

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of Jetix Europe N.V.

We have audited the accompanying consolidated balance sheets of Jetix Europe N.V. and subsidiaries (“the Company”), as of September 30, 2004 and as of September 30, 2003 and the related consolidated statements of operations, cash flows and shareholders’ equity for the years then ended which have been prepared on the basis of accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jetix Europe N.V. and its subsidiaries at September 30, 2004 and September 30, 2003 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

This report, including the opinion, has been prepared for and only for the Company’s members as a body in order to meet the provisions of the listing agreement with the Euronext Stock Exchange in Amsterdam 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.

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

January 18, 2005

CONSOLIDATED BALANCE SHEETS

as of September 30, 2004 and September 30, 2003

ASSETS		2004	2003
Notes		\$'000	\$'000
	Cash and cash equivalents	86,022	51,450
6	Accounts receivable, net of allowance of \$2,568,000 and \$3,040,000 respectively	49,051	35,967
	Prepays and other assets	5,798	7,801
9	Programme rights, net	116,207	125,225
12	Deferred income taxes	12,101	10,770
	Investments in equity affiliates	2,134	1,210
7	Property and equipment, net	3,054	4,030
8	Goodwill, net	28,016	28,016
16	Amounts due from related parties	20,412	10,917
	Total assets	322,795	275,386

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY		2004	2003
		\$'000	\$'000
	Accounts payable	10,253	14,181
10	Accrued liabilities	49,035	39,192
	Deferred income	14,033	4,131
16	Amounts due to related parties	10,477	12,539
11	Other liabilities	16,200	–
	Minority interests	1,184	1,340
	Total liabilities and minority interests	101,182	71,383
19	83,196,912 (2003 – 82,519,307) ordinary shares of €0.25 each and 100 (2003 – 100) priority shares of €0.25 each	21,629	21,426
	Additional paid-in capital	449,751	445,659
	Other reserves	(204,114)	(204,114)
	Accumulated deficit	(52,128)	(57,956)
	Accumulated other comprehensive income/(loss)	6,475	(1,012)
	Total shareholders' equity	221,613	204,003
	Total liabilities, minority interests and shareholders' equity	322,795	275,386

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Year ended September 30, 2004 and September 30, 2003

Notes		2004 \$'000	2003 \$'000
18	Revenues	165,345	146,825
	Costs and expenses	(114,394)	(90,843)
18	Depreciation, amortisation and impairment	(45,804)	(51,824)
	Operating income	5,147	4,158
	Other income/(expense):		
14	Interest income	2,814	10,550
15	Interest expense	(1,809)	(8,879)
	Gain/(loss) on foreign exchange	648	(1,861)
	Equity in income of affiliates	810	1,655
	Total other income, net	2,463	1,465
	Income before tax and minority interest	7,610	5,623
12	Tax	(1,972)	(1,239)
	Minority interest	190	(556)
	Net income	5,828	3,828

20 EARNINGS PER SHARE (CENTS)

	2004	2003
Basic Earnings per share	7.1	4.6
Diluted Earnings per share	6.9	4.6
Weighted average number of ordinary shares outstanding ('000)		
– Basic	82,618	82,519
– Diluted	84,156	82,614

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended September 30, 2004 and September 30, 2003

	2004 \$'000	2003 \$'000
OPERATING ACTIVITIES		
Net income	5,828	3,828
Adjustments to reconcile net income to net cash generated by operating activities:		
Amortisation and impairment of programme rights	43,008	49,373
Depreciation of property and equipment	1,884	2,451
Impairment of property and equipment	912	–
Provision for doubtful debts	(472)	(537)
Equity in income of affiliates	(810)	(1,655)
Minority interest	(190)	556
Deferred tax	(1,331)	(615)
Changes in operating assets and liabilities ⁽¹⁾ :		
Accounts receivable	(5,474)	(4,283)
Amounts due from related parties	(4,082)	(89)
Programme rights	(33,990)	(44,068)
Prepays and other assets	865	(389)
Accounts payable	(2,445)	4,830
Accrued liabilities and deferred income	12,291	985
Amounts due to related parties	(1,331)	23
Other liabilities	16,200	–
Net cash generated by operating activities	30,863	10,410
INVESTING ACTIVITIES		
Repayments from equity affiliates	–	2,297
Acquisition of minority shares	–	(20,800)
Purchases of property and equipment	(1,169)	(1,242)
Net cash used in investing activities	(1,169)	(19,745)
FINANCING ACTIVITIES		
Exercise of Stock Options	4,295	–
Net cash generated by financing activities	4,295	–
NET CHANGE IN CASH AND CASH EQUIVALENTS FROM OPERATING, INVESTING AND FINANCING ACTIVITIES	33,989	(9,335)
NET INCREASE/(DECREASE) IN CASH DUE TO FOREIGN CURRENCY FLUCTUATIONS	583	(415)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	34,572	(9,750)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,450	61,200
CASH AND CASH EQUIVALENTS, END OF YEAR	86,022	51,450
SUPPLEMENTAL CASH FLOW INFORMATION		
CASH PAID FOR TAXES	1,316	2,573
CASH PAID FOR INTEREST	1,809	14,136

⁽¹⁾ Changes in operating assets and liabilities include the impact of foreign currency translation movements.

The accompanying notes are an integral part of these consolidated financial statements.

SIGNIFICANT NON-CASH TRANSACTIONS

On July 18, 2003, the long-term note receivable from a subsidiary of ABC Family Worldwide, Inc. (ABCW) of \$104.1 million, was transferred to another subsidiary of ABCW against the assumption of the long-term note payable to an affiliate of ABCW of \$104.1 million (see note 16).

The Company has recorded revenues and costs of \$2.7 million and \$2.8 million in relation to non-cash barter transactions during the years ended September 30, 2004 and September 30, 2003 respectively.

Prior to September 3, 2003, a subsidiary of ABCW, also a shareholder of the Company, had provided cumulative funding of \$2.8 million to Fox Kids Poland Limited (FKP). On September 3, 2003, the subsidiary made a capital contribution of its loan receivable to the Company (see note 16).

