

Europe Movieco Partners Limited
(Registered Number: 3877860)

**Directors' report and financial statements
for the year ended 31 December 2005**



Europe Movieco Partners Limited

Directors' report for the year ended 31 December 2005

The directors present their annual report and the audited consolidated financial statements of the Europe Movieco Partners Limited ("the Company") for the year ended 31 December 2005.

Principal activity and future developments

The principal activity of the Company was the broadcasting and distribution of television programmes and films for broadcast by third parties through its Dutch movie service, CineNova. The directors have decided to cease the existing trading operations of the Company in June 2005, following a review of operations. Future plans remain uncertain; however there are no current plans to liquidate the Company.

Business review

The results for the year ended 31 December 2005 are given in the profit and loss account on page 5. Results were in line with the directors' expectations.

Conclusion of UPC Litigation

A final ruling was received in January 2005 in favour of EMP Ltd., whereby UPC was forced to perform its obligations under the Cable Affiliation Agreement and pay past-due fees, interest, and legal costs totalling \$42,750,799. The past-due fees were recorded as subscription revenue in 2004 and the interest and legal costs as interest and other income in 2005. UPC paid all sums due under the Cable Affiliation Agreement as they fell due after the arbitral award was rendered, including the termination payment of \$16.146m which fell due at the end of the term, i.e. 17 May 2005.

Results and dividends

The profit for the year ended 31 December 2005 amounted to £10,608,112 (profit for the year ended 31 December 2004: £17,905,521).

The directors approved the payment of a dividend in December 2005 of the GBP equivalent of \$14,750,000 (£8,571,595, 2004: nil). The remaining profit for the period has been transferred to reserves.

Directors and directors' interests

The directors who held office during the year ended 31 December 2005 were as follows:

Timothy Richards (resigned 22 March 2005)
Darren Childs (resigned 1 November 2005)
Simon Oakes (resigned 22 September 2005)
Christine Service
James Ward (appointed 22 March 2005)
Ross Hair (appointed 24 October 2005)

At no time during the year ended 31 December 2005 did any director have any interest which is required to be notified to the Company under Section 324 of the Companies Act 1985.

The company secretary who held office during the year ended 31 December 2005 was Maureen Cullum.

Europe Movieco Partners Limited

Creditor payment terms

It is the Company's policy that payment is made on time, provided suppliers perform in accordance with the agreed terms. The Company's trade creditors at 31 December 2005 were equivalent to 1.3 day purchases during the year (31 December 2004: 23 days).

Events after the balance sheet date

Information is given in Note 22 to the financial statements.

Financial risk management

The following statements summarise the Company's and Group's policy in managing identified forms of financial risk:

Price risk

Salary costs are communicated to staff during the formal annual review of salaries. Prices of services and materials purchased are subject to contracts and/or purchase orders with suppliers, based on current market prices.

Credit risk

Credit risk on amounts owed to Group companies is non-existent, as all amounts due on related agreements were paid in full at the balance sheet date due to the winding down of the Company.

Liquidity risk

The Group has no long term borrowings. The Group will make use of its overdraft facility when required.

Interest rate cash flow risk

The Group is able to place surplus funds on short term deposit account with its bankers

Europe Movieco Partners Limited

Directors' report for the year ended 31 December 2005 (continued)

Statement of directors' responsibilities

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 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.

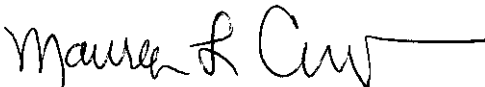
The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Auditors

Elective resolutions to dispense with holding annual general meetings, the laying of financial statements before the Company in general meetings and the appointment of auditors are currently in force. The auditors, PricewaterhouseCoopers LLP, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning on the day on which copies of this report and financial statements are sent to members unless a resolution is passed under Section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

By Order Of The Board



Maureen L. Cullum
Company Secretary

3 Queen Caroline Street
Hammersmith, London
W6 9PE

30 October 2006

Independent Auditors' report to the members of Europe Movieco Partners Limited

We have audited the group and parent company financial statements of Europe MovieCo Partners Limited for the year ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only of the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

