Europe Movieco Partners Limited
(Registered Number: 3877860)

Directors' report and financial statements for the year ended 31 December 2002

Europe Movieco Partners Limited

Directors' report for the year ended 31 December 2002

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 2002. Disclosure of the comparatives for the year ended 31 December 2001 have been updated to reflect the current year consolidated basis of preparation as required by the Companies Act 1985.

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. The Company intends to promote its principal activity for the foreseeable future.

Business review

The results for the year ended 31 December 2002 are given in the profit and loss account on page 5. Results were in line with the directors' expectations.

Results and dividends

The loss for the year ended 31 December 2002 amounted to £6,458,680 (loss 12 month period ended 31 December 2001: £3,439,628).

The directors do not recommend the payment of a dividend. The loss for the period has been transferred to reserves.

Directors and directors' interests

The directors who held office during the year ended 31 December 2002 were as follows:

Christine Service (Resigned 23/04/03)
Timothy Richards
Darren Childs
Simon Oakes
Adrian Crump (Resigned 28/3/02)
Nicola Bamford (Appointed 23/04/03)

At no time during the year ended 31 December 2002 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 2002 was Maureen Cullum.

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 2002 were equivalent to 54 days purchases during the year.

Europe Movieco Partners Limited

Directors' report for the year ended 31 December 2002 (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 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 19 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

On *10 December 2001* an elective resolution was passed dispensing with the need to hold an annual general meeting and reappoint the auditors. In the absence of a notice proposing that the appointment be terminated, the auditors, PricewaterhouseCoopers LLP, will be deemed to be reappointed for the next financial year.

By Order Of The Board

Maureen L. Cullum
Company Secretary

1 Stephen Street
London
W1P 1PJ

21 November 2003

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes on pages 5 to 19.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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 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 note 1 (b) of the financial statements concerning the uncertainty over whether the Company and the group will continue as a going concern. As discussed in Note 1 (b) to the financial statements, the Company and the group has incurred losses from operations since its inception and has a net shareholders' deficit. These circumstances raise substantial doubt about its ability to continue as a going concern. The Company and the group's plans with regard to these matters are also described in Note 1 (b). The financial statements do not include any adjustments that might result from the outcome of these uncertainties. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the group at 31 December 2002 and of the loss and cash flows of the group 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, 21 November 2003

Europe MovieCo Partners Limited

Consolidated profit and loss account for the year ended 31 December 2002

	Note	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Turnover	2	**8,874**	13,211
Cost of sales		**(14,049)**	(14,406)
Gross Loss		**(5,175)**	(1,195)
Administrative expenses		**(1,282)**	(2,263)
Loss on operating activities before interest and taxation	*3*	**(6,457)**	(3,458)
Interest receivable and similar charges	*6*	**9**	35
Interest payable and similar charges	*7*	**-**	(9)
Loss on ordinary activities before taxation		**(6,448)**	(3,432)
Tax on profit (loss) on ordinary activities	8	**(11)**	(8)
Loss retained for the financial period	*17*	**(6,459)**	(3,440)

All of the group's results are derived from continuing operations.

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

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

Europe MovieCo Partners Limited

Balance sheet as at 31 December 2002

	Note	Group 31 December 2002 £'000	Group 31 December 2001 £'000	Company 31 December 2002 £'000	Company 31 December 2001 £'000
Fixed assets					
Tangible assets	*9*	**180**	341	**147**	321
Investments	*10*	**-**	-	**13**	13
		180	341	**160**	334
Current assets					
Debtors	*11*	**3,123**	3,472	**3,038**	3,295
Cash at bank and in hand		**393**	1,563	**389**	1,358
		3,516	5,035	**3,427**	4,653
Creditors: amounts falling due within one year	*13*	**(18,648)**	(13,827)	**(18,613)**	(13,483)
Net current liabilities		**(15,132)**	(8,792)	**(15,186)**	(8,830)
Total assets less current liabilities		**(14,952)**	(8,451)	**(15,026)**	(8,496)
Creditors: amounts falling due after more than one year	*14*	**-**	(42)	**-**	(42)
Net assets		**(14,952)**	(8,493)	**(15,026)**	(8,538)
Capital and reserves					
Called up share capital	*16*	**-**	-	**-**	**-**
Profit and loss account	*17*	**(14,952)**	(8,493)	**(15,026)**	**(8,538)**
Equity shareholders' deficit	*17*	**(14,952)**	(8,493)	**(15,026)**	**(8,538)**

The financial statements on pages 5 to 19 were approved by the board of directors on 21 November 2003 and were signed on its behalf by:

