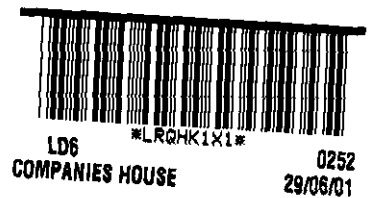


**Fox Kids Europe Limited**

Annual report and accounts  
for the year ended 31 May 2000

Registered Number: 3250589



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## Directors, Company Secretary and Auditors

### Directors

Ynon Kreiz  
Olivier Spiner  
Martin Weingold

### 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 2000

The directors present their annual report on the affairs of the company together with the accounts and auditors' report, for the year ended 31 May 2000.

### **Principal activities and review of the business**

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

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

### **Results and dividends**

The loss for the year, after taxation, amounted to £11,794,098 (1999 - £10,991,395).

The directors do not recommend the payment of a dividend (1999 – £nil).

### **Directors and their interests**

The directors who served during the year were as follows:

Ynon Kreiz

Olivier Spiner

Martin Weingold (appointed 22 October 2000)

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.

### **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.

### Auditors

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

A handwritten signature in black ink, appearing to read 'Ynon Kreiz', written over a horizontal line.

Ynon Kreiz  
Director

28 June 2001

**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 at 31 May 2000 and of the company's 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

28 June 2001

**Profit and loss account**  
For the year ended 31 May 2000

	Notes	2000 £	1999 £
<b>Turnover</b>	2	7,294,651	5,043,487
Operating expenses (net)	3	<u>(19,040,025)</u>	<u>(16,125,936)</u>
<b>Operating loss</b>	4	(11,745,374)	(11,082,449)
Finance charges (net)	7	<u>(48,724)</u>	<u>91,054</u>
<b>Loss on ordinary activities before taxation</b>		(11,794,098)	(10,991,395)
Tax on loss on ordinary activities	8	<u>-</u>	<u>-</u>
<b>Retained loss for the financial year</b>	14	<u>(11,794,098)</u>	<u>(10,991,395)</u>

There are no recognised gains or losses in either year other than the retained loss for that 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 2000

	Notes	2000 £	1999 £
<b>Fixed assets</b>			
Tangible fixed assets	9a	2,124,474	1,809,707
Investments	9b	137,885	137,885
		<u>2,262,359</u>	<u>1,947,592</u>
<b>Current assets</b>			
Debtors	10	10,006,607	6,147,768
Cash at bank and in hand		1,805,142	545,990
		<u>11,811,749</u>	<u>6,693,758</u>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(15,672,814)</u>	<u>(13,869,101)</u>
<b>Net current liabilities</b>		<u>(3,861,065)</u>	<u><del>4,115,343</del> (7,037,458)</u>
<b>Total assets less current liabilities</b>		<u>(1,598,706)</u>	<u>(5,227,751)</u>
<b>Creditors: Amounts falling due after more than one year</b>	12	<u>(32,328)</u>	<u>(50,816)</u>
<b>Net liabilities</b>	18	<u>(1,631,034)</u>	<u>(5,278,567)</u>
<b>Equity capital and reserves</b>			
Called-up share capital	13	1,000	1,000
Capital reserves	14	36,307,587	20,865,956
Profit and loss account	14	<u>(37,939,621)</u>	<u>(26,145,523)</u>
	15	<u>(1,631,034)</u>	<u>(5,278,567)</u>

Signed on behalf of the board of directors on 28 June 2001 by:

Ynon Kreiz  
Director

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



## Notes to the financial statements

31 May 2000

### 1 Principal accounting policies

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

#### 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 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 Fox Kids Europe N.V., a company incorporated in the Netherlands, 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) *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:

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

## Notes to the financial statements (continued)

### 1 Principal accounting policies (continued)

#### e) Investments

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

#### f) 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.

#### g) Related party transactions

The company has taken advantage of the exemption conferred by FRS8 not to disclose details of transactions with other members of the Fox Kids Europe N.V. group or its investees since it is a wholly owned subsidiary undertaking of Fox Kids Europe N.V. whose consolidated financial statements are available to the public.

