
Financial statements

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Consolidated income statements

	Notes	Year ended September 30, 2007 €'000	Year ended September 30, 2006 €'000
Revenue	6	166,444	162,838
Cost of sales	7	(43,441)	(42,268)
Gross profit		123,003	120,570
Marketing, selling and distribution costs	24	(50,025)	(54,121)
General and administrative costs	24	(48,526)	(48,098)
Operating profit		24,452	18,351
Finance income	8	11,752	7,093
Finance expense	8	(5,898)	(3,485)
Gain on foreign exchange	8	10,770	5,874
Share of net profits from joint ventures	14	2,755	2,367
Profit before tax expense		43,831	30,200
Tax expense	10	(5,987)	(6,618)
Net profit		37,844	23,582
Attributable to minority interest		(537)	(192)
Net profit attributable to shareholders		37,307	23,390
Earnings per share for profit attributable to the equity shareholders of the Group during the year expressed in Euro cents per share			
Basic	11	43.9	27.7
Diluted	11	43.9	27.6

The notes on pages 43 to 73 are an integral part of these consolidated financial statements.

Consolidated balance sheets

	Notes	September 30, 2007 €'000	September 30, 2006 €'000
Assets			
Non-current assets			
Intangible assets			
– Programme rights	12	81,647	105,029
– Goodwill	12	9,834	9,834
– Other	12	1,896	3,105
Total intangible assets		93,377	117,968
Property and equipment, net	13	1,022	1,309
Investment in joint ventures	14	649	366
Deferred tax assets	15	7,589	8,515
Total non-current assets		102,637	128,158
Current assets			
Trade and other receivables, net	16	47,053	49,805
Related party receivables	28	11,278	10,313
Cash and cash equivalents	17	99,488	127,126
Total current assets		157,819	187,244
Total assets		260,456	315,402

The notes on pages 43 to 73 are an integral part of these consolidated financial statements.

Consolidated balance sheets continued

	Notes	September 30, 2007 €'000	September 30, 2006 €'000
Equity			
Capital and reserves attributable to the Company's shareholders' equity			
Share capital	18	21,303	21,199
Share premium	18	408,948	456,799
Other reserves	19	(27,906)	(8,508)
Retained losses		(196,951)	(234,258)
Total shareholders' equity		205,394	235,232
Minority interest		1,542	1,627
Total equity		206,936	236,859
Liabilities			
Current liabilities			
Trade and other payables	21	44,913	54,769
Current income tax liabilities		3,159	4,928
Related party payables	28	3,227	13,518
Other liabilities	20	–	985
Provisions for other liabilities	22	2,221	4,343
Total current liabilities		53,520	78,543
Total equity and liabilities		260,456	315,402

The notes on pages 43 to 73 are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity

	Notes	Attributable to equity holders of the Company							Total equity €'000
		Share capital €'000	Share premium €'000	Currency translation adjustment €'000	Other reserves €'000	Share option reserve €'000	Retained earnings/ (losses) €'000	Minority interest €'000	
Balance at October 1, 2005	19	20,992	449,197	1,979	–	2,208	(257,648)	1,428	218,156
Currency translation differences		–	–	(13,362)	–	–	–	7	(13,355)
Net income recognised directly in equity		–	–	(13,362)	–	–	–	7	(13,355)
Net profit for the year		–	–	–	–	–	23,390	192	23,582
Total recognised income for 2006		–	–	(13,362)	–	–	23,390	199	10,227
Employee share option scheme									
– fair value of employee services	23	–	–	–	–	667	–	–	667
– proceeds from shares issued	18	207	7,602	–	–	–	–	–	7,809
Total employee share option scheme		207	7,602	–	–	667	–	–	8,476
Balance at September 30, 2006		21,199	456,799	(11,383)	–	2,875	(234,258)	1,627	236,859
Currency translation differences		–	–	(19,786)	–	–	–	(26)	(19,812)
Net income recognised directly in equity		–	–	(19,786)	–	–	–	(26)	(19,812)
Net profit for the year		–	–	–	–	–	37,307	537	37,844
Total recognised income for 2007		–	–	(19,786)	–	–	37,307	511	18,032
Distribution of share premium	18	–	(49,930)	–	–	–	–	–	(49,930)
Employee share option scheme									
– fair value of employee services	23	–	–	–	429	210	–	–	639
– proceeds from shares issued	18	104	2,079	–	–	–	–	–	2,183
– change in settlement from equity to cash for restricted shares		–	–	–	–	(251)	–	–	(251)
Total employee share option scheme		104	2,079	–	429	(41)	–	–	2,571
Redemption of shares		–	–	–	–	–	–	(596)	(596)
Balance at September 30, 2007		21,303	408,948	(31,169)	429	2,834	(196,951)	1,542	206,936

The notes on pages 43 to 73 are an integral part of these consolidated financial statements.

Consolidated cash flow statements

	Notes	Year ended September 30, 2007 €'000	Year ended September 30, 2006 €'000
Cash flows from operating activities			
Net profit		37,844	23,582
– Depreciation	13	659	1,016
– Amortisation	12	44,281	42,701
– Impairment charge	12	–	342
– Loss on disposal of assets		75	–
– Share-based compensation charge	23	1,177	667
– Equity income of joint ventures		(834)	(442)
– Interest income	8	(11,752)	(7,093)
– Interest expense	8	5,898	3,485
– Increase in provision for bad and doubtful debts		1,009	441
– Increase in other intangible assets	12	–	(2,673)
– Decrease in other liabilities		(1,394)	(3,254)
– Deferred and current taxation	10	5,987	6,618
– Decrease in amounts due from related parties		985	874
– (Decrease)/increase in provision for other liabilities	22	(1,381)	584
Operating cash flows before changes in working capital		82,554	66,848
Change in working capital	27	(32,428)	(14,900)
Cash generated from operations		50,126	51,948
– Purchase of programme rights		(22,804)	(35,903)
– Dividends received from joint ventures	14	510	1,045
– Interest received		11,250	7,093
– Interest paid		(5,898)	(3,485)
– Income tax paid		(6,830)	(3,818)
Net cash generated from operating activities		26,354	16,880
Cash flows from investing activities			
Purchases of property and equipment	13	(301)	(876)
Purchases of software	12	(40)	(109)
Net cash from investing activities		(341)	(985)
Cash flows from financing activities			
Proceeds from exercise of employee share options	18	2,183	7,809
Redemption of shares to minority interests		(596)	–
Distribution of share premium	18	(49,930)	–
Net cash from financing activities		(48,343)	7,809
(Decrease)/increase in cash and cash equivalents		(22,330)	23,704
Cash and cash equivalents at the beginning of the year	17	127,126	103,170
Effects of exchange rate changes on cash and cash equivalents		(5,308)	252
Cash and cash equivalents at the end of the year	17	99,488	127,126

The notes on pages 43 to 73 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 General information

Description of business

Jetix Europe N.V. together with its subsidiaries, "the Group" or "Jetix" is a pan-European integrated kids entertainment company with localised television channels and online, programme distribution and consumer products (licensing, merchandising and home entertainment) businesses.

Channel operations began in October 1996 with the launch of the first Jetix channel in the United Kingdom. In the last ten years, the Group has established operations in most European countries and together with its joint ventures is currently broadcasting 15 children's television channel feeds in 19 different languages to 58 countries via cable, DTH satellite and other 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 Eastern Europe. The Company also operates 18 fully localised websites.

The Group's programme distribution business sells broadcast rights from its programme library to free-to-air television broadcasters, third party cable and satellite channels and Jetix alliance partners. Jetix currently supplies programming to over 110 broadcasters across the globe. The Jetix programme library comprises the following rights:

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

The Jetix programme library is one of the largest libraries of children's programming in the world. The programme distribution business is currently serviced by Disney-ABC International Television (DAIT), formerly known as Buena Vista International Television (BVITV).

The Group's consumer products activities include merchandising and home entertainment (video and DVD) with local operations covering the UK, Spain, France, Germany, Israel, the Netherlands and Italy. In addition Jetix covers more than 50 other countries through relationships with local agents.

Organisation

Jetix Europe N.V. (Jetix Europe) was incorporated in the Netherlands in November 1999. The entity's registered address is, Bergweg 50, 1217 SC, Hilversum, the Netherlands.

The Group was listed on the Euronext Amsterdam in November 1999. In October 2001, The Walt Disney Company (Disney), the ultimate parent company, concluded the acquisition of the Group's majority shareholder, Fox Family Worldwide Inc. (FFWW) and thereby assumed 75.7% ownership of Jetix Europe. As of that date, FFWW changed its name to ABCW. ABCW indirectly holds 73.3% of the shares in Jetix Europe N.V. at September 30, 2007 (73.7% at September 30, 2006).

These consolidated financial statements were approved for issuance by the Supervisory Board on December 6, 2007.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC). During the year, new IFRS, amendments to existing IFRS and new interpretations were issued by the IASB. The impact and, if applicable, the adoption of these policies is described in "New accounting standards and interpretations".

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies presented in Note 3.

New accounting standards and interpretations

IFRIC 4 "Determining whether an arrangement contains a lease" – In December 2004, the IFRIC issued IFRIC 4, which is effective for annual accounting periods beginning on or after January 1, 2006. The interpretation requires arrangements which may have the nature, but not the legal form, of a lease to be accounted for in accordance with IAS 17 – "Leases". This interpretation did not have an effect on the Group's net results or net assets.

Notes to the consolidated financial statements continued

IFRIC 8 "Scope of IFRS 2" – In January 2006, the IFRIC issued IFRIC 8, which is effective for annual accounting periods beginning on or after May 1, 2006. IFRS 2 applies to the provision of goods or services (as well as shares) as consideration for equity instruments in the issuing entity. These goods or services should be measured in accordance with IFRS 2 – "Share-based payment" at the grant date unless cash settled in which case the liability should be re-measured at the reporting date. If it is not possible to specifically identify goods received, fair value of equity instruments granted should be used. The issue addressed in the interpretation is whether IFRS 2 applies to transactions in which the entity cannot identify specifically some or all of the goods or services received. The Group does not enter into any such transactions and therefore there was no effect on its net results or net assets due to the adoption of IFRIC 8.

