

Europe Movieco Partners Limited
(Registered Number: 3877860)

Directors' report and financial statements
for the year ended 31 December 2001



Europe Movieco Partners Limited

Directors' report for the year ended 31 December 2001

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 2001. Disclosure of the comparatives for the year ended 31 December 2000 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 2001 are given in the profit and loss account on page 4. Results were in line with the directors' expectations.

Results and dividends

The loss for the year ended 31 December 2001 amounted to £3,439,628 (13 month period ended 31 December 2000: £5,053,507).

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 2001 were as follows:

Christine Service
Timothy Richards
Darren Childs
Simon Oakes
Adrian Crump (Resigned 28/3/02)

At no time during the year ended 31 December 2001 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 2001 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 2001 were equivalent to 26 days purchases during the year.

Europe Movieco Partners Limited

Directors' report for the year ended 31 December 2001 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the group and of the profit or loss of the group 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;
- 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.

On 10 December 2001, an elective resolution under Section 379a of the Companies Act 1985 was passed in respect of dispensing with the following provisions:

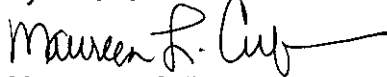
- The requirement to reappoint annually the registered auditors of the Company in a general meeting.
- The requirement to hold an Annual General Meeting.
- The requirement to lay the accounts and reports before the Company in a general meeting.

The provisions of these elective resolutions will apply for subsequent years until the elections are revoked.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office.

By Order Of The Board



Maureen L. Cullum
Company Secretary

1 Stephen Street
London
W1P 1PJ

4 October 2002

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

We have audited the financial statements on pages 4 to 18.

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 on page 2.

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.

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.

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.

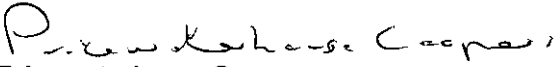
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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.

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 2001 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
Chartered Accountants and Registered Auditors
London 4 October 2002

Europe MovieCo Partners Limited

Consolidated profit and loss account for the year ended 31 December 2001

	<i>Note</i>	Year ended 31 December 2001 £'000	13 month period ended 31 December 2000 £'000
Turnover	2	13,211	5,466
Cost of sales		(14,406)	(9,250)
Gross loss		(1,195)	(3,784)
Administrative expenses		(2,263)	(1,227)
Loss on operating activities before interest and taxation	3	(3,458)	(5,011)
Interest receivable and similar charges	6	35	40
Interest payable and similar charges	7	(9)	(72)
Loss on ordinary activities before taxation		(3,432)	(5,043)
Tax on loss on ordinary activities	8	(8)	(11)
Loss retained for the financial period	17	(3,440)	(5,054)

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.

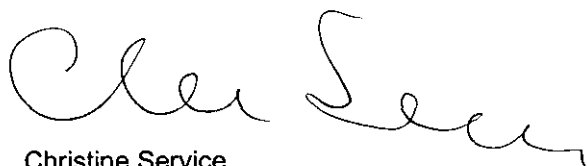
There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

Europe MovieCo Partners Limited

Balance sheet as at 31 December 2001

	Note	<u>Group</u>		<u>Company</u>	
		31 December 2001 £'000	31 December 2000 £'000	31 December 2001 £'000	31 December 2000 £'000
Fixed assets					
Tangible assets	9	341	550	321	515
Investments	10	-	-	13	13
		341	550	334	528
Current assets					
Debtors	11	3,472	2,614	3,295	2,698
Cash at bank and in hand		1,563	835	1,358	772
		5,035	3,449	4,653	3,470
Creditors: amounts falling due within one year	13	(13,827)	(8,969)	(13,483)	(8,984)
Net current liabilities		(8,792)	(5,520)	(8,830)	(5,514)
Total assets less current liabilities		(8,451)	(4,970)	(8,496)	(4,986)
Creditors: amounts falling due after more than one year	14	(42)	(83)	(42)	(83)
Net assets		(8,493)	(5,053)	(8,538)	(5,069)
Capital and reserves					
Called up share capital	16	-	-	-	-
Profit and loss account	17	(8,493)	(5,053)	(8,538)	(5,069)
Equity shareholders' deficit	17	(8,493)	(5,053)	(8,538)	(5,069)

The financial statements on pages 4 to 18 were approved by the board of directors on 4 October 2002 and were signed on its behalf by:



Christine Service
Director

Europe MovieCo Partners Limited

Consolidated cash flow statement for the year ended 31 December 2001

	<i>Note</i>	31 December 2001 £'000	31 December 2000 £'000
Net cash inflow from operating activities	12a	751	1,502
Returns on investments and servicing of finance			
Interest received		35	40
Interest paid		(9)	(71)
Net cash outflow from returns on investments and servicing of finance		26	(31)
Taxation		(8)	(11)
Capital Expenditure & financial investment			
Purchase of tangible fixed assets		(41)	(625)
Net cash outflow for capital expenditure and financial investment		(41)	(625)
Financing			
Issue of ordinary share capital	16	-	-
Net cash inflow from financing		-	-
Increase in Net Cash	12c	728	835

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2001

(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, and in accordance with applicable Accounting Standards in the United Kingdom. During the year the Company has adopted FRS18 'Accounting Policies'.

