

Operating and financial review:

Our business, markets and strategy

Jetix Europe is one of Europe's largest kids entertainment companies. We create and acquire original content, which kids will love. We deliver that content in a variety of ways, including television channels, websites, DVDs, magazines and toys.

We are majority owned by the world leader in family entertainment, The Walt Disney Company (Disney). Together with Disney we are building the Jetix brand into a global franchise¹.

Our market and competitive environment

Jetix Europe is active in the kids entertainment market. The scale of our marketplace is governed by the amount of time kids have available for leisure. We compete for a share of that leisure time with media owners and with other activities.

We operate mainly in Europe and the Middle East, although we also own some rights in other territories and occasionally represent properties beyond our core region.

Our pan-European network of television channels is our primary source of revenue. We earn subscription fees from the pay television distributors which carry our channels. We also sell promotional airtime on these channels, which generates advertising revenue.

We compete for carriage and revenue from pay television operators with a range of other kids television channels, and more generally with other television channels and content. We compete for advertising revenue with other media owners targeting kids, as well as with general media that reach our audience.

Jetix Europe is one of four companies with a pan-European kids' network. Our main competitors are Cartoon Network from Time Warner, Viacom's Nickelodeon and The Disney Channel. In most markets we also compete with a mix of private and state-funded kids channels and programme blocks.

We also sell our programming to third party broadcasters, primarily for use on free-to-air channels. Programme ratings and the advertising revenue kids programming can deliver drive broadcaster demand. Regulatory considerations also come into play in many markets.

We compete with both local and international kids programming suppliers and with other genres of programming. The supply of programming is typically highly fragmented. Although we are a major player in these markets our market share is therefore relatively low.

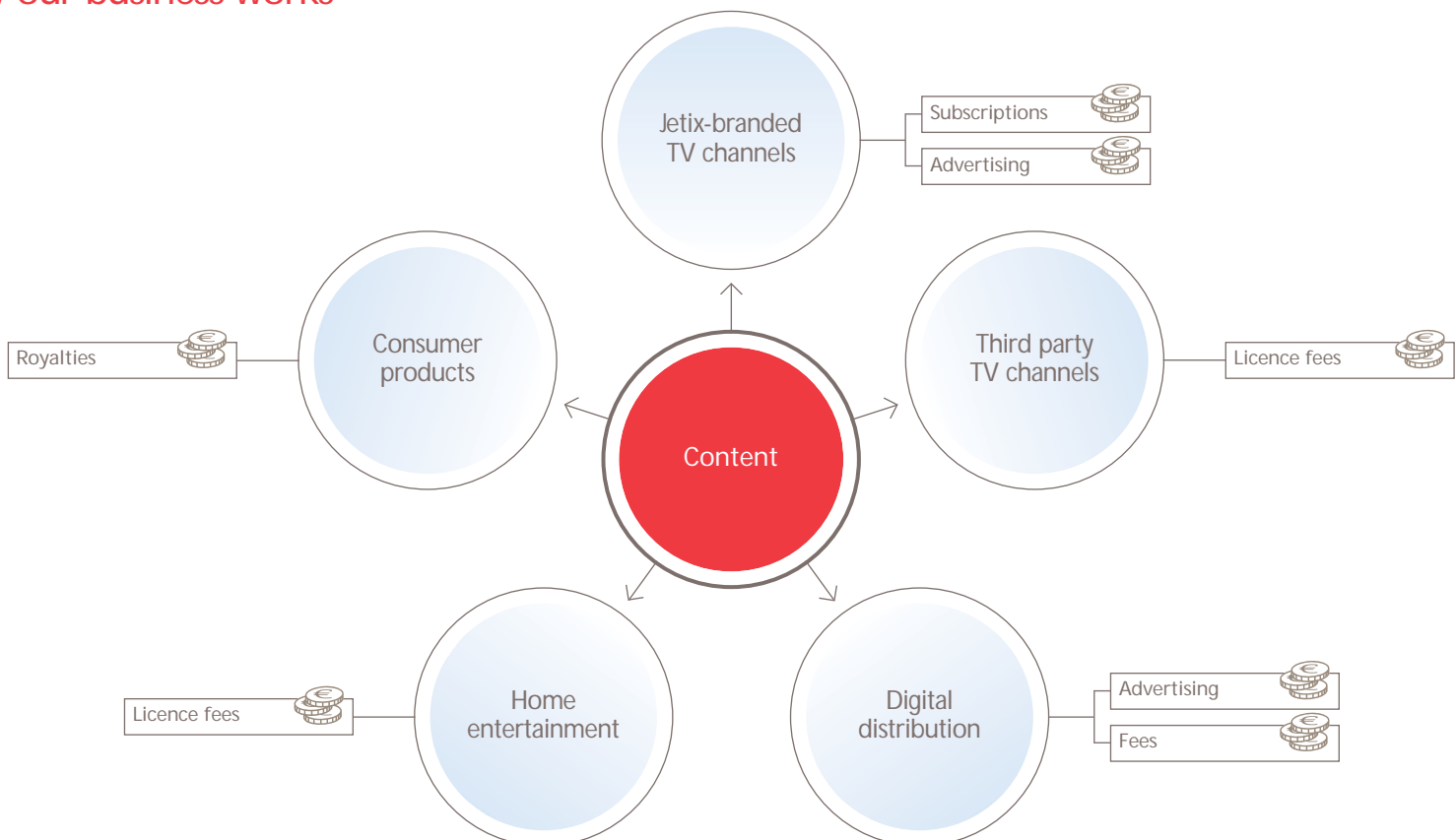
We license consumer products rights to a wide range of manufacturers, media owners and service providers. We compete in this space with other kids intellectual property owners, both from television and other media. This too is a fragmented market with numerous companies promoting many different characters and properties.

