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FRIGHTMARES PRODUCTIONS LIMITED

Report and Financial Statements

30 November 2001

 ERNST & YOUNG



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Frightmares Productions Limited

Registered No. 3817334

DIRECTORS

R D Button

S W Mertz

SECRETARY

A R Parsons

AUDITORS

Ernst & Young LLP

Becket House

1 Lambeth Palace Road

London SE1 7EU

BANKERS

Barclays Bank PLC

54 Lombard Street

London EC3V 9EX

SOLICITORS

Denton Wilde Sapte

Five Chancery Lane

Clifford's Inn

London EC4A 1EU

REGISTERED OFFICE

Warner Suite

Pinewood Studios

Iver Heath

Bucks SL0 0NH

Frightmares Productions Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the period ended 30 November 2001.

RESULTS AND DIVIDENDS

The company made neither a profit nor a loss after taxation for the period (2000 – £2,062).

The directors do not recommend the payment of a final dividend for the period.

PRINCIPAL ACTIVITY

The principal activity of the company has been the production of a television mini series.

There are currently no television mini series in production but the company may take advantage of future opportunities in this area.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were as follows:

R D Button	
E H Senat	(resigned 31 January 2001)
N L M Blair	(appointed 31 January 2001, resigned 31 July 2001)
S W Mertz	(appointed 31 July 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 reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



Secretary

02 AUG 2002

Frighmares Productions Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period 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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 FRIGHTMARES PRODUCTIONS LIMITED

We have audited the company's financial statements for the period ended 30 November 2001, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 9. 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.

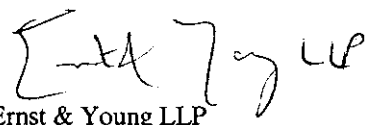
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 November 2001 and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

02 AUG 2002

Frightmares Productions Limited

PROFIT AND LOSS ACCOUNT for the period ended 30 November 2001

		<i>Period ended 30 November 2001</i>	<i>Period ended 30 November 2000</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
TURNOVER	2	-	836,878
Cost of sales		-	(836,878)
		<hr/>	<hr/>
GROSS PROFIT		-	-
Administrative expenses		-	(2,062)
		<hr/>	<hr/>
RESULT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	-	(2,062)
Tax on result/(loss) on ordinary activities		-	-
		<hr/>	<hr/>
RESULT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		-	(2,062)
Retained losses brought forward		(2,062)	-
		<hr/>	<hr/>
RETAINED LOSSES CARRIED FORWARD		(2,062)	(2,062)
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the result attributable to shareholders of the company for the period ended 30 November 2001 of £nil (2000 – loss of £2,062).

Frightmares Productions Limited

BALANCE SHEET at 30 November 2001

		30 November 2001	30 November 2000
	Notes	£	£
CURRENT ASSETS			
Cash at bank and in hand		1,998	4,143
Debtors	5	1,380	—
		<u>3,378</u>	<u>4,143</u>
CREDITORS: amounts falling due within one year	6	(5,438)	(6,203)
		<u>(2,060)</u>	<u>(2,060)</u>
NET CURRENT LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	7	2	2
Profit and loss account	8	(2,062)	(2,062)
		<u>(2,060)</u>	<u>(2,060)</u>
SHAREHOLDERS' FUNDS	8		



Director

02 AUG 2002

Frighmares Productions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 November 2001

1. ACCOUNTING POLICIES

Accounting period

The company prepares financial statements for either 52 or 53 week periods ending within one week of 30 November.

Accounting convention

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

2. TURNOVER

Turnover represents amounts derived from the provision of production services and film revenues and is net of valued added tax.

Turnover arises in the following geographical areas:

	<i>Period ended 30 November 2001</i>	<i>Period ended 30 November 2000</i>
	£	£
Europe	—	836,878
	=====	=====

3. RESULT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) This is stated after charging:

	<i>Period ended 30 November 2001</i>	<i>Period ended 30 November 2000</i>
	£	£
Auditors' remuneration	—	750
	=====	=====

The auditors' remuneration has been borne by another group undertaking.

4. STAFF COSTS

There were no employees, other than the directors, during the period. No directors received any emoluments in respect of services performed for this company.

5. DEBTORS

	<i>30 November 2001</i>	<i>30 November 2000</i>
	£	£
Amounts owed by group undertakings	1,380	—
	=====	=====

Frighthares Productions Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 November 2001

6. CREDITORS: amounts falling due within one year

	30 November 2001	30 November 2000
	£	£
Amounts owed to group undertakings	5,438	5,453
Accruals	—	750
	<u>5,438</u>	<u>6,203</u>

7. SHARE CAPITAL

	30 November 2001	30 November 2000
	£	£
Authorised:		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	2	2

8. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Total £
At date of incorporation	2	—	2
Loss for the period	—	(2,062)	(2,062)
At 30 November 2000	2	(2,062)	(2,060)
Result for the period	—	—	—
At 30 November 2001	2	(2,062)	(2,060)

9. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Bridge Productions Limited, a company registered in England and Wales.

Time Warner Entertainment Limited is the parent undertaking of the smallest group of undertakings of which the company is a member and for which group financial statements are drawn up. Time Warner Entertainment Limited is registered in England and Wales and copies of its financial statements can be obtained from the Registrar of Companies in Cardiff.

Frighmares Productions Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 November 2001

9. ULTIMATE PARENT UNDERTAKING (continued)

At 30 November 2001, AOL Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the largest group of undertakings of which the company is a member and for which group financial statements are drawn up. Copies of AOL Time Warner Inc.'s financial statements can be obtained from 75 Rockefeller Plaza, New York, NY 10019, USA.