

Fox Kids Europe Limited

Reports and financial statements
For the year ended 31 May 1999

Registered Number: 3250589



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Directors, Company Secretary and Auditors

Directors	Ynon Kreiz Olivier Spiner
Secretary	Kate Trinder
Auditors	Arthur Andersen 1 Surrey Street London WC2R 2PS
Bankers	Barclays Bank PLC 27 Soho Square London W1A 4WA
Solicitors	Wiggin & Co The Quadrangle Imperial Square Cheltenham Gloucester GL50 1YX
Registered office	Fox Kids Centre 338 Euston Road London NW1 3AZ

Directors' report

For the year ended 31 May 1999

The directors present their annual report and the financial statements for the year ended 31 May 1999.

Principal activities and review of the business

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

Results and dividends

The loss for the year, after taxation, amounted to £10,991,395 (1998 - £9,132,818).

The directors do not recommend the payment of a dividend (1998 - £nil).

Directors and their interests

The directors who served during the year were as follows:

Haim Saban	(resigned 15 February 1999)
Melvin Woods	(resigned 15 February 1999)
Ynon Kreiz	(appointed 15 February 1999)
Olivier Spiner	(appointed 15 February 1999)

None of the directors were interested in the share capital of the company at any time during the year.

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.

Directors' report (continued)

Directors' responsibilities (continued)

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.

Year 2000

We have successfully completed our plans to review and update systems so that they are 'Year 2000 compliant'. There have been no problems since 31 December 1999. However, the risks and uncertainties associated with the Year 2000 problem do not necessarily cease on 1 January 2000. We believe that our actions taken to date are sufficient to address any remaining risks. The costs associated with the compliance programme were not significant to the company.

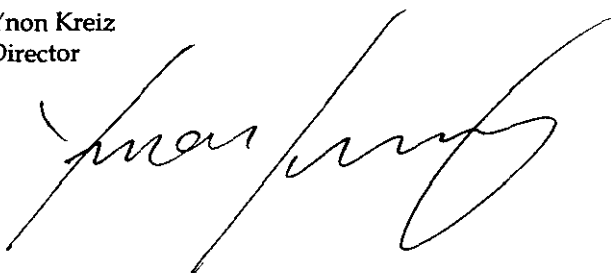
Auditors

Arthur Andersen were appointed auditors on 1 October 1998. At an Extraordinary General Meeting of the company held on 9 March 1999, elective resolutions were passed to dispense with the laying of Accounts before a General Meeting, the requirement to hold Annual General Meetings and the requirement to appoint auditors annually. Arthur Andersen be and are hereby deemed to be re-appointed as auditors until a resolution at a General Meeting of the company is passed to remove Arthur Andersen as auditors and/or to appoint new auditors.

Fox Kids Centre
338 Euston Road
London
NW1 3AZ

By order of the Board

Ynon Kreiz
Director



24 March 2000

Auditors' Report

London

To the shareholders of Fox Kids Europe Limited

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on pages 2 and 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

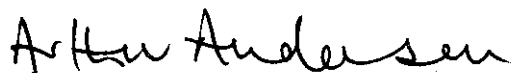
Basis of opinion

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 circumstances of the company, 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 affairs of the company as at 31 May 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

24 March 2000

Profit and loss account

For the year ended 31 May 1999

	Notes	1999 £	1998 £
Turnover	2	5,043,487	4,221,753
Operating expenses (net)	3	(16,125,936)	(13,938,306)
Operating loss	4	(11,082,449)	(9,716,553)
Interest receivable (net)	7	91,054	583,735
Loss on ordinary activities after taxation		(10,991,395)	(9,132,818)
Tax on loss on ordinary activities	8	-	-
Retained loss for the financial year	14	(10,991,395)	(9,132,818)

There are no recognised gains or losses in either the current or the prior year other than the retained loss for the financial year.

A statement of movements on reserves is provided in note 14.

The accompanying notes are an integral part of this profit and loss account.

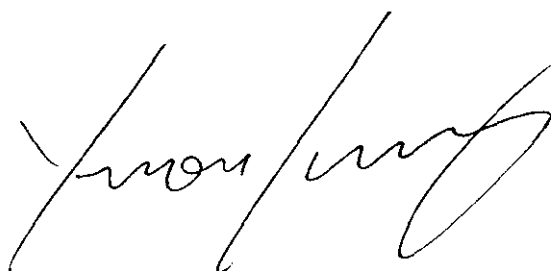
Balance sheet

31 May 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible fixed assets	9	1,809,707	1,849,412
Current assets			
Debtors	10	6,285,653	5,878,452
Cash at bank and in hand		545,990	5,325,202
		6,831,643	11,203,654
Creditors: Amounts falling due within one year	11	(13,869,101)	(15,260,637)
Net current liabilities		(7,037,458)	(4,056,983)
Total assets less current liabilities		(5,227,751)	(2,207,571)
Creditors: Amounts falling due after more than one year	12	(50,816)	(48,893)
Net liabilities	18	(5,278,567)	(2,256,464)
Equity capital and reserves			
Called-up share capital	13	1,000	1,000
Capital reserves	14	20,865,956	12,896,664
Profit and loss account	14	(26,145,523)	(15,154,128)
Shareholders' funds	15	(5,278,567)	(2,256,464)

Signed on behalf of the Board of Directors on 24 March 2000.