30 October 2006

Europe MovieCo Partners Limited

Consolidated profit and loss account for the year ended 31 December 2005

	<i>Note</i>	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Turnover	2	18,295	33,276
Cost of sales		(5,303)	(12,908)
Gross Profit		12,992	20,368
Administrative income (expenses)		229	(2,800)
Profit on operating activities before interest and taxation	3	13,221	17,568
Interest receivable and similar income	6	2,013	28
Interest payable and similar charges	7	(76)	
Profit on ordinary activities before taxation		15,158	17,596
Tax on profit on ordinary activities	8	(4,550)	310
Profit on ordinary activities after tax	16	10,608	17,906
Dividend paid		(8,572)	-
Profit retained for the financial period		2,036	17,906

All of the group's results are derived from discontinued operations (2004: continuing operations).

The group has no material recognised gains and losses other than the profit reported above and therefore no separate statement of total recognised gains and losses has been presented.

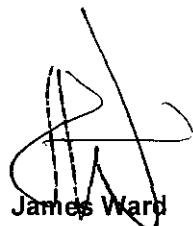
There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

Europe MovieCo Partners Limited

Balance sheet as at 31 December 2005

	<i>Note</i>	<u>Group</u>		<u>Company</u>	
		31 December 2005 £'000	31 December 2004 £'000	31 December 2005 £'000	31 December 2004 £'000
Fixed assets					
Tangible assets	9	-	20	-	18
Investments	10	-	-	13	13
		-	20	13	31
Current assets					
Debtors	11	151	24,917	151	24,893
Deferred tax asset	19	-	335	-	335
Cash at bank and in hand		3,826	1,077	3,592	977
		3,977	26,329	3,743	26,205
Creditors: amounts falling due within one year	13	(2,572)	(26,980)	(2,565)	(27,037)
Net current assets (liabilities)		1,405	(651)	1,178	(832)
Total assets less current liabilities		1,405	(631)	1,191	(801)
Net assets (liabilities)		1,405	(631)	1,191	(801)
Capital and reserves					
Called up share capital	15	-	-	-	-
Profit and loss account	16	1,405	(631)	1,191	(801)
Equity shareholders' surplus (deficit)	16	1,405	(631)	1,191	(801)

The financial statements on pages 5 to 20 were approved and authorised for issue by the board of directors on 30 October 2006 and were signed on its behalf by:


 James Ward
 Director

Europe MovieCo Partners Limited

Consolidated cash flow statement for the year ended 31 December 2005

	Note	31 December 2005 £'000	31 December 2004 £'000
Net cash inflow/ (outflow) from operating activities	12a	11,080	(2,006)
Returns on investments and servicing of finance			
Interest received		2,013	28
Net cash inflow from returns on investments and servicing of finance		2,013	28
Taxation		(1,775)	(25)
Capital expenditure & financial investment			
Purchase of tangible fixed assets		-	(21)
Sale of tangible fixed assets		3	-
Net cash outflow for capital expenditure and financial investment		-	(21)
Equity dividend paid to shareholders		(8,572)	-
Increase (Decrease) in net cash	12c	2,749	(2,024)

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2005

(continued)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company and its group.

a) Basis of preparation

The financial statements are prepared under the historical cost convention; the accounting policies set out below, which have been consistently applied, and in accordance with applicable Accounting Standards in the United Kingdom.

Consolidated accounts have been prepared and these financial statements present information about the Company and its group. The financial statements were prepared using British pounds (GBP) as the functional currency.

b) Changes in accounting policy

The company has adopted FRS 17, 'Retirement benefits', FRS 21, 'Events after the balance sheet date', and FRS 25, 'Financial instruments: disclosure and presentation' (paragraphs 15-50), in these financial statements. There is no impact on the current or prior year balances as a result of adopting these standards.

c) Going concern

The Company's and the group's parent is Europe MovieCo Partners GP ("the Partnership").