Consolidated accounts have been prepared and these financial statements present information about the Company and its group. For the period ended 31 December 2000, the Company qualified as a member of a medium sized group as defined in Section 248 of Companies Act 1985 and the preparation of consolidated accounts was not required. Therefore, 2000 financial results have been restated accordingly.

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% interest), BVI Television (Europe), Inc. (45% interest) and UPC TV Holdings BV (10% 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., the parent company of UPC TV Holdings BV which has recently evidenced its inability to fund the Partnership (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.

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2001

(continued)

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

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise, calculated at a rate at which it is estimated that taxation will be payable.

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.

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2001

(continued)

Accounting policies (continued)

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

	Year ended 31 December 2001 £'000	13 month period ended 31 December 2000 £'000
The operating loss is stated after charging:		
Wages and salaries	1,145	628
Social security costs	95	27
Pension costs	77	45
Staff costs	1,317	700
Depreciation of tangible fixed assets	191	75
Loss on disposal of fixed assets	59	-
Operating lease – plant and machinery	2,414	1,026
Exchange losses	172	35
Auditors' remuneration for audit services	8	6

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 2001

(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 2001 Number	13 month period ended 31 December 2000 Number
Programming and operations	24.0	10.5
Administration	4.0	3.5
	<hr/>	<hr/>
	28.0	14.0

6 Interest receivable and similar charges

	Year ended 31 December 2001 £'000	13 month period ended 31 December 2000 £'000
Bank interest receivable	35	40

7 Interest payable and similar charges

	Year ended 31 December 2001 £'000	13 month period ended 31 December 2000 £'000
Interest due to parent undertaking	9	72

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2001

(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 2001 £'000	13 month period ended 31 December 2000 £'000
UK Corporation Tax		
Current tax at 30% on income for the period (2000: 30%)	-	-
Adjustments in respect of prior periods	-	-
	-	-
Double Tax relief	-	-
	-	-
Foreign Tax		
Current tax on income for the period	8	11
Adjustments in respect of prior periods	-	-
	-	-
Deferred taxation (see note 20)	-	-
	8	11

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2001

(continued)

9 Tangible assets

(a) Group	Computer Equipment £'000	Office & Tech Equipment £'000	Total £'000
Cost			
At 31 December 2000	577	48	625
Additions	29	13	42
Disposals	(88)	-	(88)
Foreign exchange currency adjustments	(1)	-	(1)
At 31 December 2001	517	61	578
Depreciation			
At 31 December 2000	(67)	(8)	(75)
Provided during the year	(172)	(19)	(191)
Disposals	29	-	29
At 31 December 2001	(210)	(27)	(237)
Net book value			
At 31 December 2001	307	34	341
At 31 December 2000	510	40	550
(b) Company			
	Computer Equipment £'000	Office & Tech Equipment £'000	Total £'000
Cost			
At 31 December 2000	541	42	583
Additions	29	13	42
Disposals	(88)	-	(88)
At 31 December 2001	482	55	537
Depreciation			
At 31 December 2000	(61)	(7)	(68)
Provided during the year	(160)	(17)	(177)
Disposals	29	-	29
At 31 December 2001	(192)	(24)	(216)
Net book value			
At 31 December 2001	290	31	321
At 31 December 2000	480	35	515

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2001

(continued)

10 Investments

Company	Year ended 31 December 2001 £'000	13 month period ended 31 December 2000 £'000
Cost		
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

	31 December 2001 £'000	Group 31 December 2000 £'000	31 December 2001 £'000	Company 31 December 2000 £'000
Amounts falling due within one year:				
Trade debtors	2,775	2,179	2,775	2,179
Amounts owed by parent and fellow group undertakings	-	10	-	10
Amounts owed by subsidiary undertakings	-	-	-	208
Other debtors	387	223	216	134
Prepayments and accrued income	310	202	304	167
	3,472	2,614	3,295	2,698

Amounts owed by subsidiary undertakings are unsecured and interest bearing (based upon the US International Money Rate published in the Financial Times in effect at the date of draw down). Amounts owed by parent undertakings are short term in nature, unsecured, interest free and repayable on demand.