IFRIC 9 "Reassessment of embedded derivatives" – In March 2006, the IFRIC issued IFRIC 9, which is effective for periods beginning on or after June 1, 2006. IAS 39 – "Financial instruments: recognition and measurement" requires an entity to assess whether any embedded derivatives contained in a contract need to be separated and fair valued. IFRIC 9 requires this assessment to be carried out when the entity first enters into the contract and when there is a change in terms in the contract that significantly modifies the cash flows. The Group currently only reviews contracts for embedded derivatives at inception. If the terms of the contract change significantly it is Group policy that if an amendment to the contract is signed, this will then be reviewed to assess whether it contains an embedded derivative. There was no effect on the Group's net results or net assets due to the adoption of IFRIC 9.

IFRIC 10 "Interim financial reporting and impairment" – In July 2006, the IFRIC issued IFRIC 10 which is effective for annual accounting periods beginning on or after November 1, 2006. Jetix Europe has elected to early adopt this interpretation, effective October 1, 2006. The interpretation addresses the interaction between the requirements of IAS 34 – "Interim reporting" and the recognition of impairment losses on goodwill in IAS 36 – "Impairment of assets" and certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements. No impairment was recognised in the interim period and therefore there was no effect on the Group's net results or net assets.

IFRIC 11 "IFRS 2 – Group and treasury share transactions" – In November 2006, the IFRIC issued IFRIC 11, which is effective for annual accounting periods beginning on or after March 1, 2007. Jetix Europe has elected to early adopt this interpretation, effective October 1, 2006, in relation to The Walt Disney Company issuing Disney Share Options to various Jetix employees in January 2007. The interpretation clarifies the accounting for share-based payment arrangements by a subsidiary that has an obligation to provide its employees with parent equity instruments for services it receives from its employees. As the share-based arrangement is accounted for as equity-settled in the consolidated financial statements of the parent, the Group is required to measure the service received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase recognised in equity as a contribution from the parent. The impact of adopting IFRIC 11 was an additional charge of €0.4 million in the income statement for the year ended September 30, 2007. There was no impact to previously reported periods.

IFRIC 12 "Service concession arrangements" – In November 2006, the IFRIC issued IFRIC 12, which is effective for annual accounting periods beginning on or after January 1, 2008. The interpretation addresses the general principles on recognising and measuring the obligations and related rights in contracts entered by private companies, working with the government, for providing services related to the infrastructure used to provide public services. The Group does not enter into such contracts or arrangements and therefore this interpretation is not applicable to the Group.

IFRIC 13 "Customer Loyalty Programmes" – In June 2007, the IFRIC issued IFRIC 13, which is effective for annual accounting periods beginning on or after July 1, 2008. Jetix Europe has elected to early adopt this interpretation, effective October 1, 2006. The interpretation gives guidance on the accounting by an entity that grants award credits to its customers. The Group operates a reward scheme on its website, Jetix Blox, however this falls outside of the scope of IFRIC 13 since none of rewards are awarded as part of any sales transaction and there are no costs associated with the scheme. Therefore there was no impact on the Group's net revenues or net assets due to the adoption of IFRIC 13.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – In July 2007, the IFRIC issued IFRIC 14, which is effective for annual accounting periods beginning on or after January 1, 2008. The interpretation addresses the issue of whether an asset from a defined benefit pension scheme should be recognised if there is a minimum funding requirement for the scheme and whether that minimum funding requirement can itself give rise to a liability. The Group does not operate a defined benefit pension scheme and therefore this interpretation is not applicable to the Group.

IFRS 7 "Financial Instruments: Disclosures and amendments to IAS 1 – Presentation of financial statements" – In August 2005, the International Accounting Standards Board (IASB) issued IFRS 7 which requires the disclosures of the significance of financial instruments for an entity's position and performance, and qualitative and quantitative information on risks arising from financial instruments. The Standard is effective from periods beginning on or after January 1, 2007. The Group is in the process of performing a review of the impact this will have on the disclosures, however, the effect is expected to be limited.

IFRS 8 "Operating Segments" – In November 2006, the IASB issued IFRS 8, which is effective for annual accounting periods beginning on or after January 1, 2009. The standard will replace IAS 14, "Segment Reporting" and requires entities to report on those components of an entity for which separate financial information is available which management, such as the chief operating decision maker, use internally for evaluating segment performance and deciding how to allocate resources to operating segments. This standard has not been early adopted, however it is not expected to have a significant impact on disclosures presented in the annual accounts.

3 Summary of significant accounting policies

The consolidated financial statements are presented in Euros and include the financial statements of Jetix Europe N.V., its subsidiaries and the Group's share of the post-acquisition results of joint ventures.

A Nature of the consolidated financial statements

(1) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies (the Company and its subsidiaries) are eliminated as part of the consolidation process. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(2) *Joint ventures*

Joint ventures are all entities over which the Group has joint control with one or more other entities outside the Group. Investments in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. Under this method of accounting the carrying value of the investment is increased or decreased by the Group's share of income or losses and decreased by any dividends. Unrecognised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

B Revenue recognition

(1) *Channels and online*

Subscriber fees receivable from cable operators and Direct-to-home (DTH) broadcasters are generally recognised as revenue over the period for which the channels are provided and to which the fees relate. Subscriber revenue is recognised as contracted; generally based upon the level of subscribers. Television advertising revenue is recognised as the commercials are aired. In certain countries, the Group 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. The revenue related to the shortfall, calculated based on the additional advertising to be provided, is deferred and released when the additional advertising has been fulfilled. Barter revenues represent the receipt of advertising services in exchange for either advertising time on a Jetix television station or advertising on a Jetix website. The revenues are recognised on delivery of advertising by Jetix. The fair value of the advertising surrendered is determinable based on the Group'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.

(2) *Programme distribution*

Programme distribution revenue is recognised when the relevant agreement has been entered into, the product has been delivered or is available for delivery, collectability is reasonably assured and all of the Group's contractual obligations have been satisfied.

(3) *Consumer products*

Revenues from home entertainment, licensing and merchandising agreements which provide for the receipt by the Group 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 Group 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.

C Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

D Advertising costs

Advertising costs are expensed as incurred.

E 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 adjusting for the dilutive effect of all potentially dilutive ordinary share equivalents that were outstanding during the period.

Notes to the consolidated financial statements continued

F Property and equipment

All property and equipment is stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent asset costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Computer equipment	3 – 5 years
Office furniture and fittings	3 – 10 years

Leasehold improvements are amortised over the shorter of the term of the lease or the estimated life of the improvements.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note H).

Gains and losses on disposals are determined by comparing proceeds with the asset carrying amount, and are included in the income statement.

G Intangible assets

(1) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing (Note H).

(2) *Programme rights*

Programme rights, as defined in Note 1, are stated at cost less accumulated amortisation and impairment. On incorporation of the Company, certain programme rights (IPO Programme Library), were accounted for at the fair value at that time.

The amortisation profile reflects the timing of the revenue stream that each programme library property is expected to generate. The carrying value relating to the IPO Programme Library is amortised on a straight-line basis over four years from October 1, 2005. For the remaining programme library, the amortisation profile is as follows from the date of acquisition:

Year 1 – 40%
Year 2 – 20%
Year 3 – 10%
Year 4 – 10%
Year 5 – 10%
Year 6 – 5%
Year 7 – 5%

If the recoverable amount from a programme is less than its carrying amount, an impairment loss is taken to reduce the carrying amount of the programme to its recoverable amount (Note H).

Acquired programme rights are licenced from third parties for broadcasting on the Group's channels, usually for periods of two to five years. These programme rights are amortised in accordance with their expected usage over that defined period. Acquired programme rights and related liabilities are recorded when the licence period begins and the programme is available for use.

(3) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives (three years).

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an allocated overhead amount.

(4) *Other intangible assets*

Other intangible assets represent customer acquisition costs that arise when broadcasting contracts are renewed. These assets are amortised over the life of the new contract.

(5) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset including goodwill is assessed and written down immediately to its recoverable amount (Note H).

H Measurement of impairment of assets

Assets which have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units.

I Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

J Taxation

The tax expense for the year comprises current and deferred tax. The current tax expense is recognised in the income statement based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences or available tax losses carried forward can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Foreign taxes represent non-recoverable withholding and capital taxes (Note 10).

K Employee benefits**(1) Pension obligations**

Group companies have various schemes in accordance with the local conditions and practices in the countries in which they operate. The Group has defined contribution plans under which it pays fixed contributions into publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in current and prior periods.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(2) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, which includes both share options and restricted shares. The fair value of the awards are measured at the date of the grant and expensed on a straight-line basis over the vesting period, net of the fair value of those awards not expected to become exercisable.

At each balance sheet date, the Group revises its estimate of the number of share options that are not expected to become exercisable. It recognises the impact of the revision of the original estimate, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Under the plan the restricted shares shall be paid in cash or in shares (or some combination of both) as determined by the Company in its discretion at the time of payment. Although the Group has no legal or constructive obligation to settle the restricted shares in cash, the Management Board has agreed during the period that all restricted shares will be settled in cash. The fair value of the employee services received in exchange for the grant of the restricted shares is recognised as an expense. At each balance sheet date, and ultimately at the settlement date, the fair value of the liability is remeasured with any changes in fair value recognised in the profit or loss for the period. The total net cost recognised in respect of the transaction will be the amount paid to settle the liability.

For any share-based compensation settled by the issuance of equity instruments of the parent company, the Group records an expense and a corresponding increase in equity as a contribution from the parent.

(3) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Notes to the consolidated financial statements continued

L Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

M Financial instruments

(1) *Receivables*

Trade receivables are recognised initially at fair value less any provision for recoverability. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at an appropriate effective interest rate. The amount of the provision is recognised in the income statement.

(2) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand net of bank overdrafts, where there is a right of offset, together with commercial paper notes which have a maturity of 90 days or less at the date of acquisition.

(3) *Accounts payable*

Accounts payable are recognised at fair value based on the amounts exchanged.

