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Jetix Europe Limited (formerly Fox Kids Europe Ltd)

Annual report and financial statements
for the year ended 30 September 2004

Registered Number: 3250589



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Directors, Company Secretary and Auditors

Directors	Olivier Spiner Oliver Fryer Dene Stratton Paul Taylor
Secretary	Oliver Fryer
Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Bankers	Barclays Bank PLC 27 Soho Square London W1A 4WA
Solicitors	Wiggin & Co The Quadrangle Imperial Square Cheltenham Gloucester GL50 1YX
Registered office	3 Queen Caroline Street Hammersmith London W6 9PE

Directors' report (continued)

For the year ended 30 September 2004

The directors present their annual report on the affairs of the company together with the financial statements and auditors' report, for the year ended 30 September 2004.

Change of name

On 12 July 2004 the company changed its name from Fox Kids Europe Limited to Jetix Europe Limited.

Principal activities and review of the business

The company's principal activity during this period was the operation of children's television channels.

Results and dividends

The loss after taxation for the year ended 30 September 2004 amounted to £3,354,719 (2003 profit after taxation - £282,000). The decline in net result arises from an increase in relocation costs and lower group service fees, offset by an increase in subscriber revenues.

The directors expect the general level of activity to continue for the foreseeable future.

The directors do not recommend the payment of a dividend (2003 – £nil).

Directors and their interests

The directors who served during the period were as follows:

Martin Weigold (resigned 18 December 2004)

Paul Taylor

Olivier Spiner

Oliver Fryer (appointed 12 July 2004)

Bruce Steinberg (resigned 12 July 2004)

No director has any interest in the share capital of the company or of any other group undertaking which requires disclosure under the Companies Act 1985.

Supplier Payment Policy and Practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

Employment

The Company continues to involve staff in the decision making process and communicates regularly with them during the year. The aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity, regardless of sex, religion or ethnic origin.

Directors' report (continued)

For the year ended 30 September 2004

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 enable them to ensure that the accounts 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.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2004 and that applicable Accounting Standards have been followed.

Auditors

Pricewaterhousecoopers LLP have indicated their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.

3 Queen Caroline Street
Hammersmith
London W6 9PE

By order of the Board



Dene Stratton
Director

30 September 2005

Independent Auditors' Report to the members of Jetix Europe Limited
For the year ended 30 September 2004

Independent auditors' report to the members of Jetix Europe Limited

We have audited the financial statements which comprise the profit and loss account and balance sheet and the related notes.

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.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6RH

30 September 2005

Profit and loss account

For the year ended 30 September 2004

	Notes	12 months to 30 September 2004 £'000	12 months to 30 September 2003 £'000
Turnover	2	18,318	15,103
Operating expenses		(21,584)	(15,800)
Operating loss	3	(3,266)	(697)
Dividend Income		-	1,449
Finance charges (net)	6	(89)	(470)
(Loss) / profit on ordinary activities before taxation		(3,355)	282
Tax on profit / (loss) on ordinary activities	7	-	-
(Accumulated losses) / retained profit for the financial year	11	(3,355)	282

There are no recognised gains or losses in either year other than the (accumulated losses) / retained profit for the financial year.

All the amounts stated above relate to continuing operations.

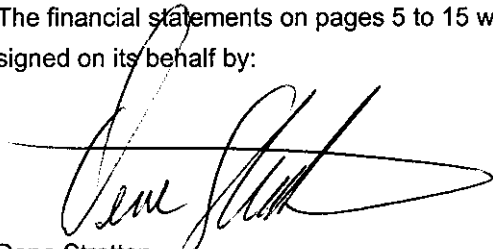
A statement of movements on reserves is provided in note 11.

The accompanying notes on pages 7 to 15 are an integral part of this profit and loss account.

Balance sheet
30 September 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible fixed assets	8a	960	1,654
Investment in subsidiaries	8b	822	822
		<u>1,782</u>	<u>2,476</u>
Current assets			
Debtors	9	19,355	14,199
Cash at bank and in hand		-	1,692
		<u>19,355</u>	<u>15,891</u>
Creditors: Amounts falling due within one year	10	<u>(14,555)</u>	<u>(9,026)</u>
Net current assets		<u>4,800</u>	<u>6,865</u>
Total assets less current liabilities		<u>6,582</u>	<u>9,341</u>
Creditors: Amounts falling due after one year	10	(596)	-
		<u>5,986</u>	<u>9,341</u>
Net assets		<u>5,986</u>	<u>9,341</u>
Capital and reserves			
Called-up share capital	11	5,951	5,951
Share premium	11	53,858	53,858
Profit and loss account	11	(53,823)	(50,468)
Equity Shareholders' Funds		<u>5,986</u>	<u>9,341</u>

The financial statements on pages 5 to 15 were approved by the Board of Directors on 30 September 2005 and signed on its behalf by:



Dene Stratton
Director

30 September 2005

The accompanying notes on pages 7 to 15 are an integral part of this balance sheet.

