	<u>(47,991,678)</u>