N Foreign currency translation

(1) *Presentation currency*

Effective fiscal year 2006, management has determined the Euro to be the most significant currency in which revenue and costs originate, therefore, the consolidated financial statements are presented in Euros, which is the Group's presentation currency.

(2) *Functional currency*

Items included in the financial statements of the Group and each of the Group's subsidiaries and joint ventures are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

(3) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, other than the functional currency, are recognised in the income statement.

(4) *Consolidation*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- (iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity, subsequent to the transition to IFRS on October 1, 2005, are measured at the functional currency of the acquired entity and are translated at the closing rate as of balance sheet date.

O Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

P Use of estimates

The preparation of financial information in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The key accounting estimates and judgements are explained in Note 5. There are certain areas of complexity which require a higher degree of judgement. These areas include amortisation and impairment of intangible assets, revenue recognition, accounting for employee share-based compensation plans, provisions and accruals, allowances for doubtful accounts, the functional currency and deferred taxation.

Q Comparative figures

Certain comparatives have been reclassified to conform to the financial statement presentation adopted in the current year.

4 Financial risk management

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Market risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, transactions with foreign group members where the functional currency is not in Euros and net investments in foreign operations.

As a result of the Group's exposure to foreign exchange risk, there has been a gain in the year of €10.8 million. Management is currently reviewing its policies to mitigate future risks.

(b) *Credit risk*

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group maintains investments with terms of 90 days or less to ensure sufficient funds are available for operations.

(d) *Cash flow and fair value interest rate risk*

The Group's interest rate risk arises from cash and cash equivalents. Cash invested at variable rates expose the Group to cash flow interest rate risk. Cash invested at fixed rates expose the Group to fair value interest rate risk. At September 30, 2007, 82% of cash was invested in fixed term bank deposits.

Notes to the consolidated financial statements continued

5 Key accounting estimates and judgements

In order to prepare the consolidated financial statements in conformity with IFRS, management of the Group has to make estimates and judgements. The matters described below are considered to be the most important in understanding the judgements that are involved in preparing the statements and the uncertainties that could impact the amounts reported on the results of the operations, financial condition and cashflows. Group accounting policies are described in Note 3.

A Provisions and accruals

Provisions and accruals are recognised in the period it becomes probable that there will be a future outflow of funds resulting from past operations or events which can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances which can be subject to change.

Estimates of the amounts of provisions and accruals recognised can differ from actuals. The carrying amounts of provisions and accruals are regularly reviewed and adjusted to take account of such changes.

A change in estimate of a recognised provision or accrual would result in a charge or credit to income in the period in which the change occurs.

B Revenue recognition

The Group recognises subscription revenue based on the numbers of subscribers to the channel operators. The number of subscribers is variable based on cancellations and new customers to the channel operators over the course of a fiscal year. Subscriber information is obtained from the channel operators approximately one month in arrears. As a result the Group estimates subscription revenues based on the prior month's subscription figures supplied by the channel operators.

C Amortisation of programme library

The amortisation profile of the programme library reflects the timing of the revenue stream that each programme library property is expected to generate. The Group has estimated the timing of the recognition of revenue, see Note 3 (G(2)), as the basis for which amortisation is recognised for the post-IPO library. Based on the profile, 60% of the value of the programme titles is amortised during the first two years, which reflects the period in which the programme titles are expected to generate the majority of their revenues. The carrying value relating to the IPO Programme Library is amortised on a straight-line basis over four years from October 1, 2005.

D Estimated impairment of goodwill and programme library

The Group considers annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in Note 3 (H). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. This calculation requires the use of estimates (Note 12).

The Group considers annually and in instances where there has been a triggering event whether the programme library has suffered any impairment in accordance with the accounting policy set out in Note 3 (H). Therefore, impairment reviews are performed by management when there is an indication of a reduction in expected future usage of a programme title. Management assesses whether prior period impairments should be reversed when there is any indication to suggest a reversal in the current period. The calculation requires the use of judgement and estimates.

E Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

F Share-based compensation

Share-based compensation expense is estimated on the grant date using a Black-Scholes option-pricing model. Future expense amounts for any particular quarterly or annual period could be affected by changes in management's assumptions or changes in market conditions.

G Functional currency

Each of the Group's subsidiaries and joint ventures has transactions in a number of different currencies. Management makes an assessment of the currency of the primary economic environment in which the entity operates to determine the functional currency of the entity.

6 Segment information

For the year ended September 30, 2007, the Group was organised into three main operating segments, based on its products and services:

- *Channels and online* – operation and broadcast of television channels and the provision of children's entertainment via the Internet and other interactive media.
- *Programme distribution* – sale of programming to third parties.
- *Consumer products* – licensing and merchandising operations including home entertainment.

Primary reporting format – business segments

	Year ended September 30, 2007			
	Channels and online €'000	Programme distribution €'000	Consumer products €'000	Total €'000
Sales to external customers	122,897	21,068	22,479	166,444
Total segment sales	122,897	21,068	22,479	166,444
Segment result	19,664	5,760	6,911	32,335
Unallocated costs				(7,883)
Operating profit				24,452
Finance income, expense and gain on foreign exchange				16,624
Share of net profits from joint ventures	2,755	–	–	2,755
Profit before tax expense				43,831
Tax expense				(5,987)
Net profit				37,844
Segment assets	189,190	32,671	30,357	252,218
Deferred tax assets				7,589
Equity investments in joint ventures	649	–	–	649
Total assets				260,456
Segment liabilities	22,480	28,385	600	51,465
Unallocated liabilities				2,055
Total liabilities				53,520

Other segment items included in the income statement are as follows:

	Notes	Channels and online €'000	Programme distribution €'000	Consumer products €'000	Corporate €'000	Total €'000
Depreciation	13	657	–	2	–	659
Amortisation	12	30,853	7,255	5,859	314	44,281

Capital expenditure comprises additions to property and equipment and intangible assets, excluding programme rights.

	Notes	Channels and online €'000	Programme distribution €'000	Consumer products €'000	Corporate €'000	Total €'000
Programme rights expenditure	12	18,602	3,189	3,402	–	25,193
Capital expenditure ⁽¹⁾	12, 13	341	–	–	–	341

(1) Consists of property and equipment additions of €301,000 and Software additions of €40,000.

Notes to the consolidated financial statements continued

Primary reporting format – business segments (continued)

	Year ended September 30, 2006			
	Channels and online €'000	Programme distribution €'000	Consumer products €'000	Total €'000
Sales to external customers	120,286	18,958	23,594	162,838
Total segment sales	120,286	18,958	23,594	162,838
Segment result	17,885	4,108	6,331	28,324
Unallocated costs				(9,973)
Operating profit				18,351
Finance income, expense and gain on foreign exchange				9,482
Share of net profits from joint ventures	2,367	–	–	2,367
Profit before tax expense				30,200
Tax expense				(6,618)
Net profit				23,582
Segment assets	195,921	84,917	25,683	306,521
Deferred tax assets				8,515
Equity investments in joint ventures	366	–	–	366
Total assets				315,402
Segment liabilities	34,204	42,061	680	76,945
Unallocated liabilities				1,598
Total liabilities				78,543

Other segment items included in the income statement are as follows:

	Notes	Channels and online €'000	Programme distribution €'000	Consumer products €'000	Corporate €'000	Total €'000
Depreciation	13	1,005	–	39	(28)	1,016
Amortisation	12	29,302	7,087	5,804	508	42,701
Impairment charge	12	–	342	–	–	342

Capital expenditure comprises additions to property and equipment and intangible assets, excluding programme rights.

	Notes	Channels and online €'000	Programme distribution €'000	Consumer products €'000	Corporate €'000	Total €'000
Programme rights expenditure	12	27,400	4,319	5,376	–	37,095
Capital expenditure ⁽¹⁾	12, 13	3,658	–	–	–	3,658

(1) Consists of property and equipment additions of €876,000; Software additions of €109,000 and other intangible asset additions of €2,673,000.

The accounting policies of the segments are the same as those described in Note 3. Only one customer represents more than 10% of the Group's revenues.

	Revenue 2007 €'000	2007 %	Revenue 2006 €'000	2006 %
Customer A	19,958	12%	20,164	12%

There are no inter-segment transfers or transactions entered within the Group. Unallocated costs represent corporate expenses.

Secondary reporting format – geographical segments

	Sales		Total assets ⁽¹⁾		Capital expenditure ⁽²⁾	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000	2007 €'000	2006 €'000
United Kingdom and Ireland	43,952	41,256	32,089	38,151	6,652	11,377
Italy	25,381	24,271	58,731	65,642	4,036	5,613
France	18,561	19,753	32,819	36,425	2,809	4,617
Central and Eastern Europe	18,359	15,574	14,723	17,824	2,779	3,536
Benelux	18,187	18,642	31,265	82,762	2,900	5,480
Germany	10,931	13,951	12,722	18,893	1,655	3,241
Middle East	8,739	7,130	12,743	12,085	1,323	1,717
Poland	8,565	5,948	36,251	9,122	1,296	1,360
Nordic Region	5,414	5,843	3,953	6,196	819	1,295
Spain and Portugal	4,749	6,519	14,344	15,510	719	1,617
USA	1,171	1,994	837	1,974	177	454
Other	2,435	1,957	1,741	1,937	369	446
	166,444	162,838	252,218	306,521	25,534	40,753

(1) Total assets represent total allocated assets.

(2) Capital expenditure comprises additions to property and equipment and intangible assets. Programme rights are allocated to a geographic segment based on the revenue of the segment.

The Group recorded revenues and costs of €2.4 million and €2.1 million in relation to non-cash barter transactions during the years ended September 30, 2007 and 2006, respectively.