### 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 accounts.

### 3 Operating expenses (net)

	Total 2000 £	Recharges to Fox Kids Poland £	Net 2000 £	Net 1999 £
Programming	2,615,621	(573,904)	2,041,717	3,746,648
Transmission	6,623,982	(69)	6,623,913	4,440,576
Marketing	3,640,194	(222,245)	3,417,949	3,628,438
Administration	7,948,684	(992,238)	6,956,446	7,520,869
Recharges to Fox Kids Poland			-	(3,210,595)
	<u>20,828,481</u>	<u>(1,788,456)</u>	<u>19,040,025</u>	<u>16,125,936</u>

## Notes to the financial statements (continued)

### 4 Operating loss

This is stated after charging:

	2000 £	1999 £
Staff costs (see note 5)	5,730,860	4,516,487
Depreciation	747,099	614,748
Auditors' remuneration	20,000	16,500
Operating lease rentals	<u>7,244,164</u>	<u>4,771,483</u>

Operating lease rentals include £1,124,769 (1999 - £nil) which the directors consider to be of an exceptional nature.

### 5 Staff costs

	2000 Number	1999 Number
Average number of employees (including directors) during the year:	<u>119</u>	<u>101</u>

	2000 £	1999 £
Salaries	5,147,344	4,144,636
Social security costs	488,187	311,062
Pension contributions	<u>95,329</u>	<u>60,789</u>
	<u>5,730,860</u>	<u>4,516,487</u>

### 6 Directors' emoluments

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

	2000 £	1999 £
Emoluments	<u>392,622</u>	<u>41,466</u>

The above amounts include £386,007 in respect of the highest paid director.

## Notes to the financial statements (continued)

### 7 Finance charges (net)

	2000 £	1999 £
Interest payable and similar charges:		
Bank charges	14,540	9,587
Finance leases	12,030	10,938
Interest payable to fellow group companies	62,486	-
Other interest payable	10,202	348
	<u>99,258</u>	<u>20,873</u>
Interest receivable and similar income	50,534	111,927
Finance charges (net)	<u>(48,724)</u>	<u>91,054</u>

### 8 Tax on loss on ordinary activities

At 31 May 2000 the company has not made a profit chargeable to corporation tax and hence there is no tax charge (1999 - £nil).

### 9 Fixed assets

#### a) Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Computer equipment and software £	Leasehold improvements £	Total £
<b>Cost</b>					
At 1 June 1999	31,467	886,670	1,421,247	395,328	2,734,712
Additions	-	323,403	738,463	-	1,061,866
At 31 May 2000	<u>31,467</u>	<u>1,210,073</u>	<u>2,159,710</u>	<u>395,328</u>	<u>3,796,578</u>
<b>Depreciation</b>					
At 1 June 1999	20,978	147,560	641,014	115,453	925,005
Charge for the year	10,489	170,298	497,390	68,922	747,099
At 31 May 2000	<u>31,467</u>	<u>317,858</u>	<u>1,138,404</u>	<u>184,375</u>	<u>1,672,104</u>
<b>Net book value</b>					
At 1 June 1999	<u>10,489</u>	<u>739,110</u>	<u>780,233</u>	<u>279,875</u>	<u>1,809,707</u>
At 31 May 2000	<u>-</u>	<u>892,215</u>	<u>1,021,306</u>	<u>210,953</u>	<u>2,124,474</u>

The net book value of motor vehicles of £ nil (1999 - £10,489) is in respect of assets held under finance leases.

## Notes to the financial statements (continued)

### 9 Fixed assets (continued)

#### b) Investments

	2000 £	1999 £
Cost and net book value	<u>137,885</u>	<u>137,885</u>

The company has investments in the following subsidiary undertakings:

Subsidiary undertaking	Country of incorporation	Principal activity	Holding
Fox Kids Spain	Spain	Children's Television Channel	50%
Fox Kids Italy	Italy	Children's Television channel	74%

The above balance includes funding provided to those ventures; the comparative figures have been reclassified accordingly.

Fox Kids Spain was incorporated on 24 June 1999. Fox Kids Italy was incorporated on 10 February 2000.