Notes to the financial statements

30 September 2004

1 Principal accounting policies

The principal accounting policies are summarised below. They have all been consistently applied throughout the current year and the preceding period.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The directors consider that the going concern is appropriate as Jetix Europe N.V. has confirmed it will provide continuing financial support to enable the company to meet its obligations as they become due for payment.

Under the provisions of Financial Reporting Standard No.1 (Revised), the company has not prepared a cash flow statement because Jetix Europe N.V., a company incorporated in the Netherlands, has prepared consolidated financial statements which include the financial statements of the company for the period and which contain a consolidated cash flow statement.

b) Revenue recognition

Subscriber fees receivables from cable operators and DTH broadcasters are recognised as revenue over the period for which channels are provided and to which the fees relate. Television advertising revenue is recognized as the commercials are aired.

c) Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange prevailing on the balance sheet date. All resultant exchange differences have been dealt with in the profit and loss account for the year.

d) Leasing and hire purchase commitments

Assets held under finance leases, where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements (continued)

30 September 2004

1 Principal accounting policies (continued)

e) *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Leasehold improvements	- 5 years
Computer equipment and software	- 3 years
Fixtures and fittings	- up to 10 years

f) *Investments*

Fixed asset investments are shown at cost less any provision for impairment.

g) *Pensions*

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

h) *Related party transactions*

The company has taken advantage of the exemption conferred by FRS 8 not to disclose details of transactions with other members of the Jetix Europe N.V. group since it is a wholly owned subsidiary undertaking of Jetix Europe N.V. whose consolidated financial statements are available to the public.

i) *Deferred tax*

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

2 Turnover

Turnover represents amounts receivable in respect of the principal activity, net of VAT and other sales-related taxes.

It is the opinion of the directors that, in view of the company's business, the markets in which it operates do not differ substantially from each other and are therefore treated as one market for the purposes of disclosing the particulars of turnover in these financial statements.

Notes to the financial statements (continued)

30 September 2004

3 Profit / (loss) on ordinary activities before taxation

This is stated after charging / (crediting) :

	12 months to 30 September 2004 £'000	12 months to 30 September 2003 £'000
Staff costs (see note 4)	10,132	8,843
Depreciation	676	799
Auditors' remuneration	10	10
Realised loss / (gain) on foreign exchange	99	(7)
Operating lease rentals		
- plant and machinery	3,935	3,282
-other	763	686
	<hr/>	<hr/>

4 Staff costs

	2004 Number	2003 Number
Average number of employees (including directors) during the year / period :	133	150
	<hr/>	<hr/>

	2004 £'000	2003 £'000
Wages and salaries	8,603	7,651
Social security costs	1,219	976
Pension contributions	310	216
	<hr/>	<hr/>
	10,132	8,843
	<hr/>	<hr/>

Notes to the financial statements (continued)

30 September 2004

5 Directors' emoluments

The remuneration of the directors in respect of services to the company was as follows:

	12 months to 30 September 2004 £'000	12 months to 30 September 2003 £'000
Emoluments	1,497	3,294
Pension contribution	<u>50</u>	<u>46</u>

The above amounts include £452,987 (2003 - £372,501) in respect of the highest paid director.

6. Finance charges (net)

	2004 £'000	2003 £'000
Interest receivable and similar income	<u>-</u>	<u>12</u>
Interest payable and similar charges:		
Bank charges and interest	(18)	(14)
Interest payable to fellow subsidiary	(71)	(468)
	<u>(89)</u>	<u>(482)</u>
Finance charges (net)	<u>(89)</u>	<u>(470)</u>

Notes to the financial statements (continued)

30 September 2004

7 Tax on profit / (loss) on ordinary activities

At 30 September 2004 the company has not made a profit chargeable to corporation tax and hence there is no tax charge (2003 - £nil).

Factors affecting tax charge / (credit)

	2004	2003
	£'000	£'000
(Loss) / profit before taxation	(3,355)	282
(Loss) / profit per ordinary activities multiplied by the standard rate (30%)	(1,006)	85
Expenses not deductible for tax	40	42
Other permanent timing differences	(608)	
Tax losses and other timing differences	1,439	125
Group relief surrendered for no consideration	135	183
Schedule D Case V dividend covered by underlying tax credit		(434)
Current tax charge for the period	-	-

Factors that may affect future tax charge

The company has tax losses carried forward and capital allowances carried forward of £45,887,000 (2003 : £44,727,000) and £5,665,000 (2003 : £3,681,000) respectively for which a deferred tax asset has not been recognised as there is not sufficient certainty of them being utilised.