7 Depreciation and amortisation

Depreciation and amortisation charges are included within the following expenses in the statement of income

	2007 €'000	2006 €'000
Cost of sales		
– Amortisation and impairment of programme rights	43,441	42,268
General and administrative costs		
– Depreciation of property and equipment	659	1,016
– Amortisation of software	50	228
– Amortisation of other intangible assets	790	547
	44,940	44,059

Notes to the consolidated financial statements continued

8 Finance income, expense and gain on foreign exchange

	2007 €'000	2006 €'000
Interest income – on bank deposits	11,752	7,093
Net foreign exchange transaction gains ⁽¹⁾	10,770	5,874
	22,522	12,967
Interest expense and bank charges	(5,898)	(3,485)
Net finance income	16,624	9,482

(1) Foreign exchange transaction gains do not represent foreign exchange on operational transactions and therefore have not been included in operating profit. The gain on foreign exchange recognised during the year primarily relates to gains on inter-company transactions which reflect the exchange risk of doing business with foreign Group members where the functional currency is not in Euros. A significant portion of the gain arises on balances between Group members denominated in dollars. The Euro to US dollar exchange rate has increased from 1.270 at September 30, 2006 to 1.415 at September 30, 2007.

9 Employment benefit expenses

	2007 €'000	2006 €'000
Wages and salaries, including termination benefits €0.6 million (2006: €0.7 million)	27,268	24,745
Group Pension costs	971	759
Other social security costs	3,445	3,309
	31,684	28,813

The Group operates pension arrangements in the territories in which it has employees. The most significant of these are as follows:

Jetix Europe Limited, a Group company, 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. The pension costs are determined based on the premiums payable in respect of the financial period.

Jetix Europe Limited contributes a percentage of eligible employees' annual compensation, provided that the employee contributes a minimum percentage. The costs associated with matching contributions for employee voluntary contributions to the Plan were approximately €0.5 million and €0.4 million for the years ended September 30, 2007 and 2006, respectively.

Jetix Europe Channels B.V., a Group company, operates a multi-employer defined contribution pension plan for employees in the Netherlands. The costs associated with this plan are not material to the Group.

The average number of employees in 2007 was 365 (2006: 364).

10 Tax expense

	2007 €'000	2007 €'000	2006 €'000	2006 €'000
Income tax – current year	5,957		5,946	
Income tax – prior year	(895)		(174)	
Total income tax		5,062		5,772
Deferred tax – current year	957		1,851	
Deferred tax – prior year	(32)		(1,005)	
Total deferred tax (Note 15)		925		846
Tax charge		5,987		6,618

The tax on the Group's profit before tax differs from the amount that would arise using the statutory tax rate of the Group as follows:

	2007 €'000	2006 €'000
Profit before tax	43,831	30,200
Income before tax multiplied by Dutch statutory rate of corporation tax (25.5%) (2006: 29.6%)	11,177	8,939
Effect of		
Income not taxable/expenses not deductible	(4,734)	(174)
Tax on share of profits from joint ventures	(702)	(166)
Movement in unrecognised deferred tax	(1,620)	(742)
Adjustment in respect of foreign tax rates	637	(1,916)
Adjustments to tax charge in respect of previous periods	(927)	(1,179)
Foreign taxes ⁽¹⁾	2,156	1,856
Tax charge	5,987	6,618

(1) Foreign taxes represent non-recoverable withholding and capital taxes.

11 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Net profit attributable to shareholders (€'000)	37,307	23,390
Weighted average number of ordinary shares in issue ('000)	84,899	84,344
Basic earnings per share (cents per share)	43.9	27.7

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares, being share options and non-vested restricted shares outstanding during the year. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and non-vested restricted shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and non-vested restricted shares. The difference is added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

	2007	2006
Net profit attributable to shareholders (€'000)	37,307	23,390
Weighted average number of ordinary shares in issue ('000)	84,899	84,344
Adjustments for:		
– share options ('000)	14	260
– unvested restricted shares ('000)	36	22
Weighted average number of ordinary shares for diluted earnings per share ('000)	84,949	84,626
Diluted earnings per share (cents per share)	43.9	27.6

Notes to the consolidated financial statements continued

12 Intangible assets

	Goodwill €'000	Programme rights €'000	Software €'000	Other ⁽³⁾ €'000	Total €'000
Cost					
At October 1, 2005	9,834	639,150	3,105	944	653,033
Additions	–	37,095	109	2,673	39,877
Exchange differences	–	(29,845)	145	–	(29,700)
At September 30, 2006	9,834	646,400	3,359	3,617	663,210
Additions	–	25,193	40	–	25,233
Disposals	–	(186)	(2,047)	(266)	(2,499)
Exchange differences	–	(63,725)	(90)	(85)	(63,900)
At September 30, 2007	9,834	607,682	1,262	3,266	622,044
Accumulated amortisation and impairment					
At October 1, 2005	–	524,313	2,747	98	527,158
Impairment charge ⁽¹⁾	–	342	–	–	342
Amortisation charge ⁽²⁾	–	41,926	228	547	42,701
Exchange differences	–	(25,210)	153	98	(24,959)
At September 30, 2006	–	541,371	3,128	743	545,242
Impairment charge ⁽¹⁾	–	–	–	–	–
Amortisation charge ⁽²⁾	–	43,441	50	790	44,281
Disposals	–	(186)	(1,978)	(75)	(2,239)
Exchange differences	–	(58,591)	(13)	(13)	(58,617)
At September 30, 2007	–	526,035	1,187	1,445	528,667
Net Book Amount					
At September 30, 2006	9,834	105,029	231	2,874	117,968
At September 30, 2007	9,834	81,647	75	1,821	93,377

(1) Impairment of (2006: €342,000) and (2007: €nil) is included in "cost of sales".

(2) Amortisation of (2006: €41,926,000) and (2007: €43,441,000) is included in "cost of sales" and (2006: €775,000) and (2007: €840,000) in "general and administrative costs".

(3) Comprised of customer acquisition costs.

Goodwill

The goodwill arises from the difference between the carrying value of the investment in Fox Kids Israel Enterprises B.V. (subsequently renamed Jetix Israel Limited) and the fair value of its net assets. These were acquired from M.E.C.H. B.V. on December 19, 2002. Fox Kids Israel Enterprises B.V. was later merged with Jetix Channels B.V. in 2003. Goodwill amounts to €9.8 million as at September 30, 2007 (2006: €9.8 million).

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment. Goodwill has been fully allocated to the channels and online segment in Israel. An annual impairment review was carried out on September 30, 2007. There was no impairment charge for the year (2006: €nil).

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the assumed growth rate stated below. The growth rate does not exceed the long-term average growth rate for the economy in which the CGU operates.

Israel – Channel and Online	
Operating margin	41.1%
Growth rate	2.0%
Discount rate	10.8%

These assumptions have been used for the analysis of the CGU within the business segment. Management determined operating margin based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant segments.

The CGU's recoverable amount exceeds the carrying value of goodwill by €28.1 million (2006: €28.4 million). There will need to be a significant change in the key assumptions for the CGU's recoverable amount to fall below the carrying amount of goodwill.

Software

Software comprises both internally and externally generated software used within the Group, where the future economic benefits from use of the software are expected to be higher than the development costs incurred and capitalised.

Programme rights

The Group has performed a review of the recoverable value of the programme rights, being the higher of fair value less cost to sell or value-in-use. During the year ended September 30, 2007 the Group recorded no impairment charge (2006: €0.3 million), as a result of its review.

At September 30, 2007 the net book value of programme rights included work in progress of €2.4 million (2006: €2.6 million).

Notes to the consolidated financial statements continued

13 Property and equipment

	Leasehold improvements €'000	Property and equipment €'000	Total €'000
Cost			
At October 1, 2005	998	7,899	8,897
Additions	2	874	876
Disposals	(244)	(761)	(1,005)
Exchange differences	–	3	3
At September 30, 2006	756	8,015	8,771
Additions	–	301	301
Disposals	(584)	(3,811)	(4,395)
Exchange differences	–	(95)	(95)
At September 30, 2007	172	4,410	4,582
Accumulated depreciation			
At October 1, 2005	975	6,475	7,450
Depreciation charge	2	1,014	1,016
Disposals	(244)	(761)	(1,005)
Exchange differences	–	1	1
At September 30, 2006	733	6,729	7,462
Depreciation charge	7	652	659
Disposals	(584)	(3,811)	(4,395)
Exchange differences	–	(166)	(166)
At September 30, 2007	156	3,404	3,560
Net book amount			
At September 30, 2006	23	1,286	1,309
At September 30, 2007	16	1,006	1,022

14 Investment in joint ventures

The Group has a 50% investment in two joint ventures, Jetix España S.L. and TV10 B.V. Jetix España S.L. is jointly owned by the Group and Sogecable S.A. and it operates the Jetix channel in Spain. TV10 B.V., which services the Dutch channel, is jointly owned by the Group and SBS Broadcasting B.V. The following amounts represent the Group's 50% share of the assets and liabilities and sales and results of the joint ventures which are included in the consolidated balance sheet and income statement:

	2007		2006	
	Jetix España S.L. €'000	TV10 B.V. €'000	Jetix España S.L. €'000	TV10 B.V. €'000
Property and equipment	12	–	12	–
Current assets	2,582	913	2,580	898
	2,594	913	2,592	898
Current liabilities	(2,270)	(588)	(2,451)	(673)
Net assets	324	325	141	225
Sales	5,147	762	4,509	834
Profit before tax expense	3,050	100	2,486	83
Tax expense	(395)	–	(202)	–
Profit after tax expense	2,655	100	2,284	83

The Group received dividends of €0.5 million in 2007 (2006: €1.0 million) from these joint ventures. All intercompany transactions between the Group and Jetix España have been eliminated to the extent of Jetix ownership.

There are no contingent liabilities or capital commitments relating to the Group's investment in the joint ventures.

The average number of employees in Jetix España SL and TV10 B.V. in 2007 were 25 and nil, respectively (2006: 20 and nil, respectively).

