Europe Movieco Partners Limited

(Registered Number: 3877860)

Directors' report and financial statements for the year ended 31 December 2003

Europe Movieco Partners Limited

Directors' report for the year ended 31 December 2003

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 2003.

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

Business review

The results for the year ended 31 December 2003 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 2003 amounted to £3,584,681 (loss 12 month period ended 31 December 2002: £6,458,680).

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 2003 were as follows:

Christine Service (Resigned 23/04/03)
Timothy Richards
Darren Childs
Simon Oakes
Nicola Bamford (Appointed 23/04/03)

At no time during the year ended 31 December 2003 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 2003 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 2003 were equivalent to 22 days purchases during the year.

Europe Movieco Partners Limited

Directors' report for the year ended 31 December 2003 (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

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

Maureen L. Cullum
Company Secretary

1 Stephen Street
London
W1P 1PJ

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) to 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 have incurred losses from operations since inception and have a net shareholders' deficit. These circumstances raise substantial doubt about their 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 this uncertainty. 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 2003 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, 30 September 2004

Europe MovieCo Partners Limited

Consolidated profit and loss account for the year ended 31 December 2003

	Note	**Year ended 31 December 2003 £'000**	**Year ended 31 December 2002 £'000**
Turnover	2	**11,753**	8,874
Cost of sales		**(13,832)**	(14,049)
Gross Loss		**(2,079)**	(5,175)
Administrative expenses		**(1,473)**	(1,282)
Loss on operating activities before interest and taxation	3	**(3,552)**	(6,457)
Interest receivable and similar income	*6*	**5**	9
Interest payable and similar charges	*7*	**(25)**	-
Loss on ordinary activities before taxation		**(3,572)**	(6,448)
Tax on loss on ordinary activities	*8*	**(13)**	(11)
Loss retained for the financial period	*16*	**(3,585)**	(6,459)

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 2003

	Note	Group 31 December 2003 £'000	Group 31 December 2002 £'000	Company 31 December 2003 £'000	Company 31 December 2002 £'000
Fixed assets					
Tangible assets	*9*	**31**	180	**17**	147
Investments	*10*	**-**	-	**13**	13
		31	180	**30**	160
Current assets					
Debtors	*11*	**12,966**	3,123	**12,869**	3,038
Cash at bank and in hand		**3,101**	393	**3,074**	389
		16,067	3,516	**15,943**	3,427
Creditors: amounts falling due within one year	*13*	**(34,635)**	(18,648)	**(34,628)**	(18,613)
Net current liabilities		**(18,568)**	(15,132)	**(18,685)**	(15,186)
Total assets less current liabilities		**(18,537)**	(14,952)	**(18,655)**	(15,026)
Net liabilities		**(18,537)**	(14,952)	**(18,655)**	(15,026)
Capital and reserves					
Called up share capital	*15*	**-**	-	**-**	-
Profit and loss account	*16*	**(18,537)**	(14,952)	**(18,655)**	(15,026)
Equity shareholders' deficit	*16*	**(18,537)**	(14,952)	**(18,655)**	(15,026)

The financial statements on pages 5 to 19 were approved by the board of directors on 30 September 2004 and were signed on its behalf by:

Darren Childs
Director

Europe MovieCo Partners Limited

Consolidated cash flow statement
for the year ended 31 December 2003

	Note	31 December 2003 £'000	31 December 2002 £'000
Net cash inflow/ (outflow) from operating activities	*12a*	**2,751**	(1,115)
Returns on investments and servicing of finance			
Interest received		**5**	9
Interest paid		**(25)**	-
Net cash outflow from returns on investments and servicing of finance		**(20)**	9
Taxation		**(14)**	(11)
Capital expenditure & financial investment			
Purchase of tangible fixed assets		**(9)**	(53)
Net cash outflow for capital expenditure and financial investment		**(9)**	(53)
Increase/ (decrease) in net cash	*12c*	**2,708**	(1,170)

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2003

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.

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. (46.27% interest), BVI Television (Europe), Inc. (46.27% interest) and UPC TV Holdings BV (7.46% interest).

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. The Company and the group have a limited operating history, have incurred losses from operations since inception and for the past 2 years have had a net shareholders' deficit. The Company and the group also have no long-term external financing arrangements in place.