### 10 Debtors

	2000 £	1999 £
Trade debtors (see note 19)	2,175,440	897,551
VAT	628,665	4,171,995
Due from other group undertakings	4,214,561	-
Other debtors	280,675	184,127
Prepayments and accrued income	<u>2,707,266</u>	<u>894,095</u>
	<u>10,006,607</u>	<u>6,147,768</u>

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

## Notes to the financial statements (continued)

### 11 Creditors: amounts falling due within one year

	2000 £	1999 £
Obligations under finance leases and hire purchase contracts (see note 12)	40,985	39,492
Payment received on account (see note 19)	-	472,459
Trade creditors (see note 19)	2,312,466	2,240,779
Due to other group undertakings	10,686,660	9,431,787
Other taxes and social security	-	98,160
Other creditors	-	7,230
Accruals and deferred income	2,632,703	1,579,194
	<u>15,672,814</u>	<u>13,869,101</u>

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

### 12 Obligations under finance leases and hire purchase contracts

	2000 £	1999 £
Amounts payable:		
Within one year	46,186	48,139
In two to five years	33,821	53,616
	<u>80,007</u>	<u>101,755</u>
Less finance charge allocated to future periods	(6,694)	(11,447)
	<u>73,313</u>	<u>90,308</u>
Amounts due within one year	40,985	39,492
Amounts due after more than one year	32,328	50,816
	<u>73,313</u>	<u>90,308</u>

### 13 Share capital

	2000 Number	1999 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>

## Notes to the financial statements (continued)

### 14 Reserves

	Capital reserves £	Profit and loss account £	Total £
At 31 May 1998	12,896,664	(15,154,128)	(2,257,464)
Retained loss for the year	-	(10,991,395)	(10,991,395)
Capital contribution	7,969,292	-	7,969,292
At 31 May 1999	20,865,956	(26,145,523)	(5,279,567)
Retained loss for the year	-	(11,794,098)	(11,794,098)
Capital contribution	15,441,631	-	15,441,631
At 31 May 2000	36,307,587	(37,939,621)	1,632,034

The company received capital contributions of £15,441,631 from Fox Kids Europe Holdings, Inc. on 15 November 1999.

### 15 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
At beginning of year	(5,278,567)	(2,256,464)
Loss for the year	(11,794,098)	(10,991,395)
Capital contributions	15,441,631	7,969,292
At end of year	(1,631,034)	(5,278,567)

### 16 Guarantees and other financial commitments

#### a) Lease commitments

At 31 May 2000 the company was committed to make the following payments during the next year in respect of operating leases:

	Transponder and other technical equipment 2000 £	Land and buildings 2000 £	Transponder and other Technical equipment 1999 £	Land and buildings 1999 £
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	-	781,793	4,261,063	536,595
In over five years	957,000	-	-	-
	<u>3,090,433</u>	<u>781,793</u>	<u>4,261,063</u>	<u>536,595</u>

## Notes to the financial statements (continued)

### 16 Guarantees and other financial commitments (continued)

#### *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

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

The ultimate parent company is Fox Family Worldwide, Inc., 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 Fox Kids Europe N.V., a company incorporated in the Netherlands. These financial statements are available to the public and can be obtained from Fox Kids 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 Fox Family Worldwide, Inc.. These financial statements are available to the public and can be obtained from Fox Family Worldwide, Inc., 10960 Wilshire Boulevard, Los Angeles, California, 90024, USA.

### 18 Net liabilities

The company has net liabilities as at 31 May 2000 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.

### 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 £200,196 (1999 - £202,886), the provision of promotional services at a cost of £269,424 (1999 - £267,287) and the provision of transmission services at a cost of £6,623,982 (1999 - £4,440,576). Included within turnover is £4,279,396 (1999 - £3,571,586) of revenues received from BSkyB.

At 31 May 2000, included in trade and other debtors was £235,356 (1999 - £437,803) due from BSkyB and included in trade creditors was £604,327 (1999 - £1,129,682) due to BSkyB.

The company supplied administrative and channel services to Fox Kids Poland Limited, a company which is 80% owned by Fox Kids Europe N.V., with a value of £1,788,456 (1999 - £3,210,595). At 31 May 2000 £875,008 (1999 - (£472,459)) was due from Fox Kids Poland Limited.