15 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax and when the deferred income taxes relate to the same fiscal authority and entity. The amounts following offsets are as follows:

	2007 €'000	2006 €'000
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	594	844
– Deferred tax asset to be recovered after more than 12 months	6,995	7,671
	7,589	8,515

The movement on the deferred income tax account is as follows:

	2007 €'000	2006 €'000
Beginning of the year	8,515	9,727
Exchange differences	(1)	(366)
Income statement charge (Note 10)	(925)	(846)
End of the year	7,589	8,515

Notes to the consolidated financial statements continued

The movement in deferred tax assets during the year is as follows:

Deferred tax assets:

	Accelerated accounting depreciation €'000	Tax losses €'000	Other €'000	Total €'000
At October 1, 2005	1,794	7,685	248	9,727
Credited/(charged) to the income statement	648	(1,457)	(37)	(846)
Exchange differences	9	(374)	(1)	(366)
At September 30, 2006	2,451	5,854	210	8,515
Credited/(charged) to the income statement	295	(1,010)	(210)	(925)
Exchange differences	–	(1)	–	(1)
At September 30, 2007	2,746	4,843	–	7,589

Management has determined that as at September 30, 2007 approximately €50.3 million (2006: €51.7 million) of total deferred tax assets of €57.9 million (2006: €60.3 million) do not satisfy recognition criteria. €1.7 million (gross €5.9 million) of the total amount unrecognised relates to reversing temporary differences (2006: €1.8 million: gross €6.0 million) and €48.6 million relates to tax losses carried forward where it is no longer probable that future taxable profits will be available to allow the asset to be recovered (2006: €49.9 million).

The above unrecognised amount relating to tax losses results from approximately €278.7 million (2006: €291.7 million) of tax net operating losses carried forward as at September 30, 2007, of which approximately €111.1 million have no expiry date and approximately €167.6 million expire between 2007 and 2012. Realisation of these net operating losses is dependent on generating sufficient taxable income prior to the expiration of the loss carry forwards, subject to any limitations on their use.

16 Trade, other and related party receivables

	2007 €'000	2006 €'000
Trade receivables and accrued income	47,731	49,056
Less : Provision for impairment of bad and doubtful debts	(3,064)	(2,235)
Current trade receivables – net	44,667	46,821
Prepayments and other assets	2,386	2,984
Trade and other receivables – net	47,053	49,805
Amount due from related parties (Note 28)	11,278	10,313
	58,331	60,118

The carrying value of trade, other and related party receivables approximate fair value.

17 Cash and cash equivalents

	2007 €'000	2006 €'000
Cash at bank and in hand	17,825	16,498
Short-term bank deposits	81,663	110,628
	99,488	127,126

The average interest rate on short-term bank deposits was 3.7% (2006: 3.3%) and these deposits have an average maturity of 28 days.

Cash at bank and in hand are net of overdrafts of €92.3 million (2006: €82.1 million). The Group has the right to offset these overdrafts against accounts in credit.

18 Share capital

	Priority shares Number ⁽¹⁾	Ordinary shares Number	Total Number	Ordinary shares €'000	Share premium €'000	Total €'000
At September 30, 2005	100	83,966,915	83,967,015	20,992	449,197	470,189
Issue of shares – share option scheme	–	826,037	826,037	207	7,602	7,809
At September 30, 2006	100	84,792,952	84,793,052	21,199	456,799	477,998
Issue of shares – share option scheme	–	414,667	414,667	104	2,079	2,183
Distribution of share premium (Note 19)	–	–	–	–	(49,930)	(49,930)
At September 30, 2007	100	85,207,619	85,207,719	21,303	408,948	430,251

(1) Under IFRS, priority shares are required to be presented as a liability on the balance sheet; however, as the amount is insignificant the balance has not been reclassified.

The total authorised number of ordinary shares is 349,999,900 shares (2006: 349,999,900 shares) with a par value of €0.25 per share (2006: €0.25 per share). All issued shares are fully paid.

The priority shares are held by BVS Entertainment, Inc. (BVSEI, formerly Saban Entertainment, Inc.) a wholly owned 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 Jetix Europe; and receive a preferential liquidation distribution.

The members of the board of directors of BVSEI are Griffith Foxley, Marsha Reed and Joseph Santaniello. The members of the board of directors of ABCW are Marsha Reed, David Thompson and Anne Sweeney. The directors of BVSEI 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 the Group.

19 Equity

The following elements of equity are attributable to the equity holders of the parent: share capital, share premium, currency translation adjustment, share option reserve, other reserves and retained (losses)/earnings. Refer to the Consolidated Statements of Changes in Equity. Other reserves on the balance sheet are comprised of currency translation adjustment, share option reserve and other reserves.

Currency translation adjustment: The translation reserve contains exchange rate differences arising from the translation of the net investment in foreign operations.

Share option reserve: The reserve for share options records the amount of share-based compensation expense attributable to the equity holders of Jetix Europe.

Distributable profits from shareholders' equity are net of the following: share premium, share option reserve (related to the portion for options exercised) and retained losses; excluding legal reserves.

During the year, shareholders of Jetix Europe N.V. approved a distribution from share premium in the amount of €50 million.

Other reserves: The other reserves represents a capital contribution by Jetix Europe's parent company, The Walt Disney Company, for Disney stock options issued to Jetix Europe Employees.

Notes to the consolidated financial statements continued

20 Other liabilities

	2007 €'000	2006 €'000
Operating lease incentive	–	985
Less: short-term portions	–	(985)
Non-current portion	–	–

The Group relocated its operations in the UK and France to Disney's premises in these markets during 2004. The Group incurred a charge of €6.3 million resulting from this relocation. The charge recognised included a provision in respect of the anticipated costs of fulfilling the Group's existing lease commitments of €3.5 million (comprised of €2.6 million of lease exit costs and €0.9 million of refitting costs), information technology of €0.9 million, move costs of €0.5 million, impairment of certain fixed assets of €0.7 million and redundancy costs resulting from the contracting out of certain functions (see Note 28) to Disney of €0.7 million.

In order to induce the Group to relocate its operations in the UK and France, Disney provided the Group with a €2.6 million refund on costs incurred as of the year ended September 30, 2004 which, in accordance with IFRS, is treated as an operating lease incentive and deferred and recognised through the income statement over the term of the operating lease to which it relates to. During the year ended September 30, 2005, the provision relating to the lease exit and refit costs was revised, resulting in an additional expense of €1.1 million in the year ended September 30, 2005. Correspondingly, an additional operating lease incentive of €0.6 million was provided by Disney. The amount of the operating lease incentive recognised in the income statement for the year ended September 30, 2007 was €1.0 million (2006: €0.9 million). The outstanding lease incentive as of September 30, 2007 was €nil (2006: €1.0 million).

21 Trade, other and related party payables

	2007 €'000	2006 €'000
Trade payables	4,140	14,678
Participation and royalty costs	10,922	10,505
Accrued programming costs	9,775	7,387
Payroll liabilities	5,510	8,325
Deferred income	3,057	2,446
Other accruals	11,509	11,428
Trade and other payables	44,913	54,769
Amounts due to related parties (Note 28)	3,227	13,518
	48,140	68,287

22 Provision for other liabilities

	Indirect taxes €'000	Lease exit costs €'000	Total €'000
At September 30, 2006	3,935	408	4,343
Additional provisions	452	–	452
Released/utilised during year	(1,833)	(408)	(2,241)
	(1,381)	(408)	(1,789)
Exchange differences	(333)	–	(333)
At September 30, 2007	2,221	–	2,221

All provisions are current provisions.

Indirect taxes

During the year ended September 30, 2005 the Group identified certain documentary issues in relation to indirect taxes and made a provision of €3.9 million to cover probable liabilities. For the year ended September 30, 2007 there was a release of €1.8 million.

Lease exit costs

The Group relocated its operations in the UK and France to Disney's premises in these markets during the year ended September 30, 2004. The Group incurred a charge of €6.3 million resulting from this relocation, which was included in general and administrative costs. The charge recognised includes a provision in respect of the anticipated costs of fulfilling the Group's existing lease commitments. As at September 30, 2007 the provision remaining for lease exit costs is €nil (2006: €0.4 million).

23 Share-based payments

Under the Jetix Discretionary Stock Option Scheme, the Group may grant options to acquire shares to personnel 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. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Movements in the number of Jetix share options outstanding and their related weighted average exercise prices are as follow:

	2007		2006	
	Weighted average exercise price in € per share	Options	Weighted average exercise price in € per share	Options
At October 1	6.73	455,567	8.35	1,426,647
Granted	–	–	–	–
Forfeited	–	–	7.20	(145,043)
Exercised	5.67	(394,912)	9.45	(826,037)
At September 30	13.67	60,655	6.73	455,567

Notes to the consolidated financial statements continued

Jetix share options outstanding at the end of the year have the following terms:

Exercise prices €	Number of options	Weighted average remaining years of contractual life	Outstanding		Exercisable	
			Weighted average exercise price in € per share	Number of options	Weighted average exercise price in € per share	Number of options
3.40 – 5.50	9,607	6.19	5.43	9,607	5.43	9,607
9.10 – 13.60	35,002	7.36	13.59	2	9.10	2
16.50 – 20.20	16,046	2.55	18.78	16,046	18.78	16,046

The weighted average share price of Jetix options exercised during the year was €16.23 (2006: €16.19).

The movement in issued Jetix options during the year to September 30, 2007 classified by exercise price is as follows:

Exercise price €	Outstanding at October 1, 2006	Awards exercised	Outstanding at September 30, 2007
19.80	3,566	–	3,566
19.00	8,194	–	8,194
17.50	4,286	–	4,286
13.59	52,500	(17,500)	35,000
9.10	2	–	2
5.43	312,019	(302,412)	9,607
5.40	50,000	(50,000)	–
3.51	25,000	(25,000)	–
	455,567	(394,912)	60,655

There were no awards forfeited during the year ended September 30, 2007.

Details of the restricted shares activity is as follows:

	2007	2006
	Number of restricted shares	Number of restricted shares
At October 1	35,000	35,000
Granted	99,963	–
Forfeited	(3,149)	–
Exercised	(17,500)	–
At September 30	114,314	35,000

Fiscal year of vesting for restricted shares outstanding at September 30, 2007	Number of restricted shares
2008	–
2009	66,201
2010	–
2011	48,113

The restricted stock, issued during 2005, vests in two equal parts at 24 months and 48 months from the grant date, respectively. There are no performance conditions attached to the issue.

The restricted stock, issued during 2007, vests in two equal parts at 24 months and 48 months from the grant date, respectively. There are no performance conditions attached to the issue.