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Ordinary and priority shares (Note 19) \$'000	Additional paid-in capital \$'000	Other ⁽¹⁾ reserves \$'000	Note receivable contributed for equity (Note 16) \$'000	Accum- ulated deficit \$'000	Accumulated ⁽⁴⁾ other compre- hensive income (loss) \$'000	Compre- hensive income (loss) \$'000
BALANCE AT SEPTEMBER 30, 2002	21,426	442,351	(204,114)	(109,782)	(61,784)	632	
Net income	–	–	–	–	3,828	–	3,828
Foreign currency translation adjustments	–	–	–	–	–	(1,644)	(1,644)
Interest receivable on note contributed for equity	–	–	–	(8,687)	–	–	–
Interest received on note contributed for equity	–	–	–	14,355	–	–	–
Redemption of loan	–	–	–	104,114 ⁽²⁾	–	–	–
Other capital contribution	–	3,308 ⁽³⁾	–	–	–	–	–
Comprehensive income	–	–	–	–	–	–	2,184
BALANCE AT SEPTEMBER 30, 2003	21,426	445,659	(204,114)	–	(57,956)	(1,012)	
Net income	–	–	–	–	5,828	–	5,828
Foreign currency translation adjustments	–	–	–	–	–	7,487	7,487
Share options Exercised	203	4,092	–	–	–	–	–
Comprehensive income	–	–	–	–	–	–	13,315
BALANCE AT SEPTEMBER 30, 2004	21,629	449,751	(204,114)	–	(52,128)	6,475	

The accompanying notes are an integral part of these consolidated financial statements.

- ⁽¹⁾ Deemed distribution of cash and note payable at IPO.
- ⁽²⁾ A long-term note receivable from a subsidiary of ABCW of \$104.1 million was included within shareholders' equity as required by EITF 85-01, "Classifying Notes Received for Capital Stock". The note was transferred to a subsidiary of ABCW in exchange for that subsidiary assuming the long-term note payable to an affiliate of ABCW of \$104.1 million (see note 16).
- ⁽³⁾ Includes \$2.8 million additional paid-in capital contributed by one of the shareholders (see note 16).
- ⁽⁴⁾ This consists solely of cumulative translation adjustments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS, ORGANISATION AND BASIS OF PRESENTATION

Description of business

Jetix Europe N.V. (together with its subsidiaries, “the Company”) is a pan-European integrated children’s entertainment company with localised television channels, online & interactive, programme distribution and consumer products (licensing, merchandising and home entertainment) businesses.

Channel and online operations began in October 1996 with the launch of the first channel (branded Fox Kids) in the United Kingdom. In the last 8 years, the Company has established operations in most European countries and together with its affiliates is currently broadcasting 14 children’s television channel feeds in 17 different languages in 58 countries via cable and DTH satellite transmission. Main channel markets currently include France, Germany, Italy, the Netherlands, Poland, Scandinavia, Spain, the United Kingdom and various countries in the Middle East and Central and Eastern Europe. The Company also operates 16 fully localised websites.

The Company’s programme distribution business is based on rights to children’s programming from the Jetix Library. The Jetix Library comprises the following rights;

- The rights contributed by, acquired from or co-produced with ABC Family Worldwide, Inc. (ABCW) or its affiliates.
- Other rights acquired from or co-produced with third parties.

The Jetix Library is one of the largest and most recognised Libraries of children’s programming in the world.

The Company’s consumer products business covers many European countries and includes operations in France, Germany, Italy, Spain, the Netherlands, the United Kingdom and Israel.

Organisation

Jetix Europe N.V. (Jetix Europe) was incorporated in the Netherlands in November 1999. At the initial public offering of the ordinary shares of Jetix Europe (IPO) in November 1999, in consideration for 62.5 million shares in Jetix Europe, Fox Family Worldwide, Inc. (FFWW) contributed to Jetix Europe, at book value, its interests in the subsidiaries and businesses specifically noted overleaf.

On October 24, 2001, The Walt Disney Company (Disney) concluded the acquisition of the Company’s majority shareholder, FFWW, and thereby assumed 75.7% ownership of Jetix Europe. As of that date, FFWW changed its name to ABCW. ABCW indirectly holds 75.1% of the shares in Jetix Europe at September 30, 2004 (75.7% at September 30, 2003).

Change of Name

During the current financial year Fox Kids Europe N.V. changed its name to Jetix Europe N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS, ORGANISATION AND BASIS OF PRESENTATION (continued)

Basis of presentation

These consolidated financial statements do not constitute statutory accounts under Dutch Law. Dutch statutory accounts are being produced and will be filed at the Chamber of Commerce, PO Box 378, 1200 AJ, Hilversum, The Netherlands. A copy of the Dutch statutory accounts will be available from Jetix Europe's registered office, Bergweg 50, 1217 SC, Hilversum, The Netherlands.

The consolidated financial statements of Jetix Europe reflect the financial statements of:

Company Name	Country of Incorporation	Equity Interest (100% unless otherwise stated)
Jetix Entertainment Limited (formerly Fox Kids Entertainment Limited)	United Kingdom	
Jetix Entertainment Spain SL (formerly Fox Kids Entertainment Spain SL)	Spain	
Jetix Europe Channels B.V. (formerly Fox Kids Europe Channels B.V.)	The Netherlands	
Jetix Europe Limited (formerly Fox Kids Europe Limited) ⁽¹⁾	United Kingdom	
Jetix Europe Properties (Luxembourg) Sarl (formerly Fox Kids Europe Properties Sarl)	Luxembourg	
Jetix Hungary Financial Management Limited (formerly Fox Kids Financial Management (Hungary) Limited) ⁽⁵⁾	Hungary	
Fox Kids Germany GmbH	Germany	
Fox Kids Israel Limited	Israel	
Fox Kids Italy Srl	Italy	
Fox Kids Poland Limited ⁽¹⁾	Isle of Man	80%
Jetix Services B.V. (formerly Fox Kids Services B.V.)	The Netherlands	
Jetix Consumer Products UK Limited (formerly Active Licensing UK Ltd) ⁽¹⁾	United Kingdom	
Jetix Consumer Products Italy Srl (formerly Ideal Licensing Italy Srl) ⁽¹⁾	Italy	
Active Licensing France SAS ⁽¹⁾⁽³⁾	France	
Jetix Poland NV (formerly Fox Kids Poland NV) ⁽¹⁾	The Netherlands	
Jetix Consumer Products Israel Limited (formerly Active Licensing Israel Limited)	Israel	
Kids Entertainment Services EPE	Greece	
Fox Kids Play B.V. (merged into Jetix Europe Channels B.V. effective October 1, 2003) ⁽⁴⁾	The Netherlands	
Fox Kids Israel Enterprises B.V. (merged into Jetix Europe Channels B.V. effective October 1, 2003) ⁽²⁾	The Netherlands	
Active Licensing Germany GmbH (merged into Fox Kids Germany GmbH effective October 1, 2003) ⁽¹⁾	Germany	

Fox Kids Scandinavia AS was liquidated during the year ended September 30, 2003.