The kids entertainment market is changing rapidly. Technological developments are opening up new ways of reaching and entertaining kids. And we also know that kids are early adopters. It is therefore vital to keep pace with the latest innovations.

Traditional forms of entertainment, notably television, remain popular, but digital delivery is already broadening the scope. New forms of content are emerging which complement television programmes. Kids in the future will enjoy a wider range of entertainment on a greater variety of platforms. Our objective is to get them great content, when and where they want it.

¹ Disney fully owns the Jetix operations outside of Europe and the Middle East

How our business works



Our strategy

Excellent content is at the heart of our strategy. Each of our divisions depends for its success on the appeal our content has for its chosen audience.

We invest heavily in securing high quality content from a wide range of sources. We have a three-tiered approach. We co-produce with our colleagues at Disney, through Disney's Jetix Animation Concepts. We co-produce internationally, with other leading production companies. And we acquire properties, either on a pan-European basis or for a specific territory.

As a major player in Europe we benefit from scale when sourcing our content. We are able to invest in a number of new properties each year, and are therefore less reliant on individual successes.

Wherever possible we acquire long-term control over our properties rather than agreeing short-term licences. This ensures that we receive the full benefits of the successes we create.

We have a clearly defined and focused brand. Our audience understands that Jetix is the home of adventure and cheeky humour. We actively promote the brand to give our target audience a strong sense of what we offer.

Pay television distributors typically include our channels in their basic-tier offerings. Being able to reach the highest possible number of subscribers gives us the opportunity to maximise our audience and advertising revenue.

The Jetix brand enjoys global recognition as a result of our alliance with Disney. Jetix Europe employs the Jetix name in Europe and the Middle East. In the US, Latin America and Asia it is Disney that fully owns the Jetix-branded operations. Our brand's global appeal enhances our credibility in Europe, particularly amongst commercial partners and distributors.

Our strategy in brief

Invest in the best creative content

Extend reach of channels

Enhance online presence

Innovate with new technology

Capitalise on popularity of characters

Attract and retain the best people

We are leveraging our brand appeal, the popularity of our content and our substantial audiences across all of our activities. We are, for instance, building our online presence with the television characters our audience loves. The programming we sell to third party broadcasters is also raising awareness for our consumer products. We actively look to cross-promote different media, for example by driving traffic from on-air to online.

Excellent content and a strong market position in Europe are the cornerstones for our future development. We will build on these strengths. We will also develop new media offerings as technology stimulates new forms of demand. We plan to continue delivering great content that engages and entertains our audiences across all media.

Our resources and relationships

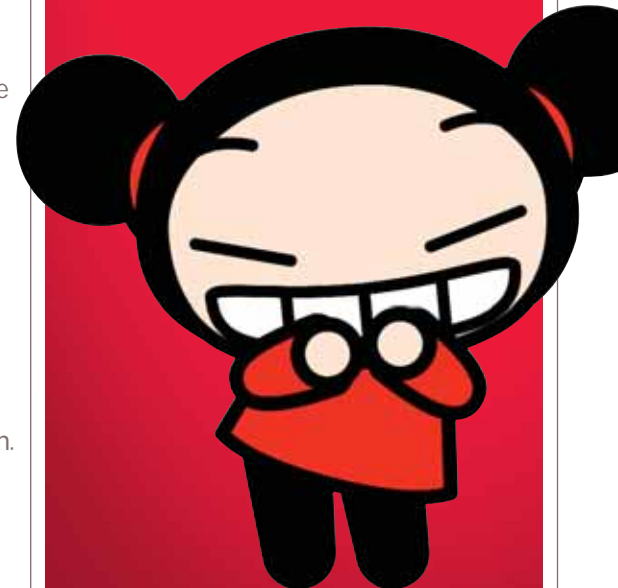
Our depth of content, our staff and our market presence all help us to deliver on our strategy.