Darren Childs
Director

Europe MovieCo Partners Limited

Consolidated cash flow statement for the year ended 31 December 2002

	Note	31 December 2002 £'000	31 December 2001 £'000
Net cash outflow from operating activities	*12a*	**(1,115)**	751
Returns on investments and servicing of finance			
Interest received		**9**	35
Interest paid		**-**	(9)
Net cash outflow from returns on Investments and servicing of finance		**9**	26
Taxation		**(11)**	(8)
Capital Expenditure & financial investment			
Purchase of tangible fixed assets		**(53)**	(41)
Net cash outflow for capital expenditure and financial investment		**(53)**	(41)
Decrease in Net Cash	*12c*	**(1,170)**	728

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 polices set out below, and in accordance with applicable Accounting Standards in the United Kingdom. During the year the Company has adopted FRS19 'Deferred Tax'.

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) 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. (45.82% interest), BVI Television (Europe), Inc. (45.82% interest) and UPC TV Holdings BV (8.36% interest).

These financial statements have been prepared on a basis which assumes that the Company 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. The Company has a limited operating history, has incurred losses from operations since its inception and has a net shareholders' deficit.

Furthermore, a substantial amount of the Company's revenue is derived from sales to UPC N.V., an affiliate of UPC TV Holdings BV, which entered Ch 11 bankruptcy proceedings in December 2002. (see Note 22). This related party is the primary distributor of the Company's pay subscription movie service. Further disruptions to these local distribution channels could adversely affect operating results. These circumstances raise substantial doubt about the Company's ability to continue as a going concern.

The directors' plans with regard to these matters include continued marketing of the CineNova movie service, reduced broadcast operations costs, as well as seeking additional financing. The Partnership has indicated its current intention to provide financial support to the extent that it is in receipt of funds from its partners in accordance with the funding provisions of the partnership agreement of Europe Movieco Partners dated as of December 21, 1999 (the "Partnership Agreement"), so as to enable the Company to meet its liabilities as and when they fall due for a period of not less than 12 months from the date at which the balance sheet of the Company is signed on behalf of the Board of Directors of the Company.

Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient cash flow. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. However, the directors believe the Partnership will provide sufficient financial support to allow the Company to continue as a going concern for the foreseeable future.

1 Accounting policies (continued)

c) 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.

d) 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 associated undertakings.

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.

e) 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.

f) Value Added Tax

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

g) 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

h) 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.

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

j) 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.

k) Operating leases

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

2 Segmental reporting

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

3 Loss on ordinary activities before interest and taxation

The operating loss is stated after charging:	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Wages and salaries	**1,206**	1,145
Social security costs	**98**	95
Pension costs	**76**	77
Staff costs	**1,380**	1,317
Depreciation of tangible fixed assets	**213**	191
Loss on disposal of fixed assets	**1**	59
Operating lease – plant and machinery	**2,509**	2,414
Exchange (gains)/losses	**(1,071)**	172
Auditors' remuneration for audit services	**11**	8

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 2002
(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 2002 Number	Year ended 31 December 2001 Number
Programming and operations	**23.0**	24.0
Administration	**4.0**	4.0
	27.0	28.0

6 Interest receivable and similar charges

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Bank interest receivable	**9**	35

7 Interest payable and similar charges

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Interest due to parent undertaking	**0**	9

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2002
(continued)

8 Taxation

The tax losses arising in the period for the Company will be carried forward and offset against profits arising in subsequent accounting periods.

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

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
UK Corporation Tax		
Current tax at 30% on income for the period (2001: 30%)	-	-
Adjustments in respect of prior periods	-	-
	-	-
Double Tax relief	-	-
	-	-
Foreign Tax		
Current tax on income for the period	11	8
Adjustments in respect of prior periods	-	-
Deferred taxation (see note 20)	-	-
	11	8

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 2002 £'000	Year ended 31 December 2001 £'000
Loss on ordinary activities before tax	**(6.448)**	(3.432)
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30% (2001- 30%)	**(1.934)**	(1.029)
Expenses not deductible for tax purposes	**(1)**	(2)
Depreciation in period in excess of capital allowances	**29**	34
Unutilised losses	**1.916**	1.004
Higher tax rates on overseas earnings	**1**	1
	11	8

9 Tangible assets

(a) Group	Computer Equipment £'000	Office & Tech Equipment £'000	Total £'000
Cost			
At 31 December 2001	517	61	578
Additions	7	46	53
Disposals	(3)	-	(3)
Foreign exchange currency adjustments	2	1	3
At 31 December 2002	523	108	631
Depreciation			
At 31 December 2001	(210)	(27)	(237)
Provided during the year	(169)	(44)	(213)
Disposals	2	-	2
Foreign exchange currency adjustments	(2)	(1)	(3)
At 31 December 2002	(379)	(72)	(451)
Net book value			
At 31 December 2002	**144**	**36**	**180**
At 31 December 2001	307	34	341