Fox Kids AB (in the process of being liquidated)	Sweden	
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The Company also has the following affiliates accounted for under the equity method:

Company Name	Country of Incorporation	Equity Interest
Fox Kids España SL ⁽¹⁾	Spain	50%
TV10 Holdings LLC ⁽¹⁾	The United States of America	50%
TV10 B.V. ⁽¹⁾	The Netherlands	50%

⁽¹⁾ These entities were contributed to Jetix Europe by ABCW at the IPO.

⁽²⁾ During the year ended September 30, 2003, the equity interest in Fox Kids Israel Enterprises B.V. increased from 50.5% to 100%. For details of the acquisition refer to note 4.

⁽³⁾ Effective October 1, 2002, Fox Kids France SAS was merged into Active Licensing France SAS.

⁽⁴⁾ The Company sold 50% of its shares in Fox Kids Play B.V. to Visiware S.A. in December 2002. Accordingly, Fox Kids Play B.V. was equity accounted for in the year ended September 30, 2003. During the current year, the Company reacquired 50% of the shares in Fox Kids Play B.V. and merged it into Jetix Europe Channels B.V. effective from October 1, 2003.

⁽⁵⁾ In July 2003 the Company acquired the remaining 2.4% minority interest in Jetix Hungary Financial Management Limited for a nominal price.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements comprise the accounts of Jetix Europe N.V. consolidated with the financial statements of those entities under its control, including those entities and businesses contributed by ABCW at the IPO.

The Company uses the equity method of accounting for investments in affiliates where it does not have the majority of equity or the risks and rewards but where it does exercise significant influence.

All material intercompany accounts and transactions have been eliminated.

General Presentation

In circumstances where the classification of certain balances has changed from the previous year, the prior year comparatives have been reclassified accordingly.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less.

Revenue recognition – Channels & Online

Subscriber fees receivable from cable operators and DTH broadcasters are recognised as revenue over the period for which the channels are provided and to which the fees relate. Subscriber revenue is recognised as contracted, based upon the level of subscribers. Television advertising revenue is recognised as the commercials are aired. In certain countries, the Company commits to provide advertisers with certain rating levels in connection with their advertising. Revenue is recorded net of estimated shortfalls, which are usually settled by providing the advertiser additional advertising time. In accordance with EITF 99-17, “Accounting for Advertising Barter Transactions”, barter revenues, representing the receipt of goods and services in exchange for advertising time on a television station, are recognised upon the airing of an advertisement during such advertising time, where the fair value of the advertising surrendered is determinable based on the Company’s own historical practice of receiving cash or other consideration that is readily convertible to a known cash amount for similar advertising from buyers unrelated to the counterparty in the barter transaction.

Revenue recognition – Programme Distribution

Programme distribution revenue is recognised when the relevant agreement has been entered into, the product is available for delivery, collectability of the cash is reasonably assured and all the Company’s contractual obligations have been satisfied. This is in accordance with SOP 00-2.

Revenue recognition – Consumer Products

Revenues from home entertainment, licensing and merchandising agreements which provide for the receipt by the Company of non-refundable guaranteed amounts, are recognised when the licence or distribution period begins, the payments are due under the terms of the contract, collectability is reasonably assured and all performance obligations of the Company have been fulfilled. Amounts in excess of minimum guarantees under these agreements are recognised when earned. Amounts received in advance of recognition of revenue are recorded as deferred revenue.

Revenue is recorded net of Value Added Tax (VAT).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising expenses

Advertising costs are expensed as incurred. For the year ended September 30, 2004 and year ended September 30, 2003 the Company incurred advertising expenses totalling \$0.7 million and \$0.9 million respectively.

Programme rights

The Company adopted SOP 00-2 and SFAS No. 139 “Rescission of FASB Statement No. 53 and amendments to SFAS Nos. 63, 89 and 121” as of July 1, 2001. Programme rights that are produced are stated at the lower of cost less accumulated amortisation or fair value. Amortisation charge is based on the ratio of the current period’s gross revenues to estimated remaining total gross revenues from such programmes. Each year management revises estimates, based on historical and anticipated trends, of future revenue for each programme property.

If estimated undiscounted cashflows from a programme are insufficient to recover the unamortised costs, the unamortised programming costs are written down to fair value.

Where television programme rights are licensed from third parties for a defined period for broadcasting on the Company’s channels, usually for periods of between 2 and 5 years, these are amortised in accordance with their expected usage over that defined period. Acquired television programme rights and related liabilities are recorded when the licence period begins and the programme is available for use.

Minority interest

Minority interests in loss-making subsidiaries are recognised only to the extent of the minority’s share of net assets or when the minority shareholder has an obligation and an ability to fund such losses.

Property and equipment

Property and equipment, consisting mainly of computer equipment and office furniture and fittings, is stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over an estimated useful life of 3 to 10 years.

Leasehold improvements are amortised over the shorter of the term of the lease or the estimated life of the improvements. Repair and maintenance costs are expensed as incurred.

The Company periodically reviews the carrying amount of property and equipment to determine whether current events or circumstances warrant impairment to the carrying value and/or the estimates of useful lives. When these events or circumstances arise that indicate that assets may be impaired, the assets are written down to their recoverable amount, in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, which was adopted by the Company on July 1, 2001.

Trade receivables

Accounts receivable are reported at their net realisable or expected cash value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

The Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets", as of July 1, 2001. In accordance with SFAS No. 142, goodwill recognised on an acquisition is calculated as the excess of the fair value of the consideration over the fair value of the assets and liabilities acquired.

Goodwill is not amortised but tested for impairment on an annual basis and whenever indicators of impairment arise. The Company has determined that each business segment comprises its own reporting unit. There was no impairment charge for the year ended September 30, 2004 (year ended September 30, 2003 – \$nil).

Investments in equity affiliates

Investments in, and advances to equity affiliates, are accounted for under the equity method. Under this method of accounting, the carrying value of the investment is increased or decreased by the Company's share of income or losses and decreased by any dividends.