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. This situation gives rise to a number of issues (which are set out in Note 22) as this related party is the primary distributor of the Company's pay subscription movie service, as well as a member of the Partnership. While UPC N.V. has successfully exited the Ch 11 process, their continued failure to pay in connection with ongoing legal proceedings puts future revenue recovery at risk. Further disruptions to 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, deferred payment arrangements with its suppliers, as well as seeking additional financing from its parent company. 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 GP 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/ (crediting):	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Wages and salaries	**1,279**	1,206
Social security costs	**120**	98
Pension costs	**79**	76
Staff costs	**1,478**	1,380
Depreciation of tangible fixed assets	**159**	213
Loss on disposal of fixed assets	**-**	1
Operating lease – plant and machinery	**2,424**	2,509
Exchange gains	**(1,988)**	(1,071)
Auditors' remuneration for audit services	**23**	11

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 2003
(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 2003 Number	Year ended 31 December 2002 Number
Programming and operations	20	23
Administration	4	4
	24	27

6 Interest receivable and similar income

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Bank interest receivable	**5**	9

7 Interest payable and similar charges

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Late payment charges LPC	**23**	-
Charge on sale of UPC NV shares	**2**	-
	25	-

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2003
(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 2003 £'000	Year ended 31 December 2002 £'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	**16**	11
Adjustments in respect of prior periods	**(3)**	-
Deferred taxation (see note 19)	-	-
	13	11

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 2003 £'000	Year ended 31 December 2002 £'000
Loss on ordinary activities before tax	**(3,572)**	(6,448)
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	**(1,072)**	(1,934)
Non-deductible expenses/ (Non-taxable income)	-	(1)
Depreciation in period in excess of capital allowances	**20**	29
Unutilised losses	**1,067**	1,916
Higher tax rates on overseas earnings	**1**	1
	16	11

9 Tangible assets

(a) Group	Computer Equipment £'000	Office & Tech Equipment £'000	Total £'000
Cost			
At 31 December 2002	523	108	631
Additions	8	1	9
Disposals	-	-	-
Foreign exchange currency adjustments	4	2	6
At 31 December 2003	535	111	646
Depreciation			
At 31 December 2002	(379)	(72)	(451)
Provided during the year	(132)	(27)	(159)
Disposals	-	-	-
Foreign exchange currency adjustments	(8)	3	(5)
At 31 December 2003	(519)	(96)	(615)
Net book value			
At 31 December 2003	**16**	**15**	**31**
At 31 December 2002	144	36	180

(b) Company	Computer Equipment £'000	Office & Tech Equipment £'000	Total £'000
Cost			
At 31 December 2002	486	69	555
Additions	8	1	9
Disposals	-	-	-
At 31 December 2003	494	70	564
Depreciation			
At 31 December 2002	(354)	(54)	(408)
Provided during the year	(125)	(14)	(139)
Disposals	-	-	-
At 31 December 2003	(479)	(68)	(547)
Net book value			
At 31 December 2003	**15**	**2**	**17**
At 31 December 2002	132	15	147

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2003

(continued)

10 Investments

Company

Cost	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Investments in subsidiary undertakings	**13**	13

The Company's principal subsidiary undertaking is 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, 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 2003 £'000	31 December 2002 £'000	31 December 2003 £'000	31 December 2002 £'000
Amounts falling due within one year:				
Trade debtors	**12,389**	2,584	**12,389**	2,584
Other debtors	**301**	224	**218**	154
Prepayments and accrued income	**276**	315	**262**	300
	12,966	3,123	**12,869**	3,038

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2003
(continued)

12 Notes to the consolidated cash flow statement

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

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Loss on ordinary activities before interest and taxation	**(3,552)**	(6,457)
Depreciation	**159**	213
Loss on disposal	**0**	1
Increase in debtors	**(9,843)**	349
Increase in creditors	**15,987**	4,779
Net cash inflow (outflow) from operating activities	**2,751**	(1,115)

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

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Increase/ (decrease) in cash in the period	**2,708**	(1,170)
Cash inflow from increase in debt and lease finance	**-**	-
Cash inflow from decrease in liquid resources	**-**	-
Change in net funds resulting from cash flows	**2,708**	(1,170)
Translation difference	**-**	-
Movement in net funds in the period	**2,708**	(1,170)
Net funds at 1 January	**393**	1,563
Net funds at 31 December	**3,101**	393

c) Analysis of net funds

	At 31 December 2002 £'000	Cash flow £'000	At 31 December 2003 £'000
Cash in hand and at bank	393	2,708	3,101
Total net funds	**393**	**2,708**	**3,101**

13 Creditors: amounts falling due within one year

		Group		Company
	31 December 2003 £'000	31 December 2002 £'000	31 December 2003 £'000	31 December 2002 £'000
Trade creditors	**2,088**	1,489	**2,021**	1,195
Amounts due to parent and fellow group undertakings	**19,735**	15,002	**19,735**	15,002
Amounts due to subsidiary undertakings	**-**	-	**188**	373
Taxation and social security	**55**	72	**51**	75
Accruals and deferred income	**12,757**	2,085	**12,633**	1,968
	34,635	18,648	**34,628**	18,613

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

14 Financial commitments

At 31 December 2003 the Company and the group had the following annual commitments, excluding annual increases based upon the RPI, under operating leases which expires:

		Group		Company
	31 December 2003 £'000	31 December 2002 £'000	31 December 2003 £'000	31 December 2002 £'000
In two to five years	**1,865**	2,513	**1,865**	2,513

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2003
(continued)

15 Share capital

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
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' deficit and movement on reserves

(a) Group

	Share Capital £'000	Profit and Loss account £'000	Total Shareholders' Deficit £'000
Opening Balance at 31 December 2002	-	(14,952)	(14,952)
Loss for the year	-	(3,585)	(3,585)
At 31 December 2003	**-**	**(18,537)**	**(18,537)**

(b) Company

	Share Capital £'000	Profit and Loss account £'000	Total Shareholders' Deficit £'000
Opening Balance at 31 December 2002	-	(15,026)	(15,026)
Loss for the year	-	(3,629)	(3,629)
At 31 December 2003	**-**	**(18,655)**	**(18,655)**

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 £79,178 for the year ended 31 December 2003. The Company and its group have no exposure to any other post-retirement benefit obligations.