Ynon Kreiz
Director



The accompanying notes are an integral part of this balance sheet.

Notes to the financial statements

31 May 1999

1 Principal accounting policies

The principal accounting policies are summarised below. They have all been consistently applied throughout the current and the preceding year. Certain prior year balances have been reclassified so as to be consistent with the current year presentation.

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The directors consider that the going concern concept is appropriate as Fox Kids 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 the ultimate parent company, Fox Family Worldwide, Inc., a company incorporated in the United States of America, has prepared consolidated accounts which include the accounts of the company for the year and which contain a consolidated cash flow statement.

b) 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.

c) 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.

d) Depreciation

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:

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

Note to the financial statements (continued)

2 Principal accounting policies (continued)

e) 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.

f) Related party transaction

The company has taken advantage of the exemption conferred by FRS8 not to disclose details of transactions with companies in the same group on the grounds that, at the balance sheet date, it was a wholly owned subsidiary undertaking of Fox Family Worldwide Inc, a company whose consolidated accounts are available to the public.

2 Turnover

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

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 accounts.

3 Operating expenses, net

	1999 £	1998 £
Programming	3,746,648	2,726,653
Transmission	4,440,576	3,727,282
Marketing	3,628,438	3,175,884
Administration	7,520,869	5,157,144
Recharges to Fox Kids Poland	(3,210,595)	(848,657)
	<u>16,125,936</u>	<u>13,938,306</u>

4 Operating loss

This is stated after charging:

	1999 £	1998 £
Staff costs (see note 5)	4,516,487	2,663,694
Depreciation	614,748	298,752
Auditors' remuneration	16,500	15,000
Operating lease rentals	4,771,483	4,024,561
Loss on disposal of fixed assets	-	9,662
	<u>-</u>	<u>9,662</u>

Note to the financial statements (continued)

5 Staff costs

	1999 Number	1998 Number
Average number of employees (including directors) during the year:	<u>101</u>	<u>50</u>
	1999 £	1998 £
Salaries	4,144,636	2,526,466
Social security costs	311,062	88,970
Pension contributions	60,789	48,258
	<u>4,516,487</u>	<u>2,663,694</u>

6 Directors emoluments

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

	1999 £	1998 £
Emoluments	<u>41,466</u>	<u>-</u>

7 Interest receivable (net)

	1999 £	1998 £
Interest receivable	<u>111,579</u>	<u>595,521</u>
Bank charges	(9,587)	(6,258)
Finance charges payable under finance leases	(10,938)	(5,528)
	<u>(20,525)</u>	<u>(11,786)</u>
	<u>91,054</u>	<u>583,735</u>

8 Tax on loss on ordinary activities

At 31 May 1999 the company has not made a profit chargeable to corporation tax and hence there is no tax charge. (1998 - £nil).

Note to the financial statements (continued)

9 Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Computer equipment and software £	Leasehold improvements £	Total £
Cost					
At 1 June 1998	31,467	663,098	1,075,452	389,652	2,159,669
Additions	-	223,572	345,795	5,676	575,043
At 31 May 1999	31,467	886,670	1,421,247	395,328	2,734,712
Depreciation					
At 1 June 1998	10,489	43,975	219,424	36,369	310,257
Charge for the year	10,489	103,585	421,590	79,084	614,748
At 31 May 1999	20,978	147,560	641,014	115,453	925,005
Net book value					
At 1 June 1998	20,978	619,123	856,028	353,283	1,849,412
At 31 May 1999	10,489	739,110	780,233	279,875	1,809,707

The net book value of motor vehicles of £10,489 (1998 - £20,978) is in respect of assets held under finance leases.

10 Debtors

	1999 £	1998 £
Trade debtors (see note 19)	897,551	4,622,618
VAT	4,171,995	965,961
Other debtors	322,012	278,840
Prepayments and accrued income	894,095	11,033
	<u>6,285,653</u>	<u>5,878,452</u>

H M Customs & Excise are disputing the recoverability of the VAT balance shown above. The directors, having received professional advice, consider this amount to be fully recoverable and hence have made no provision against it.