Foreign currency translation

The functional currency of each of Jetix Europe's subsidiaries is the currency of the primary economic environment in which each subsidiary operates. Accordingly, assets and liabilities recorded in foreign currencies in the balance sheets of Jetix Europe's subsidiaries are translated at the exchange rate between such functional currency and the US dollar at the balance sheet date except for the share capital and reserves of those subsidiaries, which are translated at historic rates. Revenues and expenses are translated at the average rate of exchange prevailing during the period. Translation adjustments resulting from this process are charged or credited to accumulated other comprehensive income.

Gains and losses arising from transactions denominated in currencies other than the functional currency are included in determining net income for the period.

Fair value of financial instruments

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments", requires disclosure of fair value information about financial instruments whether or not recognised in the consolidated balance sheet. The amounts reported in the consolidated balance sheet for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturity of these instruments.

Income taxes

In accordance with SFAS 109, "Accounting for Income Taxes", deferred income taxes are recognised using the asset and liability method. Deferred tax balances are established for the difference between the financial reporting and income tax bases of assets and liabilities as well as operating loss and tax credit carry-forwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realised. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share

Basic earnings per ordinary share is calculated using income available to ordinary shareholders divided by the weighted average number of shares outstanding. The difference between basic and diluted earnings per share arises after giving effect to the dilutive effect of all dilutive potential ordinary shares equivalents that were outstanding during the period.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock option plan

The Company accounts for stock-based compensation using the intrinsic value method prescribed in APB No. 25, "Accounting for Stock Issued to Employees", and related interpretations. There are no performance criteria attached to the exercise of the options. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of Jetix Europe's stock at the date of grant over the amount an employee must pay to acquire the stock. The Company has also disclosed below the impact on earnings that would result if stock options had been valued at their fair value at the grant date, in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation".

The Company has adopted the disclosure provision of SFAS No.123 and pursuant to its provision elected to continue using the intrinsic value method of accounting for stock-based awards granted to employees in accordance with APB 25. Accordingly, the Company has not recognised compensation expense for its stock-based awards to employees. The following table reflects pro forma net income and earnings per share had the Company elected to adopt the fair value approach of SFAS No.123:

	2004 \$'000	2003 \$'000
Net income		
As reported	5,828	3,828
Adjusted for notional expense under FAS 123	(1,853)	(1,180)
Pro forma net income	3,975	2,648
Basic earnings per share (cents)		
As reported	7.1	4.6
Pro forma	4.8	3.2
Diluted earnings per share (cents)		
As reported	6.9	4.6
Pro forma	4.7	3.2

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortised to expense over the vesting period and additional options may be granted in future years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

No options were granted during the current year. The weighted average fair value of options at their date of grant during the prior year was \$2.88.

The estimated fair value of each option granted is calculated using the Black-Scholes option pricing model. The weighted average assumptions used in the model were as follows:

	2003
Risk free interest rate	4.0%
Expected years from grant until exercise	4
Expected stock volatility	60%
Dividend yield	0%

Accounting Changes

In December 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 46R which became effective for the Company during the year ended September 30, 2004. Variable interest entities (VIEs) are primarily entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. All VIEs with which the Company is involved must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes. The Company concluded that their equity investments do not require consolidation as either they are not VIEs or in the event that they are VIEs, the Company is not the primary beneficiary.

3. REORGANISATION

Effective October 1, 2003, Fox Kids Play B.V. and Fox Kids Israel Enterprises B.V. were merged with Jetix Europe Channels B.V. (formerly Fox Kids Europe Channels B.V.).

Effective October 1, 2003, Active Licensing GmbH was merged with Fox Kids Germany GmbH.

Effective October 1, 2002, Fox Kids France SAS was merged with Active Licensing France SAS (formerly Saban Consumer Products France SAS).

4. ACQUISITION

Fox Kids Israel B.V.

On December 19, 2002, as a direct consequence of the change of control of our majority shareholder triggering an option held by Middle East Communication Holdings B.V. (MECH BV), the Company purchased the 49.5% of shares in Fox Kids Israel Enterprises B.V. not owned by the Company from MECH BV as well as the Israeli rights to the Saban programme library and certain other Israeli rights outside the formal process set out in the option agreement. The total consideration for the above transaction was \$20.8 million, comprised of \$20.5 million of cash and \$0.3 million professional fees directly associated with the acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. ACQUISITION (continued)

The following table summarises the final purchase price allocation of the programme library and Fox Kids Israel Enterprises B.V.'s assets acquired and liabilities assumed at the date of acquisition.

\$'000

Assets (primarily receivables)	4,873
Liabilities (primarily accrued expenses)	(4,125)
	748
Share of 49.5% acquired Programme Library	370 2,112
Fair value of net assets and programme library acquired	2,482
Goodwill	18,318
Purchase consideration	20,800

Goodwill was assigned to the Channels & Online reporting unit.

5. RELOCATION EXPENSES

The Company relocated its operations in the UK and France to Disney's premises in these markets during the year. The Company incurred a charge of \$8.0 million resulting from this relocation, which is included in Costs and Expenses. The charge recognised includes a provision in respect of the anticipated costs of fulfilling the Company's existing lease commitments of \$4.4 million (comprised of \$3.2 million of lease exit costs and \$1.2 million of refitting costs), I.T. reconfiguration of \$1.2 million, move costs of \$0.6 million, impairment of certain fixed assets of \$0.9 million and redundancy costs resulting from the contracting out of certain functions (see note 16) to Disney of \$0.9 million.

In order to induce the Company to relocate its operations in the UK and France, Disney provided the Company with a \$3.1 million operating lease incentive which, in accordance with US GAAP, is deferred and recognised through the income statement over the term of the operating lease to which it relates.

6. ACCOUNTS RECEIVABLE

	2004 \$'000	2003 \$'000
Billed receivables	27,689	16,332
Accrued income	21,362	19,635
	49,051	35,967

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2004 \$'000	2003 \$'000
Property and equipment	12,567	12,454
Leasehold improvements	1,115	1,317
	13,682	13,771
Less accumulated depreciation and amortisation	(10,628)	(9,741)
	3,054	4,030

8. GOODWILL

At September 30, 2004 and September 30, 2003, goodwill was comprised of the goodwill of \$18.3 million arising on the acquisition of the minority interest in Fox Kids Israel during the year ended September 30, 2003 (see note 4) and the goodwill of \$9.7 million arising from the acquisition of the Fox Kids Netherlands Channel on December 1, 2000. The goodwill arising represents primarily the difference between the carrying value of the investment in TV10 BV and the net book value of the Fox Kids Netherlands Channel assets in TV10 BV. These assets were transferred from the Company's equity affiliate, TV10 BV, to the Company. This transaction has been accounted for as a reorganisation between companies under common control and therefore the assets were transferred to Jetix at their carrying value.