(b) Company	Computer Equipment £'000	Office & Tech Equipment £'000	Total £'000
Cost			
At 31 December 2001	482	55	537
Additions	4	14	18
Disposals	-	-	-
At 31 December 2002	486	69	555
Depreciation			
At 31 December 2001	(192)	(24)	(216)
Provided during the year	(162)	(30)	(192)
Disposals	-	-	-
At 31 December 2002	(354)	(54)	(408)
Net book value			
At 31 December 2002	**132**	**15**	**147**
At 31 December 2001	290	31	321

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2002
(continued)

10 Investments

Company

Cost	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Investments in subsidiary undertakings	**13**	13

The Company's principal subsidiary undertakings are as follows:

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

CineNova B.V. was incorporated on June 9, 2000 and 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.

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

		Group		Company
	31 December 2002 £'000	31 December 2001 £'000	31 December 2002 £'000	31 December 2001 £'000
Amounts falling due within one year:				
Trade debtors	**2,584**	2,775	**2,584**	2,775
Other debtors	**224**	387	**154**	216
Prepayments and accrued income	**315**	310	**300**	304
	3,123	3,472	**3,038**	3,295

12 Notes to the consolidated cash flow statement

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

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Loss on ordinary activities before interest and taxation	**(6,457)**	(3,458)
Depreciation	**213**	191
Loss on disposal	**1**	59
Decrease in Debtors	**349**	(858)
Increase in Creditors	**4,779**	4,817
Net cash outflow from operating activities	**(1,115)**	751

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

	£'000	£'000
Decrease in cash in the period	(1,170)	
Cash inflow from increase in debt and lease finance	-	
Cash inflow from decrease in liquid resources	-	
Change in net debt resulting from cash flows		(1,170)
Translation difference		-
Movement in net debt in the period		(1,170)
Net debt at 31 December 2001		1,563
Net debt at 31 December 2002		**393**

c) Analysis of net funds

	At 31 December 2001 £'000	Cash flow £'000	At 31 December 2002 £'000
Cash in hand and at bank	1,563	(1,170)	393
Total net funds	**1,563**	**(1,170)**	**393**

13 Creditors: amounts falling due within one year

		Group		Company
	31 December 2002 £'000	31 December 2001 £'000	31 December 2002 £'000	31 December 2001 £'000
Trade creditors	**1,489**	1,142	**1,195**	510
Amounts due to parent and fellow group undertakings	**15,002**	11,852	**15,002**	11,852
Amounts due to subsidiary undertakings	**-**	-	**373**	473
Taxation and social security	**72**	71	**75**	27
Accruals and deferred income	**2,085**	762	**1,968**	621
	18,648	13,827	**18,613**	13,483

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

14 Creditors: amounts falling due after more than one year

		Group		Company
	31 December 2002 £'000	31 December 2001 £'000	31 December 2002 £'000	31 December 2001 £'000
Trade creditors	**-**	42	**-**	42

15 Financial commitments

At 31 December 2002 the Company had the following annual commitments, excluding annual increases based upon the RPI, under an operating lease which expires:

		Group		Company
	31 December 2002 £'000	31 December 2001 £'000	31 December 2002 £'000	31 December 2001 £'000
In two to five years	**2,513**	2,498	**2,513**	2,466

16 Share capital

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
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

17 Reconciliation of shareholders' deficit and movement on reserves

(a) Group

	Share Capital £'000	Profit and Loss account £'000	Total Shareholders' Deficit £'000
Opening Balance at 31 December 2001	-	(8,493)	(8,493)
Shares Issued	-	-	-
Loss for the year	-	(6,459)	(6,459)
At 31 December 2002	**-**	**(14,952)**	**(14,952)**

(b) Company

	Share Capital £'000	Profit and Loss account £'000	Total Shareholders' Deficit £'000
Opening Balance at 31 December 2001	-	(8,538)	(8,538)
Shares Issued	-	-	-
Loss for the year	-	(6,488)	(6,488)
At 31 December 2002	**-**	**(15,026)**	**(15,026)**

18 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 £ 76,374 for the year ended 31 December 2002. The Company and its group have no exposure to any other post-retirement benefit obligations.

19 Related parties

(a) Transactions

Related party	Relationship	Description	Transactions in 2002 £'000	Transactions in 2001 £'000
Europe Movieco Partners	Parent	Programme Royalties	9,802	9,323

(b) Balances

Related party	Relationship	Description	Balances at 31 December 2002 £'000	Balances at 31 December 2001 £'000
Europe Movieco Partners	Parent	Programme Royalties	15,002	11,852

20 Deferred Tax

No provision for deferred taxation is recorded due to availability of tax losses carried forward which offset the full potential effect of timing differences between the treatment of certain items for taxation and accounting purposes. There was no material unprovided liability for deferred taxation at 31 December 2002 or 31 December 2001.