The Partnership was incorporated as a U.S. General Partnership (in Delaware) in December 1999 and is owned by SPE Euromovies Investments Inc. (50% interest) and BVI Television (Europe), Inc. (50% interest). The prior interest held by UPC TV Holdings BV was purchased in December 2005 by the other shareholders in proportion to their respective percentage interests on the date of purchase.

These financial statements have been prepared on a basis which assumes that the Company and the group will continue as a going concern and which contemplates the realisation of assets and the satisfaction of liabilities and commitments in the normal course of business. However, at the end of June 2005, the shareholders of EMP G.P. made the difficult decision to close down the CineNova channel business. In September 2005, the management committee of EMP G.P. and the board of EMP Ltd passed resolutions to commence an orderly winding up and liquidation of CineNova BV and of the assets of EMP Ltd. Future plans for EMP Ltd remain uncertain, but at present there are no current plans to liquidate the company.

d) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. As permitted by Section 230(4) of the Companies Act 1985, the consolidated profit and loss account only has been presented.

e) Turnover

Turnover represents the amount of goods and services, net of value added tax and other sales taxes, and excluding trade discounts and anticipated returns, provided to external customers and

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2005

(continued)

associated undertakings.

1 Accounting policies (continued)

Revenue is derived from license fees billed to cable operators in The Netherlands for the rights to broadcast movie services to its subscribers. Revenue is recognised based upon the existence of contracts with these cable operators; reliable measurement of fees due based upon the terms of such contracts; and assurance that services have been performed by the Company as contractually promised.

f) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

The company has implemented the requirements of FRS 19 'Deferred tax'. Under FRS 19, full provision is made for timing differences and deferred taxation. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to apply less tax in the future, have occurred at the balance sheet date.

When a deferred tax asset is regarded as recoverable, it is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rate that is expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities recognised have not been discounted.

g) Value Added Tax

All costs include the attributable value added tax to the extent that it is not recoverable.

h) Tangible and Intangible Assets

Depreciation and amortisation are provided to write off the cost of tangible and intangible assets over their estimated useful economic lives on a straight line basis at the following rates:

Computer Equipment	-	3 years
Computer software	-	3 years
Office & Technical equipment	-	3 years

i) Investments

Investments in subsidiary and associated undertakings are stated at cost, less provision for diminution in value where appropriate to arrive at a net value equating to estimated recoverable amounts.

j) Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Profits and losses arising on translation and all

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Notes to the financial statements for the year ended 31 December 2005

(continued)

other exchange differences are taken to the profit and loss account.

k) Pensions and other post retirement benefits

The Company and its subsidiary undertaking participate in defined contribution pension schemes. Contributions to these schemes are charged to the profit and loss account as incurred.

l) Operating leases

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

m) Financial instruments

The Group does not make use of derivative financial instruments. Financial assets and liabilities are measured at realisable value.

2 Segmental reporting

Turnover represents programme distribution services supplied during the period solely to cable operators in The Netherlands.

3 Profit on ordinary activities before interest and taxation

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
The operating profit/(loss) is stated after charging/ (crediting):		
Wages and salaries	722	1,339
Employee Settlement Costs	801	-
Social security costs	102	135
Pension costs	73	84
Staff costs	1,698	1,558
Depreciation of tangible fixed assets	20	32
Gain on disposal of fixed assets	(3)	-
Operating lease – plant and machinery	349	528
Operating lease – other	536	1,366
Exchange gains	(847)	(1,615)
Auditors' remuneration for audit services	25	21

4 Directors' emoluments

Directors are not employees of the Company nor its group and do not receive remuneration in relation to activities performed on behalf of the Company nor its group.