Goodwill has been fully allocated to the Channels & Online business segment (see note 18). The goodwill is not tax deductible.

The Company adopted SFAS No. 142 as of July 1, 2001. Accordingly there has been no amortisation charge since that date. As a result of the annual impairment review carried out on September 30, there was no impairment charge for the year ended September 30, 2004 (September 30, 2003 – \$nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. PROGRAMME RIGHTS

Programme rights consist of the following:

	2004 \$'000	2003 \$'000
Programme rights cost	470,374	436,355
Less accumulated amortisation and impairment	(354,167)	(311,130)
	116,207	125,225

In accordance with SOP 00-2, the Company periodically performs a review of the fair value of the Jetix library to determine whether any of the titles are impaired. This review compares the estimated remaining ultimate revenues to be earned to the net book value by title for all properties in the Jetix library. Where the estimated remaining ultimate revenues were lower than the net book value of a title, an impairment was identified and the title was written down to fair value. During the year the Company recorded an impairment charge of \$5.0 million (year ended September 30, 2003 – \$4.7 million) of which \$2.6 million results from a decision to no longer run certain titles within the library on our channels that are not considered to be core to the Jetix brand.

The amortisation charge relating to programme rights for the year ended September 30, 2004 and September 30, 2003, was \$38.0 million and \$44.7 million respectively.

Of the net book value of programme rights at September 30, 2004, \$89.8 million (year ended September 30, 2003 – \$105.0 million) represents the rights of the Jetix library in the Company's territories, with the remainder being programming licensed from third parties for broadcasting by the channels operated by the Company. At September 30, 2004 the net book value of programme rights included programmes in production of \$2.2 million (2003 – \$4.8 million).

The Company expects to amortise the net book value of its programme rights on the following timescale:

Within one year	30-40%
Within three years	55-65%
Within five years	80%

10. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	2004 \$'000	2003 \$'000
Participation and royalty costs	10,715	9,404
Accrued programme costs	15,141	7,972
Payroll liabilities	6,578	4,318
Taxation	3,503	2,289
Relocation costs	821	–
Other accruals	12,277	15,209
	49,035	39,192

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. OTHER LIABILITIES

Other liabilities consist of the following:

	2004 \$'000	2003 \$'000
Provision for lease exit costs	3,200	–
Operating lease incentive	13,000	–
	16,200	–

The operating lease incentive and provision for lease exit costs are discussed in notes 5 and 16.

12. TAX

The (provision)/benefit for income tax consists of the following:

	2004 \$'000	2003 \$'000
Income taxes	(2,049)	(1,050)
Other taxes	(1,254)	(804)
Deferred income taxes	1,331	615
	(1,972)	(1,239)

and are as follows:

	2004 \$'000	2003 \$'000
The Netherlands – Current	(702)	(123)
Others – Current	(2,601)	(1,731)
– Deferred	1,331	615
	(1,972)	(1,239)

The components of the (provision)/benefit for income taxes for the year ended September 30, 2004 and the year ended September 30, 2003 were based upon the following sources of pre-tax income/(loss).

	2004 \$'000	2003 \$'000
The Netherlands	368	(7,573)
Others	7,242	13,196
	7,610	5,623

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. TAX (continued)

A reconciliation of the provision for income taxes, with the amount computed by applying the statutory income tax rate of the Netherlands of 34.5% (2003 – 34.5%) to income before provision for income taxes and minority interest is as follows:

	2004 \$'000	2003 \$'000
Income before tax and minority interests	7,610	5,623
Income before tax and minority interests multiplied by statutory rate of corporation tax	2,626	1,940
Effects of:		
Permanent differences	(1,499)	(4,914)
Equity of income in affiliates	(279)	(571)
Timing differences subject to valuation allowance	3,321	4,773
Statutory income tax difference	(3,206)	(1,000)
Adjustments to tax charge in respect of previous periods	(245)	207
Other taxes	1,254	804
Current tax charge for the year	1,972	1,239

Where the Company has provided for income taxes, the provisions have been calculated at the statutory rates in the relevant jurisdictions.

Deferred taxes

Principal components of the deferred tax assets and liabilities are as follows:

	2004 \$'000	2003 \$'000
Deferred tax assets		
Net operating losses	73,370	63,907
Fixed assets	1,896	1,360
Other	1,980	5,585
Total	77,246	70,852
Valuation Allowance	(65,145)	(60,082)
Deferred tax	12,101	10,770

The estimated portion of the Deferred Income Tax Asset to be utilised during the year ended September 30, 2005 is \$62,000.

Management has determined that as of September 30, 2004 approximately \$65.1 million (year ended September 30, 2003 – \$60.1 million) of deferred income tax assets do not satisfy the recognition criteria set forth in SFAS No 109. Accordingly a valuation allowance has been recorded for that amount.

The above amount relating to net operating losses results from approximately \$480.5 million of tax net operating loss carryforwards as at September 30, 2004, of which approximately \$120.4 million have no expiry date and approximately \$360.1 million expire between 2005 and 2012. Realisation of these net operating losses is dependent on generating sufficient taxable income prior to the expiration of the loss carryforwards, subject to any limitations on their use.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. PENSION PLANS

Jetix Europe Limited operates a defined contribution group personal pension plan (the “Plan”) for United Kingdom employees. The Plan is effectively a collection of individual personal pension plans. Jetix Europe Limited contributes a percentage of eligible employees’ annual compensation, provided that the employee contributes a minimum percentage. The contributions to the Plan are expensed as incurred and for the year ended September 30, 2004 were \$484,000 (year ended September 30, 2003 – \$398,000).

14. INTEREST INCOME

	2004 \$'000	2003 \$'000
Interest receivable on bank deposits	2,814	593
Interest receivable from related party on long-term note	–	9,957
	2,814	10,550

Included in interest receivable from related party on the long-term note for the year ended September 30, 2003 is \$1.3 million received on the exchange of the loan notes receivable and payable (see note 16).