The liability related to the restricted shares at September 30, 2007 is €0.8 million (2006: €nil).

Under the Disney Stock Incentive Plan, certain employees of the Group may be granted options to acquire shares of stock in Disney, 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 seven to ten years after the date of grant. The options are settled using the equity instruments of Disney. Movements in the number of Disney share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Weighted average exercise price in US \$ per share	Options	Weighted average exercise price in US \$ per share	Options
At October 1	26.66	43,000	27.07	35,000
Granted	34.01	143,960	24.87	8,000
Forfeited	34.27	(4,575)	–	–
Exercised	26.92	(19,680)	–	–
At September 30	32.92	162,705	26.66	43,000

Disney share options outstanding at the end of the year have the following terms:

Exercise prices US \$	Outstanding			Exercisable	
	Number of options	Weighted average remaining years of contractual life	Weighted average exercise price in US \$ per share	Number of options	Weighted average exercise price in US \$ per share
20.00 – 24.99	9,500	5.44	24.83	2,750	24.81
25.00 – 29.99	18,180	7.06	27.11	–	–
30.00 – 39.99	135,025	6.30	34.27	–	–

The weighted average share price of Disney options exercised during the year was US \$26.91.

Notes to the consolidated financial statements continued

Valuation assumptions:

The valuation assumptions used to estimate the Group's share-based compensation expense for the share option plans are summarised below.

In 2007 and 2006 the fair value of the Jetix share option charge was estimated using a Black-Scholes option-pricing model and used the following assumptions:

	2007	2006
Risk free interest rate	3.75%	3.75%
Expected years from grant until exercise	1 – 4	1 – 4
Expected stock volatility	52.44%	52.44%
Dividend yield	0%	0%

Volatility is based on the Jetix Europe N.V. share price over a period of 260 days prior to the grant date.

In 2007 the fair value of the Disney share options granted was estimated using a Black-Scholes valuation model and used the following assumptions:

	2007
Risk free interest rate	4.56%
Expected years from grant until exercise	4.29
Expected stock volatility	26.01%
Dividend yield	0.79%

In 2007 the fair value of the Disney share option charge was estimated using a Black-Scholes valuation model and used the following assumptions:

	2007
Risk free interest rate	4.47%
Expected years from grant until exercise	4.39
Expected stock volatility	27.70%
Dividend yield	0.79%

Volatility is based on the Disney share price over a period of seven years prior to the grant date.

The total share based compensation charge recognised for the year ended September 30, 2007 was €1.2 million (2006: €0.7 million), comprised of share option charge of €0.6 million (2006: €0.4 million) and restricted share charge of €0.6 million (2006: €0.3 million).

The intrinsic value of restricted shares vested at September 30, 2007 is €nil.

24 Expenses by nature

	2007 €'000	2006 €'000
Depreciation, amortisation and impairment charges (Note 7)	44,940	44,059
Selling and distribution cost ⁽¹⁾	21,382	22,301
Employee benefit expense (Note 9)	31,684	28,813
Broadcast operations cost ⁽¹⁾	16,433	16,884
Marketing cost ⁽¹⁾	12,210	14,936
Other costs	15,343	17,494
Total cost of goods sold, marketing costs and administrative costs	141,992	144,487

(1) Selling and distribution costs, broadcast operations cost and marketing cost represent total marketing, selling and distribution costs on the consolidated income statement of €50,025,000 (2006: €54,121,000).

25 Directors' remuneration

In 2007 the total remuneration of the Directors was €3.3 million (2006: €2.9 million).

	2007 €'000	2006 €'000
Directors	3,163	2,772
Supervisory and former supervisory directors	90	79
	3,253	2,851

The amount paid for the Supervisory Board Directors relates to Mr E. De Villiers, €45,000, and Mr W. Dieter-Gramatke, €45,000 (2006: €45,000 and €33,750 respectively). No other members of the Supervisory Board received any remuneration from the Group for both the years ended September 30, 2007 and 2006.

The remuneration of the Directors for the year ended September 30, 2007 is determined by the Supervisory Board and was as follows:

	Short-term employee benefits €	Post- employment benefits €	Share-based compensation charge €	Other ⁽¹⁾ €	Total compensation €
P. Taylor	488,400	29,304	380,223	333,000	1,230,927
O. Fryer	245,244	14,708	61,042	148,000	468,994
O. Spiner	432,196	20,745	81,946	133,000	667,887
D. Stratton ⁽²⁾	310,506	–	247,915	236,800	795,221
	1,476,346	64,757	771,126	850,800	3,163,029

(1) Other benefits include performance related payments. Terms are detailed in the Remuneration Report.

(2) Dene Stratton salary is ultimately borne by ABC Inc. and recharged to Jetix.

The remuneration of the Directors for the year ended September 30, 2006 was determined by the Supervisory Board and was as follows:

	Short-term employee benefits €	Post- employment benefits €	Share-based compensation charge €	Other ⁽³⁾ €	Total compensation €
P. Taylor	461,160	27,670	259,915	307,440	1,056,185
O. Fryer	219,600	13,176	16,153	131,760	380,689
O. Spiner	415,855	19,961	57,374	131,760	624,950
D. Stratton ⁽²⁾	317,066	–	155,290	237,664	710,020
	1,413,681	60,807	488,732	808,624	2,771,844

(1) Other benefits include performance related payments. Terms are detailed in the Remuneration Report.

(2) Dene Stratton salary is ultimately borne by ABC Inc. and recharged to Jetix.

Notes to the consolidated financial statements continued

Shares and share options granted to Directors

The aggregate number of Jetix and Disney share options granted to the Directors of the Group during 2007 was 46,150 (2006: nil). The share options are given on the same terms and conditions as those offered to other employees of the Group (Note 23).

The outstanding number of Jetix and Disney share options granted to the Directors of the Group at the end of the year was 106,650 (2006: 210,019).

The Directors have the following interest in Jetix stock options:

	Number of options outstanding at October 1, 2006	Awards exercised	Number of options outstanding at September 30, 2007	Exercise price (Euro)	Expiry date
O. Spiner	82,519	(82,519)	–	5.43	11/09/13
P. Taylor	50,000	(50,000)	–	5.40	21/03/13
P. Taylor	30,000	(10,000)	20,000	13.59	29/09/15
O. Fryer	25,000	(25,000)	–	3.51	21/02/13
D. Stratton	22,500	(7,500)	15,000	13.59	29/09/15
	210,019	(175,019)	35,000		

There were no awards forfeited during the year ended September 30, 2007.

The aggregate number of Jetix and Disney restricted shares granted to the Directors of the Group during 2007 was 48,717 (2006: nil). The outstanding number of Jetix and Disney restricted shares granted to the Directors of the Group at the end of the year was 70,777 (2006: 35,000).

The Directors have the following interest in Jetix restricted shares:

	Number of restricted shares outstanding at October 1, 2006	Awards granted	Awards exercised	Number of restricted shares outstanding at September 30, 2007
P. Taylor	20,000	30,029	(10,000)	40,029
D. Stratton	15,000	2,910	(7,500)	10,410
O. Spiner	–	5,538	–	5,538
O. Fryer	–	5,538	–	5,538
	35,000	44,015	(17,500)	61,515

There were no awards forfeited during the year ended September 30, 2007.

The Directors have the following interest in Disney stock options:

	Number of options outstanding at October 1, 2006	Awards granted	Awards exercised	Number of options outstanding at September 30, 2007	Exercise price (US \$)	Expiry date
P. Taylor	35,000	–	(17,500)	17,500	27.07	29/11/14
P. Taylor	–	15,500	–	15,500	34.27	10/01/14
D. Stratton ⁽¹⁾	8,000	–	–	8,000	24.87	09/01/14
D. Stratton ⁽¹⁾	–	11,650	–	11,650	34.27	10/01/14
O. Spiner	–	9,500	–	9,500	34.27	10/01/14
O. Fryer	–	9,500	–	9,500	34.27	10/01/14
	43,000	46,150	(17,500)	71,650		

(1) Includes only options issued to Dene Stratton subsequent to commencement of employment at Jetix Europe.

There were no awards forfeited during the year ended September 30, 2007.

The Directors have the following interest in Disney restricted shares:

	Number of restricted shares outstanding at October 1, 2006	Awards granted	Number of restricted shares outstanding at September 30, 2007
D. Stratton ⁽²⁾	4,560	4,182	8,742
P. Taylor	–	338	338
O. Spiner	–	91	91
O. Fryer	–	91	91
	4,560	4,702	9,262

(2) Includes only restricted shares issued to Dene Stratton subsequent to commencement of employment at Jetix Europe.

There were no awards exercised or forfeited during the year ended September 30, 2007.

No Directors had any non-beneficial interests in the Group for the year ended September 30, 2007.

26 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the consolidated financial statements is as follows:

	2007 €'000	2006 €'000
Programme rights	13,203	16,203

Operating lease commitments

The Group leases transponders, office facilities and certain programme related equipment. These leases, which qualify as operating leases, expire at various dates. The future aggregate minimum lease payments under these non cancellable operating leases are as follows:

	2007 €'000	2006 €'000
Not later than one year	14,097	15,448
Later than one year and not later than five years	13,205	23,336
Later than five years	231	–
	27,533	38,784

The total operating lease expenses were approximately €9.4 million (2006: €10.1 million).

27 Change in working capital

	2007 €'000	2006 €'000
Change in net working capital:		
– (Increase)/decrease in trade and other receivables	(214)	2,789
– Increase in amounts due from related parties	(15,445)	(4,765)
– (Decrease)/increase in trade and other payables	(9,697)	3,360
– Decrease in amount due to related parties	(7,072)	(14,292)
– Decrease in provisions for other liabilities	–	(1,992)
	(32,428)	(14,900)

Notes to the consolidated financial statements continued

The Consolidated Statement of Cash Flows reflects the cash flows arising from the activities of Group companies as measured in their own currencies, translated to Euros at monthly average rates of exchange. Therefore, the cash flows recorded in the Consolidated Statement of Cash Flows exclude the currency translation differences which arise as a result of translating the assets and liabilities of non-Euro Group companies to Euro at year-end rates of exchange, with the exception of those arising on cash and cash equivalents. These currency translation differences must therefore be added to the cash flow movements at average rates in order to arrive at the movements derived from the Consolidated Balance Sheet.