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2005

(continued)

5 Employee information

The average number of persons employed by the group, including directors, during the period was as follows:

	Year ended 31 December 2005	Year ended 31 December 2004
	Number	Number
Programming and operations	9	19
Administration	3	4
	<hr/>	<hr/>
	12	23

6 Interest receivable and similar income

	Year ended 31 December 2005	Year ended 31 December 2004
	£'000	£'000
Bank interest receivable	578	28
Late payment interest on accounts receivable	1,435	-
	<hr/>	<hr/>
	2,013	28

7 Interest payable and similar charges

	Year ended 31 December 2005	Year ended 31 December 2004
	£'000	£'000
Interest on late/ underpayment of corporate income tax	76	-

8 Taxation

Tax expense for subsidiary undertaking was calculated in accordance with the tax laws of The Netherlands.

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Notes to the financial statements for the year ended 31 December 2005

(continued)

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
UK Corporation Tax		
Current tax at 30% on income for the period (2004: 30%)	4,194	-
Adjustments in respect of prior periods	-	-
	4,194	-
Double Tax relief	-	-
	4,194	-
Foreign Tax		
Current tax on income for the period	21	25
Adjustments in respect of prior periods	-	-
	4,215	25
Deferred taxation (see note 19)		
Current Year	335	(335)
	4,550	(310)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%)
The differences are explained below:

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Profit on ordinary activities before tax	15,158	17,596
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%)	4,547	5,279
Expenses not deductible for tax purposes	2	2
Capital allowances in period in excess of depreciation	(49)	(12)
Utilisation of tax losses	(286)	(5,245)
Higher tax rates on overseas earnings	1	1
	4,215	25

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2005

(continued)

9 Tangible assets

(a) Group	Computer Equipment £'000	Office & Tech Equipment £'000	Total £'000
Cost			
At 31 December 2004	556	110	666
Disposals	(556)	(110)	(666)
<u>At 31 December 2005</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation			
At 31 December 2004	(539)	(107)	(646)
Provided during the year	(17)	(3)	(20)
Disposals	556	110	666
<u>At 31 December 2005</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
<u>At 31 December 2005</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>At 31 December 2004</u>	<u>17</u>	<u>3</u>	<u>20</u>
(b) Company	Computer Equipment £'000	Office & Tech Equipment £'000	Total £'000
Cost			
At 31 December 2004	515	70	585
Disposals	(515)	(70)	(585)
<u>At 31 December 2005</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation			
At 31 December 2004	(498)	(69)	(567)
Provided during the year	(17)	(1)	(20)
Disposals	515	70	585
<u>At 31 December 2005</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
<u>At 31 December 2005</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>At 31 December 2004</u>	<u>17</u>	<u>1</u>	<u>18</u>

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2005

(continued)

10 Investments

Company	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Cost		
<u>Investments in subsidiary undertakings</u>	<u>13</u>	<u>13</u>

The Company's principal subsidiary undertaking is as follows:

	Country of Incorporation	Principal Activity	% of Shares Held
<u>CineNova B.V.</u>	<u>The Netherlands</u>	<u>Marketing services</u>	<u>100%</u>

CineNova B.V. was incorporated on June 9, 2000, is 100% equity owned by Europe Movieco Partners Limited and has the same period end as Europe Movieco Partners Limited. CineNova B.V. has been consolidated into these financial statements. CineNova B.V. has been officially liquidated in July 2006 in connection with the decision of the shareholders to close down the business.

The directors have considered the carrying value of the investment and are of the opinion that the aggregate value for the Company's investment, including amounts owed by the subsidiary undertaking, is not less than the amount at which it is stated in the financial statements.

11 Debtors

	31 December 2005 £'000	Group 31 December 2004 £'000	31 December 2005 £'000	Company 31 December 2004 £'000
Amounts falling due within one year:				
Trade debtors	-	24,415	-	24,415
Other debtors	146	156	146	147
Prepayments and accrued income	5	346	5	331
	<u>151</u>	<u>24,917</u>	<u>151</u>	<u>24,893</u>

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2005

(continued)

12 Notes to the consolidated cash flow statement

a) Reconciliation of profit on ordinary activities before interest and taxation to net cash inflow from operating activities