Notes to the financial statements (continued)

30 September 2004

8 Fixed assets

a) Tangible fixed assets

	Fixtures and fittings £'000	Computer equipment and software £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 October 2003	1,402	4,194	605	6,201
Additions	2	405	8	415
Disposals	(338)	(43)	(52)	(433)
At 30 September 2004	1,066	4,556	561	6,183
Depreciation				
At 1 October 2003	778	3,245	524	4,547
Charge for the year	457	563	89	1,109
Disposals	(338)	(43)	(52)	(433)
At 30 September 2004	897	3,765	561	5,223
Net book value				
At 30 September 2003	860	713	81	1,654
At 30 September 2004	169	791	-	960

b) Investment in subsidiaries

	2004 £'000	2003 £'000
Cost and net book value	822	822

The company has investments in the following subsidiary undertakings:

Subsidiary undertaking	Country of incorporation	Principal activity	Equity interest
Fox Kids Spain	Spain	Children's television channel	50%
Fox Kids Italy S.r.l	Italy	Children's television channel	74%
Jetix Entertainment Limited (formerly Fox Kids Entertainment Limited)	UK	Children's online and interactive activities	100%
Kids Entertainment Services EPE	Greece	Children's television channel	100%

Notes to the financial statements (continued)

30 September 2004

8 b) Investments in subsidiaries (continued)

Jetix Spain was incorporated on 24 June 1999. Jetix Italy S.r.l was incorporated on 10 February 2000. Jetix Entertainment Limited was incorporated on 5 June 2000. Kids Entertainment Services EPE was incorporated on 26 February 2002.

9 Debtors

	2004 £'000	2003 £'000
Trade debtors	1,509	1,200
VAT	-	51
Due from group undertakings	14,336	11,613
Prepayments and accrued income	3,510	1,335
	<u>19,355</u>	<u>14,199</u>

Amounts due from group undertakings are payable on demand and bear no interest.

10 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Bank overdraft	441	-
Trade creditors	186	414
Due to group undertakings	4,400	2,773
Accruals and deferred income	7,011	5,839
Provision for lease exit costs	1,200	-
Relocation costs	464	-
Other taxation and social security	853	-
	<u>14,555</u>	<u>9,026</u>

	2004 £'000	2003 £'000
Amounts falling due after one year		
Provision for lease exit costs	596	-
	<u>596</u>	<u>-</u>

Amounts due to group undertakings are payable on demand and bear no interest.

Notes to the financial statements (continued)

30 September 2004

11 Share capital and reserves

	2004 £'000	2003 £'000
Ordinary £1 equity shares:		
10,000,000 Authorised	10,000	10,000
5,951,000 allotted, called up and fully paid	5,951	5,951

	Share Capital £' 000	Share Premium £' 000	Profit and loss account £' 000	Total £' 000
At 1 October 2003	5,951	53,858	(50,468)	9,341
Profit for the year	-	-	(3,355)	(3,355)
At 30 September 2004	5,951	53,858	(53,823)	5,986

12 Guarantees and other financial commitments

Lease commitments

At 30 September 2004 the company was committed to make the following payments during the next year in respect of operating leases:

	Plant and machinery 2004 £'000	Other 2004 £'000	Plant and machinery 2003 £'000	Other 2003 £'000
Operating leases which expire:				
Within one year	-	-	788	-
In two to five years	6,377	3,256	-	800
After five years	-	-	1,362	-
	6,377	3,256	2,150	800

Pensions commitments

The company operates a defined contribution scheme for certain employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

There are no unpaid contributions outstanding at 30 September 2004 (2003 – none).

Notes to the financial statements (continued)

30 September 2004

13 Ultimate parent company

The company is a subsidiary undertaking of Jetix Europe Channels B.V., a company incorporated in the Netherlands.

The ultimate parent company is The Walt Disney Company Inc. ("Disney"), a company incorporated in the United States of America.

The smallest group in which the company's financial statements are consolidated is that headed by Jetix Europe N.V., a company incorporated in the Netherlands. These financial statements are available to the public and can be obtained from Jetix Europe N.V., Sumartralaan 45, 1217 GP, Hilversum, The Netherlands.

The largest group in which the company's financial statements are consolidated is that headed by The Walt Disney Company Inc.. These financial statements are available to the public and can be obtained from The Walt Disney Company Inc., 500 South Buena Vista Street, Burbank CA 91521, United States of America.

14 Related parties

The company has taken advantage of the exemption conferred by FRS 8 not to disclose details of transactions with other members of the Jetix Europe N.V. group since it is a wholly owned subsidiary undertaking of Jetix Europe N.V. whose consolidated accounts are available to the public.