15. INTEREST EXPENSE

	2004 \$'000	2003 \$'000
Interest expense	1,809	430
Interest payable to related party on long-term note	–	8,449
	1,809	8,879

16. RELATED PARTY TRANSACTIONS

Sales to Parent Company

In previous years the Company secured non-European distribution rights to certain properties (in addition to the European rights). The Company in turn sold these rights to the US and other non-European markets to subsidiaries of its parent company ABCW. The Company has reduced the volume of rights acquired for shows outside its core territories of Europe and the Middle East and as such made no revenue on sales to ABCW or its subsidiaries during the year (year ended September 30, 2003 – \$9,440,000). The amount receivable at September 30, 2004 was \$2.1 million (September 30, 2003 – \$3.3 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS (continued)

Inter-company Debt Arrangements

Prior to September 3, 2003, a subsidiary of ABCW, also a shareholder of the Company, had provided cumulative funding of \$2.8 million to Fox Kids Poland Limited (FKP). On September 3, 2003, the subsidiary made a capital contribution of its loan receivable to the Company.

The long-term note payable of \$104.1 million to a subsidiary of ABCW was assumed in partial consideration for the transfer of certain rights to the Saban library to the Company at the IPO. The note bore interest quarterly, commencing December 31, 1999, at an annual rate of 10.18%. The term of the note was 19 years and six months and annual repayments of principal in the amount of \$5.2 million began to fall due on June 30, 2000. Under the terms of the note if repayments exceeded cash receipts under the note receivable (see below) then payments could be deferred until such time as cash receipts exceeded payments but all deferrals would have fallen due for payment on October 31, 2005.

The long-term note receivable of \$104.1 million from a subsidiary of ABCW, was assigned to the Company in exchange for ordinary shares. This note was included within shareholders' equity in the prior year as required by EITF 85-01, "Classifying Notes Received for Capital Stock". The note bore interest quarterly, commencing December 31, 1999, at an annual rate of 10.43%. The term of the note was 19 years and six months and annual repayments of principal in the amount of \$5.2 million would have begun to fall due on June 30, 2006 with a voluntary annual prepayment schedule of such amounts from June 30, 2000.

On July 18, 2003, the long-term note receivable of \$104.1 million from a subsidiary of ABCW was transferred to another subsidiary of ABCW against the assumption of the long-term note payable to a subsidiary of ABCW of \$104.1 million. Additionally, an amount of \$1.3 million was collected from ABCW during the year to September 30, 2003, being the excess of the fair market value of the loan note receivable over the fair market value of the loan note payable as of the date of the agreement (see note 12).

Logistical Services

Buena Vista International Television (BVITV), a Disney subsidiary, provides logistical services to the Company in connection with its third party programme distribution. The Company pays BVITV on the basis of cost plus a margin of 5% – 10% dependent on the service performed. Services were previously provided by an ABCW affiliate under an agreement with substantially similar terms, which was terminated on May 1, 2002, at which time the agreement with BVITV commenced. The amount charged in the income statement, included in Costs and Expenses, relating to services provided by BVITV for the year ended September 30, 2004 was \$3,718,000 (September 30, 2003 – \$3,949,000). In addition BVITV incurs distribution expenses on behalf of the Company whilst performing its services. These expenses are recharged back to the Company. The amount charged to the income statement relating to distribution expenses incurred by BVITV on behalf of the Company was \$2,212,000 (2003 – \$2,068,000). The amount owed to BVITV as at September 30, 2004 was \$5,481,000 (2003 – \$6,300,000).

Arrangements with Middle East Communication Holdings B.V. (MECH BV)

At October 1, 2002, MECH BV owned the shares in Fox Kids Israel Enterprises B.V. (FKI) not owned by the Company and the Saban library rights in Israel. On December 19, 2002, the Company purchased MECH BV's shares in FKI as well as the Israeli rights to the Saban programme library and certain other Israeli rights (see note 4). For the year ended September 30, 2004, the Company incurred charges of \$nil (year ended September 30, 2003 – \$564,000) relating to the provision of programming and other services by Israel Audiovisual Corporation (IAC) a related party of MECH BV. At the end of the year, the Company owed \$nil (2003 – \$nil) to IAC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS (continued)

Arrangements with Sogecable S.A. (Sogecable)

The Fox Kids channel in Spain is operated by Fox Kids España SL, a company jointly owned by a subsidiary of Sogecable and the Company. Sogecable and its subsidiaries provide office and sales administration, programming and production facilities and services to Fox Kids Spain. The amount payable to Sogecable for the year ended September 30, 2004 was \$1,412,000 (year ended September 30, 2003 – \$1,182,000). The amount outstanding for the year ended September 30, 2004 was \$599,000 (year ended September 30, 2003 – \$1,655,000).

The Company leases rights to the Jetix Library to Fox Kids España SL. The lease fee for the year ended September 30, 2004 was \$4.1 million (September 30, 2003 – \$2.2 million). The amount outstanding at September 30, 2004 was \$nil (September 30, 2003 – \$0.5 million).

Arrangements with United Pan-Europe Communications N.V. (UPC)

The minority shareholder in Fox Kids Poland Limited, a subsidiary of UPC, provided certain transmission, programming and marketing services to the Fox Kids channels in Poland and Central and Eastern Europe during the year. The amount charged in the income statement, included in Costs and Expenses, in relation to these services for the year ended September 30, 2004 was \$985,000 (year ended September 30, 2003 – \$1,255,000). There were no amounts payable to UPC for these services at September 30, 2004 (September 30, 2003 – \$nil).

Trademark arrangements

Disney has granted the Company a trademark licence without a fixed term to use the “Jetix” name and related logos without material charge.

Buena Vista Home Entertainment (BVHE)

On May 5, 2003, the Company entered into an agreement with BVHE, a subsidiary of Disney, to grant BVHE the sole and exclusive right to exploit on VHS and DVD formats all home entertainment distribution and exhibition rights for certain major programmes including Power Rangers and some of our programmes based upon Marvel comics characters. The Company will receive from BVHE a minimum guarantee against certain royalties during the term of the agreement, which ends on May 4, 2006, of which \$0.7 million was earned in the year ended September 30, 2004 (2003 – \$1.0 million). The receivable amount outstanding for the year ended September 30, 2004 was \$0.4 million (year ended September 30, 2003 \$nil).