28 Related party transactions

The following transactions were carried out with related parties:

(i) *Sales of goods and services*

		2007 €'000	2006 €'000
Sales of goods:			
ABC Family Worldwide, Inc. and other certain Disney affiliates	a)	1,171	2,335
Jetix España SL	c)	1,961	1,832
Walt Disney Studios Home Entertainment	f)	468	924
Disney Consumer Products	g)	10,732	11,997
Super RTL	h)	2,131	3,210
		16,463	20,298
Sales of services:			
The Walt Disney Company Limited	i)	3,353	3,394
		3,353	3,394

The above transactions were carried out on commercial terms and conditions and at market prices. No guarantees are given or received in any of the transactions.

(ii) *Purchases of goods and services*

		2007 €'000	2006 €'000
Purchases of goods:			
ABC Family Worldwide, Inc. and other certain Disney affiliates	l)	6,166	5,059
TV10 B.V.	k)	1,368	1,628
		7,534	6,687
Purchases of services:			
The Walt Disney Company Limited	i)	7,237	7,850
Disney-ABC International Television	b)	4,346	5,294
Sogecable S.A.	c)	1,539	1,211
Disney Consumer Products	g)	745	3,688
United Pan-Europe Communications N.V.	d)	118	480
		13,985	18,523

The above transactions were carried out on commercial terms and conditions and at market prices. No guarantees are given or received in any of the transactions.

(iii) Year-end balances arising from sales/purchases of goods/services

		2007 €'000	2006 €'000
Receivables from related parties:			
ABC Family Worldwide, Inc. and other certain Disney affiliates	a) j)	–	3,788
Jetix España SL	c)	1,565	2,396
Walt Disney Studios Home Entertainment	f)	292	305
Disney Consumer Products	g)	7,491	150
The Walt Disney Company Limited	i)	–	985
SIP Animation	m)	1,166	1,887
Other		764	802
		11,278	10,313
Payables to related parties:			
ABC Family Worldwide, Inc. and other certain Disney affiliates	i)	10	7,960
Disney–ABC International Television	b)	575	2,242
Disney Consumer Products	g)	–	1,104
The Walt Disney Company Limited	i)	2,268	1,956
Other		374	256
		3,227	13,518

No provisions are made for doubtful debts or any amounts recognised for bad debt expense against amounts owed from related parties since all amounts are expected to be recovered. All balances are expected to be received or settled in cash.

a) ABC Family Worldwide, Inc.

The Group has secured non-European distribution rights to certain properties (in addition to the European rights). The Group in turn sold these rights to subsidiaries of its parent company ABCW and other Disney affiliates. All transactions are carried out on arm's-length basis.

During the year, sales to subsidiaries of ABCW and other certain Disney affiliates were €1.2 million (2006: €2.3 million). The amount receivable at September 30, 2007 was €nil (2006: €2.8 million).

b) Logistical Services

Disney–ABC International Television (DAIT), a Disney division, provides logistical services to the Group in connection with its third party programme distribution. The Group pays DAIT on the basis of cost plus a margin of 5% – 10% dependent on the services performed. The amount charged in the income statement, included in marketing, selling and distribution costs, relating to services provided by DAIT for the year ended September 30, 2007 was €3.2 million (2006: €3.4 million). In addition DAIT incurs distribution expenses on behalf of the Group whilst performing its services. These expenses are recharged back to the Group. The amount charged to the income statement relating to distribution expenses incurred by DAIT on behalf of the Group was €1.1 million for the year ended September 30, 2007 (2006: €1.9 million). The amount owed to DAIT as at September 30, 2007 was €0.6 million (2006: €2.2 million).

c) Arrangements with Sogecable S.A. (Sogecable)

The Jetix channel in Spain is operated by Jetix España SL, a company jointly owned by a subsidiary of Sogecable and the Group. Sogecable and its subsidiaries provide office and sales administration, programming and production facilities and services to Jetix Spain. The costs incurred for the services with Sogecable for the year ended September 30, 2007 were €1.5 million (2006: €1.2 million). The amount owed at September 30, 2007 was €0.3 million (2006: €0.7 million).

The Group leases rights to the Jetix Library to Jetix España SL. The lease fee for the year ended September 30, 2007 was €2.0 million (2006: €1.8 million). The amount receivable at September 30, 2007 was €1.6 million (2006: €2.4 million).

Notes to the consolidated financial statements continued

- d) Arrangements with United Pan-Europe Communications N.V. (UPC)
The minority shareholder in Jetix Poland Limited, a subsidiary of UPC, provided certain transmission, programming and marketing services to the Jetix channels in Poland and Central and Eastern Europe during the year. The amount charged in the income statement, included in marketing, selling and distribution costs, in relation to these services for the year ended September 30, 2007 was €0.1 million (2006: €0.5 million). There were no amounts payable to UPC for these services at September 30, 2007 (2006: €nil).
- e) Trademark arrangements
Disney has granted the Group a trademark licence without a fixed term to use the "Jetix" name and related logos without material charge.
- f) Walt Disney Studios Home Entertainment Inc. (WDSHE), formerly known as Buena Vista Home Entertainment (BVHE)
On May 5, 2006, the Group entered into an agreement with WDSHE, a subsidiary of Disney; to grant WDSHE the sole and exclusive right to exploit on VHS and DVD formats all home entertainment distribution and exhibition rights for *Power Rangers* in the UK and Ireland. In the year ended September 30, 2007 €0.5 million was recognised by the Group for these deals (2006: €0.9 million). The receivable amount outstanding for the year ended September 30, 2007 was €0.3 million (2006: €0.3 million).
- g) Disney Consumer Products (DCP)
On October 1, 2006, the Group granted DCP, a division of Disney, certain merchandising rights within Europe and the Middle East in respect of the property, *Power Rangers*. Further rights were granted on January 1, 2007. The Group receives a royalty of 70% of earned revenue, subject to a minimum guarantee provided by DCP, during the term of the agreement, which, initially, is until September 30, 2009. Under the previous agreements, expired September 30, 2006 and December 31, 2006, the Group appointed DCP to act as its licensing agent and received a minimum guarantee against certain royalties and DCP received a commission of 30% of earned revenue in return for its services. The minimum guarantee and excess royalties received during the year ended September 30, 2007 was €10.7 million (2006: €12.0 million). The DCP commission earned during same period was €0.7 million (2006: €3.7 million). The amount receivable from DCP at September 30, 2007 was €7.5 million (2006: €0.2 million and no amount was payable to DCP at this date (2006: €1.1 million).
- h) Super RTL
On September 30, 2003, the Group entered into a co-production agreement with Super RTL, a Disney affiliate. Under the terms of the deal the Group co-produced two series, namely *W.I.T.C.H.* and *Öban Star-Racers*, with Super RTL and third parties and also licensed them other programming. Revenue relating to the deal in the year ended September 30, 2007 was €2.1 million (2006: €3.2 million).
- i) Premises and facilities
During the year ended September 30, 2004, the Group 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, 2007 was €7.2 million (2006: €7.9 million). The amount payable to The Walt Disney Company Limited and The Walt Disney Company (France) SAS at September 30, 2007 was €2.3 million (2006: €2.0 million).
The relocation costs incurred and the amount recharged to Disney are disclosed in Note 22.
As part of these arrangements, the Group received a rebate of €2.4 million during the year ended September 30, 2007 (2006: €2.3 million). The amount receivable from Disney at September 30, 2007 was €nil (2006: €nil). The Group also recharged to Disney €1.0 million (2006: €1.1 million) during the year ended September 30, 2007 and there was no receivable as at September 30, 2007 (2006: €1.0 million).
- j) Receivables
ABCW collects certain receivables on behalf of the Group. The amount owed to the Group at September 30, 2007 was €nil (2006: €1.0 million).
- k) TV10 B.V.
Any material costs of TV10 B.V. in which the Group has an interest, are recharged to the Group. The costs recharged from TV10 B.V. for the year ended September 30, 2007 was €1.4 million (2006: €1.6 million). The amount payable to TV10 B.V. at September 30, 2007 was €nil (2006: €nil).

- l) **Programme rights**
The Group acquires certain programme rights relating to its territories from ABCW and other certain Disney affiliates. The acquisitions made during the year ended September 30, 2007 were €6.2 million (2006: €5.1 million). The amount payable to ABCW and certain other Disney affiliates at September 30, 2007 was €10,000 (2006: €8.0 million). The current year has seen the co-production with ABCW of *Power Rangers Operation Overdrive* and *Yin Yang Yo*.
- m) **SIP Animation**
During the year ended September 30, 2005, the Group entered into a loan with SIP Animation, a Disney affiliate, for the co-production of the property, *A.T.O.M. Alpha Teens on Machines*. The receivable amount outstanding for the year ended September 30, 2007 was €1.2 million (2006: €1.9 million).
- iv) **Loans to Directors**
No loans have been made to any Directors during the year ended September 30, 2007 (2006: €nil).
- v) **Directors' remuneration**
Refer to Note 25 for details of Directors' remuneration.

29 Principal subsidiaries

	Country of incorporation	Equity interest (100% unless otherwise stated)
Jetix Entertainment Limited	United Kingdom	
Jetix Entertainment Spain SL	Spain	
Jetix Europe Channels B.V.	Netherlands	
Jetix Europe Limited	United Kingdom	
Jetix Europe Properties Sarl	Luxembourg	
Jetix Hungary Financial Management Limited Liability Company ⁽¹⁾	Hungary	
Jetix Europe GmbH	Germany	
Jetix Israel Limited ⁽²⁾	Israel	
Jetix Europe Srl	Italy	
Jetix Poland Limited	Isle of Man	80%
Jetix Services B.V.	Netherlands	
Jetix Consumer Products UK Limited	United Kingdom	
Jetix Consumer Products Italy Srl ⁽³⁾	Italy	
Active Licensing France SAS	France	
Jetix Poland NV	Netherlands	
Kids Entertainment Services EPE	Greece	
Lollipop Productions Limited	Israel	
Jetix Europe Music B.V.	Netherlands	

(1) Jetix Hungary is in the process of being voluntarily liquidated.