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Profit on ordinary activities before interest and taxation	13,221	17,568
Depreciation	20	32
Cumulative Translation Adjustment	(3)	
Decrease in debtors	24,766	(11,951)
<i>Decrease in creditors</i>	<i>(26,924)</i>	<i>(7,655)</i>
Net cash inflow (outflow) from operating activities	11,080	(2,006)

b) Reconciliation of net cash flow to movement in net funds

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Increase/ (decrease) in cash in the period	2,749	(2,024)
Cash inflow from increase in debt and lease finance	-	-
Cash inflow from decrease in liquid resources	-	-
<i>Change in net funds resulting from cash flows</i>	<i>2,749</i>	<i>(2,024)</i>
Translation difference	-	-
Movement in net funds in the period	2,749	(2,024)
Net funds at 1 January	1,077	3,101
Net funds at 31 December	3,826	1,077

c) Analysis of net funds

	At 31 December 2004 £'000	Cash flow £'000	At 31 December 2005 £'000
Cash in hand and at bank	1,077	2,749	3,826
Total net funds	1,077	2,749	3,826

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2005

(continued)

13 Creditors: amounts falling due within one year

	31 December 2005 £'000	Group 31 December 2004 £'000	31 December 2005 £'000	Company 31 December 2004 £'000
Trade creditors	5	404	5	368
Amounts due to parent and fellow group undertakings	-	24,512	-	24,512
Amounts due to subsidiary undertakings	-	-	-	148
Taxation and social security	2,448	51	2,441	38
Accruals and deferred income	119	2,013	119	1,971
	2,572	26,980	2,565	27,037

Amounts owed to group and subsidiary undertakings were short term in nature, unsecured, interest free and repayable on demand.

14 Financial commitments

At 31 December 2005 the Company and the group had the following annual commitments, excluding annual increases based upon the RPI, under operating leases which expire:

	31 December 2005 £'000	Group 31 December 2004 £'000	31 December 2005 £'000	Company 31 December 2004 £'000
In one to three years	0	743	0	743

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2005

(continued)

15 Share capital

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Authorised – Group and Company		
100 Ordinary shares of £1 each	100	100
Allotted and called up – Group and Company		
2 Ordinary shares of £1 each	2	2

16 Reconciliation of shareholders' funds and movement on reserves

(a) Group

	Share Capital £'000	Profit and Loss account £'000	Total Shareholders' (Deficit)/Funds £'000
Opening Balance at 31 December 2004	-	(631)	(631)
Profit for the year	-	10,608	10,608
Dividend distribution		(8,572)	(8,572)
At 31 December 2005	-	1,405	1,405

(b) Company

	Share Capital £'000	Profit and Loss account £'000	Total Shareholders' (Deficit)/Funds £'000
Opening Balance at 31 December 2004	-	(801)	(801)
Profit for the year	-	10,564	10,564
Dividend distribution		(8,572)	(8,572)
At 31 December 2005	-	1,191	1,191

17 Pension commitments

The Company's employees are eligible to participate in the Friends Provident Pension fund. The plan is a defined contribution scheme whereby the Company and its employees contribute a fixed monthly percentage of gross income. The Company's only commitments are to its full time employee participants at a rate of 8% of gross income as long as those individuals remain in its employment. The employees of the Company's subsidiary undertaking are also eligible to participate in a defined contribution scheme whereby 2/3 of the total contribution amount for each full time employee participant is contributed by the subsidiary undertaking and the remaining 1/3 by the employee. The pension expense for the Group was £73,004 for the year ended 31 December 2005. The Company and its group have no exposure to any other post-retirement benefit obligations.