Disney Consumer Products (DCP)

On October 1, 2003 the Company appointed Disney Consumer Products (DCP), a subsidiary of Disney, to act as its licensing agent within Europe and the Middle East in respect of the property, Power Rangers. The Company will receive from DCP a minimum guarantee against certain royalties during the term of the agreement, which ends on September 30, 2006. DCP will receive a commission of 30% of earned revenues in return for its services. During the first year of the agreement, DCP will pay a marketing contribution of 20% of the minimum guarantee to the Company. This marketing contribution will be reduced by the amount that the gross revenues earned by Jetix exceed the minimum guarantee.

The Company earned \$7.0 million in the year ended September 30, 2004 and \$2.5 million was due from DCP at September 30, 2004 (September 30, 2003 – \$nil). The commission payable to DCP at September 30, 2004 was \$1.3 million (September 30, 2003 – \$nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS (continued)

Super RTL

On September 30, 2003, the Company entered into a co-production agreement with Super RTL, a Disney affiliate. Under the terms of the deal the Company will co-produce two series, namely W.I.T.C.H. and Oban Star Racers, with Super RTL and a third party. No episodes relating to these series were delivered or revenues recognised during the year ended September 30, 2004.

Arrangements with Visiware S.A. (Visiware)

In December 2002, the Company sold 50% of its shares in Fox Kids Play B.V. to Visiware. Fox Kids Play was an existing entity owned by the Company that has been used as a vehicle for the joint venture with Visiware to develop the interactive games business.

Effective October 1, 2003, the Company reacquired Visiware's 50% shareholding in Fox Kids Play for a nominal price and merged it into Jetix Europe Channels B.V.

Premises and facilities

During the year, the Company entered into arrangements with The Walt Disney Company Limited and The Walt Disney Company (France) SAS with respect to the lease of office and broadcast operations facilities and the provision of certain accounting functions in the UK and France. Under these arrangements, the amount payable for services received during the year ended September 30, 2004 was \$1.3 million.

The relocation costs incurred and the amount recharged to Disney are disclosed in note 5.

As part of these arrangements, the Company will also receive an incentive of \$9.9 million from Disney over the next four years. This together with the amount recharged to Disney of \$3.1 million as disclosed in note 5 has been accounted for as an operating lease incentive, which, in accordance with US GAAP, is deferred and recognised in the income statement over the period of the leases.

Of the total receivable of \$13.0 million, \$8.7 million will be received after one year.

Receivables

ABCW collects certain receivables on behalf of the Company. The amount owed to the Company at September 30, 2004 was \$2.0 million (September 30, 2003 – \$7.2 million).

TV10 B.V.

Through a shareholder agreement with Fox TV10 Holdings, Inc. (Fox), up to December 1, 2000, the revenues and direct costs of the daytime programming were attributed to the Company, with those of the evening programming attributed to Fox. Subject to certain limits, indirect costs were allocated between the Company and Fox in proportion to revenue. Since December 1, 2000 any material costs as well as revenues of TV10 B.V. in which the Company has an interest, are recharged to the Company. The amount recharged from TV10 B.V. for the year to September 30, 2004 was \$1.1 million (2003 – \$1.3 million). The amount payable to TV10 B.V. at September 30, 2004 was \$0.8 million (September 30, 2003 – \$nil).

Programme Rights

The Company acquires certain programme rights relating to its territories from ABCW. The amount payable to ABCW at September 30, 2004 was \$1.8 million (September 30, 2003 – \$5.8 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. COMMITMENTS AND CONTINGENCIES

Operating leases

The Company leases transponders, office facilities, and certain programme related equipment. These leases, which qualify as operating leases, expire at various dates through 2010.

Non-cancellable future minimum payments for the remainder of the initial, non-cancellable lease periods are as follows:

Year Ending September 30,	\$'000
2005	18,764
2006	17,424
2007	16,280
2008	12,444
2009	12,333
Thereafter	4,871
	82,116

Total operating lease expenses were approximately \$11.0 million and \$5.7 million for the years ended September 30, 2004 and September 30, 2003, respectively.

Litigation

In the ordinary course of its business, the Company from time to time may become exposed to certain litigation. As at September 30, 2004, there are potential implications for the company pursuant to one ongoing and one possible action brought or threatened against various Disney entities by owners of certain rights claiming larger participation payments. The Company believes that its existing accrual for participation costs is adequate and accordingly it has not provided any further amounts in relation to these claims.

18. SEGMENT INFORMATION

During the periods presented, the Company operated in three business segments based on its products and services: Channels & Online (which principally consists of the operation and broadcast of television channels and websites), Programme Distribution (which principally consists of the sale of programming to third parties) and Consumer Products (licensing and merchandising operations and home entertainment).

The accounting policies of the segments are the same as those described in Note 2 except that for segment reporting, the Company includes its share of revenues of equity affiliates in total revenues. In addition, for segment reporting, the Company measures profitability based on Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is stated before interest, taxation, depreciation, programme amortisation and impairment. EBITDA less depreciation, amortisation and impairment is equal to operating income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. SEGMENT INFORMATION (continued)

Business Segments

Revenues	2004 \$'000	2003 \$'000
Channels & Online ⁽¹⁾	132,728	109,383
Programme Distribution	24,681	31,362
Consumer Products	13,332	11,272
Total Revenues (including unconsolidated revenues of equity affiliates)	170,741	152,017
Less: unconsolidated revenues of equity affiliates	(5,396)	(5,192)
Revenues	165,345	146,825

⁽¹⁾ The Company's share of revenues of equity affiliates is included within Channels & Online.

EBITDA	2004 \$'000	2003 \$'000
Channels & Online ⁽²⁾	42,118	41,239
Programme Distribution	15,551	20,449
Consumer Products	5,170	4,021
Shared costs not allocated to segments	(11,888)	(9,727)
EBITDA	50,951	55,982
Less: depreciation, amortisation and impairment	(45,804)	(51,824)
Operating income	5,147	4,158

⁽²⁾ EBITDA excludes costs related to the Company's unconsolidated joint ventures.

Depreciation, amortisation and impairment	2004 \$'000	2003 \$'000
Channels & Online	(28,553)	(29,313)
Programme Distribution	(13,295)	(17,401)
Consumer Products	(3,662)	(4,952)
Shared costs not allocated to segments	(294)	(158)
	(45,804)	(51,824)

Included in the above amounts are impairment charges on programme rights of \$3,375,000 (year ended September 30, 2003 – \$3,712,000) and \$1,625,000 (year ended September 30, 2003 – \$958,000) in Channels & Online and Programme Distribution, respectively.