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2001

(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 2001 £'000	13 month period ended 31 December 2000 £'000
Loss on ordinary activities before interest and taxation	(3,458)	(5,011)
Depreciation	191	75
Loss on disposal	59	-
Increase in Debtors	(858)	(2,614)
Increase in Creditors	4,817	9,052
Net cash inflow from operating activities	751	1,502

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

	£'000	£'000
Increase in cash in the period	728	
Cash inflow from increase in debt and lease finance	-	
Cash inflow from decrease in liquid resources	-	
Change in net debt resulting from cash flows		728
Translation difference		-
Movement in net debt in the period		728
Net debt at 31 December 2000		835
Net debt at 31 December 2001		1,563

c) Analysis of net funds

	At 31 December 2000 £'000	Cash flow £'000	At 31 December 2001 £'000
Cash in hand and at bank	835	728	1,563
Total net funds	835	728	1,563

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2001

(continued)

13 Creditors: amounts falling due within one year

	31 December 2001 £'000	Group 31 December 2000 £'000	31 December 2001 £'000	Company 31 December 2000 £'000
Trade creditors	1,142	499	510	332
Amounts due to parent and fellow group undertakings	11,852	8,001	11,852	7,964
Amounts due to subsidiary undertakings	-	-	473	399
Taxation and social security	71	127	27	19
Accruals and deferred income	762	342	621	270
	13,827	8,969	13,483	8,984

Amounts owed to parent are unsecured and interest bearing (based upon the federal short term rate under Section 1274 of the US Internal Revenue Code of 1986, as amended, at the date of drawdown).

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

	31 December 2001 £'000	Group 31 December 2000 £'000	31 December 2001 £'000	Company 31 December 2000 £'000
Trade creditors	42	83	42	83

15 Financial commitments

At 31 December 2001 the Company had the following annual commitments, excluding annual increases based upon the RPI, under an operating lease which expires:

	31 December 2001 £'000	Group 31 December 2000 £'000	31 December 2001 £'000	Company 31 December 2000 £'000
In two to five years	2,498	1,854	2,466	1,839

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2001

(continued)

16 Share capital

	Year ended 31 December 2001 £	13 month period ended 31 December 2000 £
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 2000	-	(5,053)	(5,053)
Shares Issued	-	-	-
Loss for the year	-	(3,440)	(3,440)
At 31 December 2001	-	(8,493)	(8,493)

(b) Company	Share Capital £'000	Profit and Loss account £'000	Total Shareholders' Deficit £'000
Opening Balance at 31 December 2000	-	(5,069)	(5,069)
Shares Issued	-	-	-
Loss for the year	-	(3,469)	(3,469)
At 31 December 2001	-	(8,538)	(8,538)

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 £77,046 for the year ended 31 December 2001. The Company and its group have no exposure to any other post-retirement benefit obligations.

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2001

(continued)

19 Related parties

(a) Transactions			Transactions	Transactions
Related party	Relationship	Description	in 2001 £'000	in 2000 £'000
Europe Movieco Partners	Parent	Programme Royalties	9,323	6,216
Walt Disney Company Ltd.	Affiliate of Partner in Europe Movieco Partners	Start-up Marketing & IT Costs Recharged	-	379

(b) Balances			Balances at	Balances at
Related party	Relationship	Description	31 December 2001 £'000	31 December 2000 £'000
Europe Movieco Partners	Parent	Programme Royalties	11,852	6,217
Walt Disney Company Ltd.	Affiliate of Partner in Europe Movieco Partners	Start-up Marketing & IT Costs Recharged	-	379

20 Deferred Tax

No provision for deferred taxation is recorded due to the 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 2001 or 31 December 2000.

A potential deferred tax asset of £2,559,212 (2000: £1,520,697) 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.

Europe MovieCo Partners Limited

Notes to the financial statements for the year ended 31 December 2001

(continued)

22 Subsequent Events

In the first quarter of 2002, management of the Partnership requested additional equity of US\$1,000,000 under the Partnership Agreement, and received US\$450,000 each from SPE Euromovies Investments, Inc. and BVI Television (Europe), Inc. However, UPC TV Holdings BV did not make its related contribution of US\$100,000 and is in breach of the Partnership Agreement. The Partnership served UPC notice of this Event of Default. Since UPC did not subsequently provide its contribution, SPE Euromovies Investments, Inc. and BVI Television (Europe), Inc. elected to fund their pro rata share (50% each) of the non-funded amount. At the end of the second quarter of 2002, management made an additional equity request in the amount of US\$900,000 and UPC TV Holdings BV again did not fund its required contribution.

Additionally, due to its restructuring, UPC N.V, the entity with which the Company has a distribution contract for a pay subscription service, has also stopped paying its invoices. At the time of finalising these financial statements, UPC N.V. had approximately US\$7,100,000 outstanding to the Company, arising solely from transactions post 31 December 2001. On September 30, 2002, UPC N.V. announced its intention to file for bankruptcy protection in the Netherlands and the U.S. to facilitate its debt restructuring process.