A potential deferred tax asset of £4,504,324 (2001: £2,559,212) relating primarily to carried forward losses and timing differences on fixed assets has not been recognised.

21 Ultimate parent undertaking

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

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

22 Subsequent Events

In the first quarter of 2003, the management of the Partnership requested an additional capital contribution of $2,000,000 from its general partners as allowed under the terms of the Partnership Agreement. The Partnership received a $905,000 capital contribution from each of SPE Euromovies Investments, Inc. and BVI Television (Europe), Inc. However, UPC TV Holdings BV did not make its relative contribution of $190,000 by the contractual due dates. As a result, the Partnership elected to serve UPC BV notice of an Event of Default, as defined in the Partnership Agreement, related to the non-funding of this capital call. UPC BV did not make its contribution within the allowable cure period. Accordingly, Sony and Disney may elect to exercise their rights pursuant to the Partnership Agreement and fund their pro rata share (50% each or $95,000) of the non-funded amount, which will further increase their percentage ownership interests in the Partnership. As of the date of this report, SPE Euromovies Investments, Inc. and BVI Television (Europe), Inc. had not made a final decision regarding the funding of UPC TV's non-funded amount.

Additionally, UPC NV, an affiliate of UPC TV Holdings BV and a distributor of the Company's pay subscription service under the terms of the Cable Affiliation Agreement, had an outstanding past due balance to the Company at September 30, 2003 in the amount of $14,741,051, excluding late payment charges, arising solely from transactions after December 3, 2002, the date on which UPC NV filed for bankruptcy protection in the Netherlands and the U.S. to facilitate its debt restructuring process. On this same day, UPC NV also filed a motion with the New York Bankruptcy Court to reject the Cable Affiliation Agreement. This motion was heard on January 7, 2003 and the New York Bankruptcy Court made an order rejecting the Cable Affiliation Agreement as of March 1, 2003. The Company immediately appealed this decision. The hearing of the appeal took place on August 21, 2003. The New York appeal judge did not hand down judgment from the bench and the Company may have to wait up to six months to receive the judgment.

In February 2003 the Amsterdam District Court made an order in favour of the Company, requiring UPC to continue to transmit the CineNova Channel pending the outcome of the arbitration between the parties. This order was appealed by UPC. The hearing of the appeal took place on August 15, 2003 and the Dutch Court of Appeal dismissed the order on jurisdictional grounds.

The Company has commenced International Chamber of Commerce (ICC) arbitration against UPC NV pursuant to the terms of the Cable Affiliation Agreement seeking specific performance of the Cable Affiliation Agreement and payment by UPC NV of all license fees falling due after 3 December 2002. The arbitrators have recently set a timetable for the arbitration culminating in a two-week hearing commencing on 19 April 2004. Their decision should be handed down by the middle of 2004. Currently, due to the uncertainty of legal proceedings, the Company has not recognized as income any amounts billed after December 3, 2002 and will continue this treatment until final legal decisions have been rendered.

Prior to UPC NV entering into Chapter 11 proceedings on December 3, 2002, the Company was owed $11,161,379 by UPC NV for 2002 billed amounts due under the Cable Affiliation Agreement. These amounts are treated as a pre-petition claim under UPC's insolvency proceedings and so cannot be recovered by EMP Ltd. under legal proceedings. Although it may be possible for the Partnership to recover these monies through a separate claim under the partnership agreement, this sum was not recognized as 2002 revenue or accounts receivable in these financial statements because collectibility was not probable at the time services were rendered.

As defined within UPC NV's Chapter 11 Plan of Reorganization filed with the SEC, unsecured creditors in the same class as EMP Ltd. will receive the following distribution of shares in New UPC, Inc. (now UGC Europe, Inc.) in return for their debt: 5.36382 shares of New UPC Common Stock per $1,000 of claim value held. Therefore, the Company expects to receive 59,867 shares with a total approximate value of $4,310,424 based upon the share value on NASDAQ of UPC Europe, Inc. on November 20, 2003.

Finally, the Company has negotiated deferred payment arrangements with two of its suppliers in 2003. Arrangements have been made with the London Playout Centre (LPC) and British Telecom (BT), the suppliers of transmission and playout services and uplink services, respectively, to defer certain payments until the fourth quarter of the year. Up to and including September 30, 2003, payments deferred to LPC and BT amounted to $2,355,300 and $553,350, respectively.