18 Related parties

(a) Transactions

Related party	Relationship	Description	Transactions in 2003 £'000	Transactions in 2002 £'000
Europe Movieco Partners	Parent	Programme Royalties	9,751	9,802

(b) Balances

Related party	Relationship	Description	Balances at 31 December 2003 £'000	Balances at 31 December 2002 £'000
Europe Movieco Partners	Parent	Programme Royalties	19,735	15,002

19 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 2003 or 31 December 2002.

A potential deferred tax asset of £5,591,608 (2002: £4,504,324) relating primarily to carried forward losses and timing differences on fixed assets has not been recognised because current forecasts indicate they will not be utilised or reverse in the foreseeable future.

20 Ultimate parent undertaking

The Company and the group's immediate and 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 Litigation and Subsequent Events

Litigation

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 at September 30, 2004 in the amount of approximately $37,085,000 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 (referenced as the 'Dutch Akkoord') and the U.S. (commonly known as 'Chapter 11') to facilitate its debt restructuring process. Also on December 3, 2002, UPC NV 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 appeal was rejected as anticipated so EMP Ltd. has now appealed to the Second Circuit Court in order to have the initial order overturned.

The Company has initiated arbitration proceedings against UPC NV in order to recover the aforementioned past due balances as well as any related amounts subsequently due. The factual evidence was heard by the arbitral panel in April 2004 with the hearing of the expert evidence scheduled for the latter part of September 2004. A final ruling is expected at the end of 2004 or the beginning of 2005. Currently, due to ongoing legal proceedings, the Company has deferred revenue for all amounts billed after December 3, 2002 and will continue such treatment until final legal decisions have been rendered. However, it is anticipated that the arbitral panel will find in favor of the Company and force specific performance of the Cable Affiliation Agreement (with payment of license fees accrued to date) or award damages.

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 were treated as a pre-petition claim under UPC NV's insolvency proceedings and so could not be recovered in full under legal proceedings. Instead, it was awarded 5.34665 shares of UGC Europe, Inc (UGCE) Common Stock per €1,000 of claim value held under the Dutch insolvency proceedings. UPC NV challenged the Company's entitlement to these shares and its right to have the shares transferred to it until such time as the matter has been finally resolved by arbitration. Consequently, the Company made an application to the Amsterdam District Court requesting an order that UPC NV fulfil its obligations under the Akkoord and that the shares be transferred. This application was successful and was confirmed by the Dutch Court of Appeal which ordered that UPC NV had to fulfil its requirements to transfer the shares which arose under the Dutch Akkoord. As a result, the Company received 59,466 shares in UGCE on December 18, 2003, which it sold the same day on the NASDAQ for approximately $4,710,000. UPC NV has appealed this order of the Dutch Court of Appeal and has stated that it only made the said transfer under protest. This appeal to the Dutch Supreme Court is not expected to be heard before autumn 2004. It is anticipated that UPC NV's appeal will be rejected, and, consequently, the Company has recorded the receipt of shares as subscription revenue in 2003. In the unlikely event that UPC NV wins the appeal, the Company would be required to return the shares to UPC NV. This process would involve buying back the equivalent number of UGC shares (ticker symbol: UCOMA), as UGCE, Inc. was de-listed on December 19, 2003 and all shares were exchanged for UCOMA shares at a ratio of 10.3:1 in a tender offer executed by UGC. The approximate value of such obligation would be $4,575,375 , based upon the purchase of 612,500 UCOMA shares at a share price of $7.47 on September 30, 2004.

Subsequent Events

In November 2003, SPE Euromovies Investments, Inc. and BVI Television (Europe), Inc. decided to fund the unfunded capital contribution of UPC TV Holdings BV in the amount of $190,000 related to a January 2003 capital call of the Partnership. Although BVI Television (Europe), Inc. paid its relative contribution of $95,000 in December, SPE Euromovies Investments, Inc. informally rescinded its decision and did not contribute its $95,000. Therefore, the $190,000 has not been included in the capital balance at December 31, 2003 and an account payable to BVI Television (Europe), Inc. was established. In August 2004, a resolution of the Partnership's Management Committee was passed to officially rescind the decision of both shareholders to fund the unfunded capital contribution of UPC TV Holdings BV and refund the $95,000 previously paid-in by BVI Television (Europe), Inc.