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Notes to the financial statements for the year ended 31 December 2005

(continued)

18 Related parties

(a) Transactions			Transactions in 2005	Transactions in 2004
Related party	Relationship	Description	£'000	£'000
Europe Movieco Partners	Parent	Programme Royalties	6,299	9,662

(b) Balances			Balances at 31 December	Balances at 31 December
Related party	Relationship	Description	2005	2004
			£'000	£'000
Europe Movieco Partners	Parent	Programme Royalties	-	24,511

19 Deferred Tax

	31 December 2005	31 December 2004	31 December 2005	31 December 2004
	£'000	£'000	£'000	£'000
	Recognised		Unrecognised	
ACAs ((Asset)/Liability	-	(49)	-	-
Losses (Asset)/Liability	-	(286)	-	-
	-	(335)	-	-

Deferred tax (asset)/liability at the start of the period	(335)	-	-	-
Deferred tax charge/(credit) in the P&L – current year	335	5,257	-	-
Deferred tax charge/(credit) in the P&L – prior year	-	(5,592)	-	-
	-	(335)	-	-
Deferred tax (asset) at the end of the period	-	(335)	-	-

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Notes to the financial statements for the year ended 31 December 2005

(continued)

20 Ultimate parent undertaking

The Company and the group's immediate and ultimate parent undertaking and controlling party is Europe MovieCo Partners G.P. (The Partnership) incorporated in the United States of America.

This is the parent undertaking of the largest and smallest group to consolidate these accounts.

21 Contingent Liability

Under clause 13 of the Cable Affiliation Agreements, the Company agreed to be responsible for royalties due to Collection Societies in The Netherlands by the Dutch Cable Operators (the "Cable Operators") up to a maximum of 3% of the annual fees payable by the Cable Operators to the Company under these agreements. By resolution on 27 September 2006, the Directors approved the reversal of a cumulative expense provision related to the potential realization of this performing rights royalties liability in the amount of £2,277,444.

The Company is not aware of any correspondence or other communication between the Cable Operators and the Collection Societies with regard to the CineNova movie service (the "Service") and/or any royalties owing by the Cable Operators in relation to the Service. Further, since the expiry of the Cable Affiliation Agreements in May 2005, the Company has not entered into any correspondence with any of the Cable Operators with regard to the Service, the Cable Affiliation Agreements or any other matter (other than standard audit confirmation requests sent to the Cable Operators on 25 September 2006 to confirm no amounts due to or owed by the Company).

Given the amount of time that has elapsed since the commencement of the Service and taking into account the absence of any communication or correspondence between the Collection Societies, the Cable Operators and/or the Company with regard to royalties which may be due under clause 13 of the Cable Affiliation Agreements, the Directors are of the view that the likelihood of any claim being brought against the Company by the Cable Operators under that provision is increasingly remote. Therefore, the realization of the liability remains highly unlikely.

The Company has received a binding letter of support from the Partnership to the effect that in the event a claim is made against the Company and/or the Directors under the Cable Affiliation Agreements or in relation to the release of the provision, the Partnership will fully satisfy the amounts claimed, together with any and all related costs and expenses. The Directors further note that the Partnership, in turn, has received letters on equivalent terms from each of the Partnership's shareholders.

22 Subsequent Events

CineNova BV Liquidation

CineNova BV, the subsidiary undertaking of the Company, was officially liquidated under Dutch law with effect from July 3, 2006. Remaining cash, representing initial capital and dividend retained earnings, amounted to approximately \$395,000 and was paid to the Company upon liquidation.

MS Trading litigation

The Partnership has an outstanding balance due MS Trading, a program distributor, of \$544,200 at December 31, 2005 due to a dispute connected with the licensing of certain program titles which came into license after the channel went off air in May 2005. Although The Partnership attempted to negotiate a settlement through its lawyers, it received a writ of summons from the Belgian courts in May 2006 on behalf of MS Trading and a full hearing is now not scheduled until February 2007.

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Notes to the financial statements for the year ended 31 December 2005

(continued)

The accounts payable due MS Trading on The Partnership's books reflects 100% of the value of titles in dispute so no further programming costs will be incurred should it lose the case. Relatedly, no additional Programme Royalties costs are expected to be invoiced to the Company by The Partnership.

2006 Dividend Distribution

At a meeting dated 27 September 2006 and in the form of a resolution, the Directors of the Company approved the distribution of a dividend to the Partnership from its reserves in the amount of \$2,000,000. This amount was paid to the Partnership the following day.