Note to the financial statements (continued)

11 Creditors: amounts falling due within one year

	1999 £	1998 £
Obligations under finance leases (see note 12)	39,492	20,006
Payment received on account (see note 19)	472,459	841,816
Trade creditors (see note 19)	2,240,779	5,168,119
Due to parent undertaking	9,431,787	3,048,410
Other taxes and social security	98,160	93,901
Other creditors	7,230	4,953
Accruals and deferred income	1,579,194	6,083,432
	<u>13,869,101</u>	<u>15,260,637</u>

12 Obligations under finance leases and hire purchase contracts

	1999 £	1998 £
Amounts payable:		
Within one year	48,139	27,265
In two to five years	53,616	54,023
	<u>101,755</u>	<u>81,288</u>
Less finance charge allocated to future periods	(11,447)	(12,389)
	<u>90,308</u>	<u>68,899</u>
	£	£
Amounts due within one year	39,492	20,006
Amounts due after more than one year	50,816	48,893
	<u>90,308</u>	<u>68,899</u>

Note to the financial statements (continued)

13 Share capital

	1999 Number	1998 Number
Ordinary £1 equity shares:		
1,000 authorised	<u>1,000</u>	<u>1,000</u>
1,000 allotted, called up and fully paid	<u>1,000</u>	<u>1,000</u>

14 Reserves

	Capital reserves £	Profit and loss account £	Total £
At 31 May 1997	-	(6,021,310)	(6,021,310)
Retained loss for the year	-	(9,132,818)	(9,132,818)
Capital contribution	<u>12,896,664</u>	<u>-</u>	<u>12,896,664</u>
At 31 May 1998	<u>12,896,664</u>	<u>(15,154,128)</u>	<u>(2,257,464)</u>
Retained loss for the year	-	(10,991,395)	(10,991,395)
Capital contribution	<u>7,969,292</u>	<u>-</u>	<u>7,969,292</u>
At 31 May 1999	<u>20,865,956</u>	<u>(26,145,523)</u>	<u>(5,279,567)</u>

The company received capital contributions of £7,969,292 from Fox Kids Europe Holdings, Inc. on 14 January 1999.

15 Reconciliation of movement in shareholders' funds

	1999 £	1998 £
At beginning of year	(2,256,464)	(6,020,310)
Loss for the year	(10,991,395)	(9,132,818)
Capital contributions	<u>7,969,292</u>	<u>12,896,664</u>
At end of year	<u>(5,278,567)</u>	<u>(2,256,464)</u>

Note to the financial statements (continued)

16 Guarantees and other financial commitments

a) Lease commitments

At 31 May 1999 the company was committed to make the following payments during the next year in respect of operating leases:

	Transponder and other technical equipment 1999 £	Land and Buildings 1999 £	Transponder and other technical equipment 1998 £	Land and Buildings 1998 £
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	4,261,063	536,595	3,011,064	-
In over five years	-	-	-	444,595
	<u>4,261,063</u>	<u>536,595</u>	<u>3,011,064</u>	<u>444,595</u>

b) Guarantees

Under the terms of a Credit Agreement with a syndicate of banks, entered into by certain members of the Fox Family Worldwide Credit Group, the company executed an unlimited guarantee over any payments due from the borrowers under the Credit Agreement. This guarantee was released by the syndicate of banks on 17 November 1999.

17 Ultimate parent company

At the balance sheet date, the company was a subsidiary undertaking of Fox Kids Europe Holdings, Inc.

The ultimate parent company is Fox Family Worldwide, Inc., a company incorporated in the United States of America. The principal place of business of Fox Family Worldwide, Inc. is 10960 Wilshire Boulevard, Los Angeles, California, 90024, USA

The only group in which the company's accounts are consolidated is that headed by Fox Family Worldwide, Inc.

On 17 November 1999, the company became a subsidiary undertaking of Fox Kids Europe N.V., a company incorporated in the Netherlands. Fox Kids Europe N.V. is a subsidiary undertaking of Fox Family Worldwide, Inc.

18 Net liabilities

The company has net liabilities as at 31 May 1999 and its ability to remain a going concern is dependent on the continued financial support of its parent undertaking. The directors of Fox Kids Europe N.V. have confirmed that they will provide the necessary financial support to enable the company to meet its liabilities as they fall due. As a result, the accounts have been prepared on a going concern basis.

Note to the financial statements (continued)

19 Related parties

The company conducts business transactions on a normal commercial basis with, and receives a number of services from, British Sky Broadcasting Group plc ("BSkyB"), a company which is a related party of Fox Family Worldwide, Inc..

Services provided by the BSkyB group of companies include computer support, market research and scheduling and compliance services in relation to airtime sales, for which BSkyB received commission of £202,886 (1998 - £182,375), the provision of promotional services at a cost of £267,287 (1998 - £209,169) and the provision of transmission services at a cost of £4,440,576 (1998 - £3,727,282). Included within turnover is £3,571,586 (1998 - £3,260,486) of revenues received from BSkyB.

At 31 May 1999, included in trade and other debtors was £437,803 (1998 - £363,848) due from BSkyB and included in trade creditors was £1,129,682 (1998 - £3,943,279) due to BSkyB.

The company supplied administrative and channel services to Fox Kids Poland Limited, a company which is 80% owned by the Fox Family Worldwide, Inc. group, with a value of £3,210,595 (1998 - £848,657). At 31 May 1999 £472,459 (1998 - £841,816) was due to Fox Kids Poland Limited.

20 Post balance sheet events

On 15 November 1999, the company received a capital contribution from Fox Kids Europe Holdings, Inc. amounting to £15,441,631.