Identifiable assets	2004 \$'000	2003 \$'000
Channels & Online	129,758	134,044
Programme Distribution	185,661	129,352
Consumer Products	6,244	11,569
Shared assets not allocated to segments	1,132	421
	322,795	275,386

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. SEGMENT INFORMATION (continued)

Geographic Segments

Revenues	2004 \$'000	2003 \$'000
United Kingdom and Ireland	49,567	40,075
France	20,510	17,113
Benelux	20,217	15,286
Italy	18,018	14,408
Spain and Portugal ⁽¹⁾	14,427	12,649
Germany	13,813	9,846
Central and Eastern Europe	13,690	11,679
Middle East	8,106	8,309
Nordic Region	6,944	6,514
Poland	3,738	6,276
Other	1,711	264
Americas	–	9,598
Total Revenues	170,741	152,017
Less: unconsolidated revenues of equity affiliates	(5,396)	(5,192)
Revenues	165,345	146,825

EBITDA ⁽²⁾	2004 \$'000	2003 \$'000
United Kingdom and Ireland	25,915	22,320
France	4,812	4,920
Benelux	7,985	5,945
Italy	7,765	6,351
Spain and Portugal	4,944	4,591
Germany	3,981	1,916
Central and Eastern Europe	2,976	4,620
Middle East	2,871	3,444
Nordic Region	732	2,208
Poland	(231)	2,244
Other	1,089	192
Americas	–	6,958
Shared costs not allocated to segments	(11,888)	(9,727)
EBITDA	50,951	55,982
Less: depreciation, amortisation and impairment	(45,804)	(51,824)
Operating income	5,147	4,158

⁽¹⁾ Includes the Company's share of revenues of equity affiliates and sales of programming to its equity affiliates.

⁽²⁾ EBITDA excludes costs related to the Company's unconsolidated joint ventures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. SEGMENT INFORMATION (continued)

Geographic Segments

Identifiable assets	2004 \$'000	2003 \$'000
United Kingdom and Ireland	21,128	12,504
France	9,127	7,929
Benelux	238,425	239,597
Other	54,115	15,356
	322,795	275,386

Revenues are attributed to geographic segments based on the destination of the sale. Assets are attributed to geographic segments based on the location of individual assets. The programme rights and goodwill are located in the Benelux segment.

The significant customer which has had revenues greater than 10% of the revenues for at least one of the periods presented is as follows:

	Revenue 2004 \$'000	% 2004	Revenue 2003 \$'000	% 2003
Customer A	33,049	20.0	25,180	17.1

19. SHARE CAPITAL

The authorised share capital of Jetix Europe consists of 349,999,900 ordinary shares with a nominal value of €0.25 per share, and 100 priority shares, each with a nominal value of €0.25 per share. The issued shares are as follows:

	Priority shares Number	Ordinary shares Number	Total number	Priority ⁽¹⁾ shares Nominal value \$'000	Ordinary ⁽²⁾ shares Nominal value \$'000	Total Nominal value \$'000
Issued at September 30, 2003	100	82,519,307	82,519,407	0	21,426	21,426
Shares issued during the year	–	677,605	677,605	–	203	203
Issued at September 30, 2004	100	83,196,912	83,197,012	0	21,629	21,629

⁽¹⁾ The nominal value of priority shares at September 30, 2004 is \$26 (September 30, 2003 – \$26).

⁽²⁾ The shares issued during the year are translated using the rate at the date of issuance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. SHARE CAPITAL (continued)

The priority shares are held by Buena Vista Entertainment Inc., (BVEI, formerly Saban Entertainment Inc.) a subsidiary of ABCW. The priority shares can only be transferred with the approval of the Board of Management and the Supervisory Board. The holder or holders of the priority shares have the right, inter alia, to: nominate members for the appointment of the Board of Management and the Supervisory Board; receive a non-cumulative preferential dividend of 5% of the nominal value of each share per annum; propose amendments to the Articles of Association; propose the dissolution, legal merger or split-up of Fox Kids Europe; and receive a preferential liquidation distribution.

The members of the board of directors of BVEI are Griffith Foxley, Marsha Reed and Joseph Santaniello. BVEI is a wholly owned subsidiary of ABCW. The members of the board of directors of ABCW are Marsha Reed and David Thompson. The directors of BVEI and ABCW are responsible for the management of their respective companies. None of the priority shares are held by a member of the Board of Management of Jetix Europe.

20. EARNINGS PER SHARE

The earnings per share is computed using the net income for each period divided by the weighted average number of shares in issue in each period.

The following table sets forth the computation of basic and diluted earnings per share.

	2004	2003
Numerator (\$'000)		
Net income	5,828	3,828
Denominator ('000)		
Basic – weighted average ordinary shares outstanding	82,618	82,519
Dilutive effect of employee stock options	1,538	95
	84,156	82,614
Basic earnings per share (cents)	7.1	4.6
Diluted earnings per share (cents)	6.9	4.6

For the year ended September 30, 2004, options to acquire shares totalling 739,236 (September 30, 2003 – 2,545,104) were excluded from diluted earnings per share, as their impact was anti-dilutive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. STOCK OPTION PLAN

Under the Jetix Discretionary Stock Option Scheme, Jetix Europe may grant options to acquire shares to employees at exercise prices equal to or exceeding the market price at the date of grant. Options vest equally over a four-year period from the date of grant and expire ten years after the date of grant. Shares available for future option grants at September 30, 2004 totalled 4,856,281 (2003 – 4,324,624).

The following table summarises information about stock option transactions:

	2004 Weighted average exercise price (Euro)	2004 Number of options	2003 Weighted average exercise price (Euro)	2003 Number of options
Outstanding at beginning of year	6.92	3,927,307	13.48	2,840,024
Awards granted	–	–	5.06	3,055,078
Awards forfeited	6.88	(531,657)	13.52	(1,967,795)
Awards exercised	5.28	(677,605)	–	–
Outstanding at September 30	7.33	2,718,045	6.92	3,927,307
Exercisable at September 30	13.61	715,036	13.62	599,454

The following table summarises information about stock options outstanding at September 30, 2004:

Exercise prices – Euro	Number of options	Outstanding weighted average remaining years of contractual life	Weighted average exercise price (Euro)	Exercisable	
				Number of options	Weighted average exercise price (Euro)
3.4 – 5.4	1,978,809	8.82	5.01	–	–
9.1 – 13.5	708,904	5.39	13.36	684,704	13.41
16.5 – 20.2	30,332	5.56	18.18	30,332	18.18

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