(2) Jetix Israel Limited prepares statutory financial statements with a reporting date of December 31; however accounts for the year ended September 30 are prepared for consolidation purposes. All remaining subsidiaries prepare financial statements with a reporting date of September 30.

(3) Jetix Consumer Products Italy Srl is in the process of being merged with Jetix Europe Srl.

The Company accounts present the separate financial information of Jetix Europe N.V. as a stand-alone company. As such they do not consolidate the financial statements of any subsidiaries.

Company financial statements of Jetix Europe N.V.

Jetix Europe N.V. Company balance sheets (before proposed appropriation of net profit)

	Notes	€'000	September 30, 2007 €'000	September 30, 2006 €'000
Assets				
Fixed assets				
Financial fixed assets	2(A)		186,058	219,499
Current assets				
Receivables and other current assets	2(B)	12,141		15,601
Cash at bank and in hand	2(C)	8,754		9,584
			20,895	25,185
Total assets			206,953	244,684
Liabilities and shareholders' equity				
Shareholders' equity				
Share capital		21,303		21,199
Share premium		408,948		456,799
Currency translation adjustment		(31,169)		(11,383)
Legal reserves		6,106		3,861
Retained losses before result		(237,101)		(258,634)
Net profit for the year		37,307		23,390
			205,394	235,232
Current liabilities	2(E)		1,559	9,452
Total liabilities and shareholders' equity			206,953	244,684

Jetix Europe N.V. Company income statements

	Notes	Year ended September 30, 2007 €'000	Year ended September 30, 2006 €'000
Other income and expenses after taxes		(3,615)	(3,781)
Result from Group companies after taxes		40,922	27,171
Net profit	2(D)	37,307	23,390

Notes to the Company balance sheets and income statements

1 General

In the Company financial statements the valuation of assets, liabilities as well as the determination of result are on the same basis as in the consolidated financial statements, with the exception of the items noted below. Refer to the summary of significant accounting policies in the notes to the consolidated financial statements of Jetix Europe N.V. Consolidated companies are carried at net asset value.

The Company financial statements for the year ended September 30, 2007 have been prepared in accordance with part 9, Book 2 of Dutch Civil Code. The Company profit and loss account for the year ended September 30, 2007 being included in the consolidated accounts, the Company has taken the opportunity afforded by Article 402, Book 2 of the Netherlands Civil Code to prepare a summary profit and loss account.

The Company has applied the option in Article 362 (8) to use the same principles of valuation and determination of result for the Company financial statements as the consolidated financial statements.

The Company balance sheets and income statements have been prepared under IFRS. For details refer to the Group's Note 2 in the consolidated accounts.

Investments in subsidiaries are carried at net asset value. For the principles of valuation of assets and liabilities and for the determination of results reference is made to the notes to the consolidated balance sheets and income statements.

2 Notes to the balance sheets for the Company financial statements of Jetix Europe N.V.

The Company financial statements of Jetix Europe N.V. are presented in Euros.

A Financial fixed assets

An overview of the movements in the financial fixed assets is given below:

	September 30, 2007 €'000	September 30, 2006 €'000
Investments in group companies		
Book value at October 1, 2006 and October 1, 2005, respectively	219,499	210,509
Exchange differences	(19,786)	(13,362)
Profit from group companies	40,922	27,171
Share option disbursement ⁽¹⁾	(4,577)	(4,819)
Distribution of share premium ⁽²⁾	(50,000)	
Book value at September 30, 2007 and September 30, 2006, respectively	186,058	219,499

(1) The share option disbursement comprises the amount received/receivable from a subsidiary upon the exercise of employee share options by employees in the Group. This amount represents the difference between the market price of the share payable by the subsidiary to the Company and the amount of exercise price paid/payable to the subsidiary by the employees exercising the share options at the date of exercise.

(2) During the year, shareholders of Jetix Europe Properties Sarl approved a distribution from share premium in the amount of €50 million.

For a detailed list of the investments reference is made to Note 29.

B Receivables and other current assets (due within one year)

	September 30, 2007 €'000	September 30, 2006 €'000
Amounts receivable from group companies	12,125	15,579
Other debtors	16	22
	12,141	15,601

C Cash at bank and in hand

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

D Shareholders' equity

The movement in shareholders' equity is as follows:

	Share capital €'000	Share premium €'000	Currency translation adjustment €'000	Retained earnings/ (losses) €'000	Legal reserves ⁽¹⁾ €'000	Result for the year €'000	Total €'000
Balance October 1, 2005 ⁽²⁾	20,992	449,197	1,979	(264,060)	2,539	6,081	216,728
Appropriation of 2005 result	-	-	-	6,081	-	(6,081)	-
Profit for the period	-	-	-	-	-	23,390	23,390
Interim dividend current year	-	-	-	1,045	(1,045)	-	-
Re-classification	-	-	-	(2,367)	2,367	-	-
Shares issued	207	7,602	-	667	-	-	8,476
Movement in currency translation adjustment	-	-	(13,362)	-	-	-	(13,362)
Balance September 30, 2006	21,199	456,799	(11,383)	(258,634)	3,861	23,390	235,232
Appropriation of 2006 result	-	-	-	23,390	-	(23,390)	-
Profit for the period	-	-	-	-	-	37,307	37,307
Interim dividend current year	-	-	-	510	(510)	-	-
Re-classification	-	-	-	(2,755)	2,755	-	-
Shares issued	104	2,079	-	639	-	-	2,822
Change in settlement from equity to cash restricted shares	-	-	-	(251)	-	-	(251)
Distribution from share premium ⁽³⁾	-	(49,930)	-	-	-	-	(49,930)
Movement in currency translation adjustment	-	-	(19,786)	-	-	-	(19,786)
Balance September 30, 2007	21,303	408,948	(31,169)	(237,101)	6,106	37,307	205,394

(1) The legal reserves relate to the reported earnings from joint ventures over which the Company does not have the control to receive as dividends.

(2) After appropriation of result.

(3) During the year, shareholders of the Company approved a distribution from share premium in the amount of €50 million.

The authorised share capital of the Jetix Europe N.V. as at September 30, 2007 amounts to €87,500,000 and consists of 349,999,000 ordinary shares and 100 priority shares with a nominal value of €0.25 each. The issued shares are as follows:

	Priority shares Number	Ordinary shares Number	Total Number	Priority ⁽⁴⁾ shares Nominal value €'000	Ordinary shares Nominal value €'000	Total Nominal value €'000
Issued at September 30, 2006	100	84,792,952	84,793,052	-	21,199	21,199
Shares issued during the year	-	414,667	414,667	-	104	104
Issued at September 30, 2007	100	85,207,619	85,207,719	-	21,303	21,303

(4) The nominal value of priority shares at September 30, 2007 is €25 (2006: €25). Under IFRS, priority shares are required to be presented as a liability on the balance sheet; however, as the amount is insignificant the balance has not been reclassified.

The issued share capital at September 30, 2007 amounts to €21.3 million and consists of 85,207,619 ordinary shares and 100 priority shares.

The Company has granted options to employees and Directors. Details of these are set out in Note 23 and Note 25 of the consolidated financial statements.

Notes to the Company balance sheets and income statements continued

The priority shares are indirectly held by ABCW (via BVSEI), which can exercise the following specific rights:

- To nominate members of the Board of Management and the Supervisory Board;
- To receive a non-cumulative preferential dividend of 5% of the par value of each share per annum;
- To propose amendments to the Articles of Association and the dissolution, legal merger or split-up of the Company; and
- To receive a preferential liquidation distribution.

The share premium reserve represents the difference between the market price at the date of issue and the nominal value of the shares issued.

The currency translation reserve consists solely of cumulative translation adjustments arising as detailed in Note 3 (N (4) (i), (ii), and (iii)) of the consolidated financial statements.

E Current liabilities (due within one year)

	September 30, 2007 €'000	September 30, 2006 €'000
Amounts payable to group companies	816	8,161
Accruals	743	1,291
	1,559	9,452

F Commitments not included in the balance sheets

Jetix Europe N.V. has accepted joint and several liability for any liabilities arising from the legal acts of Jetix Europe Channels B.V. and Jetix Europe Music B.V., Hilversum (the Netherlands), within the meaning of Article 403, Paragraph 1, Sub f, Book 2 of the Netherlands Civil Code.

G Wages and salaries

Jetix Europe N.V. does not have any employees; hence no salary, social security or pension costs were incurred. Details of remuneration for the Supervisory Board and key management is included in Note 25 of the consolidated financial statements.

Rotterdam, December 6, 2007

Management Board	Supervisory Board
Paul Taylor	Andy Bird
Dene Stratton	Peter Seymour
Oliver Fryer	Chris Deering
Olivier Spiner	Wolf-Dieter Gramatke
	Brian Spaulding

Other information

Appropriation of result according to the Articles of Association

According to article 31 of the Articles of Association the result for the year is at the free disposal of the General Meeting of Shareholders. The holders of priority shares are entitled to a dividend distribution of 5% of the par value of these shares, provided the Company has sufficient distributable reserves.

Proposed profit appropriation

The Supervisory Board proposes that the profit for the year be added to the retained losses.

Auditors' report

The report of the Company's auditors is presented on the following page.

To the General Meeting of Shareholders of Jetix Europe N.V.

Auditor's Report

Report on the financial statements

We have audited the accompanying financial statements of Jetix Europe N.V., Rotterdam, for the year ended September 30, 2007 as set out on pages 37 - 78. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at September 30, 2007, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at September 30, 2007, the company income statement for the year then ended and the notes.

Management's responsibility

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Management Board's report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements set out on pages 37 - 73 give a true and fair view of the financial position of Jetix Europe N.V. as at September 30, 2007 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements set out on pages 74 - 78 give a true and fair view of the financial position of Jetix Europe N.V. as at September 30, 2007 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Management Board's report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, December 6, 2007
PricewaterhouseCoopers Accountants N.V.



drs. J. van der Hilst RA