We own² one of the world's largest libraries of kids programming, with over 6,000 episodes. We own both pay and free television rights in most of our territories. We also own consumer products rights for most of our properties. We continually refresh our library with new productions and acquisitions.

As a creative media company we depend on being able to attract and retain high-quality personnel. We employ over 350 people in 10 European countries. Our people are passionate about kids entertainment. They are dedicated to creating and delivering the very best entertainment experience.

We derive a competitive advantage from our numerous commercial relationships, many of which have been built up over a long period of time. Mutually beneficial relationships with pay television distributors, commercial advertising partners, production companies, other broadcasters and a wide range of licensees underpin our success.

Jetix Europe is in a sound financial position. This allows us to invest where appropriate, and makes us an attractive partner.



PUPCA

Pucca began life in Korea as an online character. Jetix Europe has developed it into a TV series, alongside original creators Vooz. Pucca, the daughter of a Chinese restaurant owner, pursues a loyal Ninja warrior, with hilarious results.

² Or control through a long-term lease.

Operating and financial review continued:

Our reach

Jetix Europe's strategy is to deliver our content to our audience whenever and wherever they want, on whatever medium they prefer.

Our primary distribution mechanism is our pan-European network of television channels. Our channels are now available in over 50 million homes in 58 countries across Europe and the Middle East.

Traditional television channels are, and we believe will remain, hugely popular with kids. However the media market is rapidly changing, and kids are early adopters of new technology.

We will continue to invest in developing a wide range of ways to reach our audience. Some are more traditional, such as magazines and consumer products, whilst others take advantage of the remarkable capabilities enabled by technology advances, such as online broadband video and content on mobile phones.



50.5m

Households reached
2006: 46.8m

Our diverse content delivery

Online

We have 18 websites across Europe, supporting our channels and allowing our audience to interact with our characters through games, video-on-demand and bespoke digital content.



Magazines

There are currently five Jetix branded and two non-Jetix branded magazines. They have a combined circulation of over 1/4 million copies a month.



Interactive television

We have Jetix i services in the UK and Israel, offering games and interactivity through the television.



Live events

We run a number of live events, including the Jetix Kids Awards, which is now in six countries, a live stage show at Butlins in the UK and our sponsorship of a truck in Monster Jam.



Video-on-demand

Our programming is distributed through a number of third party video-on-demand suppliers, such as T-Online in Germany.



Mobile

Our channels are included in mobile operators' television packages in four countries, and in two of these markets we also supply individual pieces of content to mobile phones.



E-communications

We send a monthly electronic newsletter to our online users who have requested one. This keeps them up to date on the latest developments, competitions, games and programme launches.



Consumer products

A wide range of merchandising and DVDs is available across Europe, carrying our characters or our brands.



Our broadcast channels

As at September 30, 2007

	Households reached '000	Number of countries covered
UK Date launched: October 1996 Channels: Jetix Broadcast hours: 24 hours Language: English	9,075	3
Central and Eastern Europe Date launched: April 1999 – Jetix; October 2003 – Jetix Play Channels: Jetix; Jetix Play Broadcast hours: 0700–2400 Languages: Romanian, Russian, Bulgarian ¹	8,521	18
Netherlands Date launched: August 1997 Channels: Jetix Broadcast hours: 0600–1800 Language: Dutch	6,798	2
France Date launched: November 1997 Channels: Jetix Broadcast hours: 24 hours Language: French	4,235	6
Italy Date launched: April 2000 – Jetix; May 2005 – GXT Channels: Jetix, GXT Broadcast hours: 24 hours Language: Italian	4,125	1
Poland Date launched: April 1998 – Jetix; January 2003 – Jetix Play Channels: Jetix; Jetix Play Broadcast hours: 0600–2400 Language: Polish	4,014	1
Spain Date launched: December 1998 Channels: Jetix Broadcast hours: 24 hours Language: Spanish	3,065	1
Scandinavia Date launched: April 1998 Channels: Jetix Broadcast hours: 0600–1800 Language: Danish, Swedish, Norwegian, Finnish	2,941	5
Hungary, Czech Republic and Slovakia Date launched: September 2000 Channels: Jetix Broadcast hours: 0600–2400 Language: Hungarian, Czech	2,900	3
Turkey and Middle East Date launched: April 2000 – Jetix; October 2003 – Jetix Play Channels: Jetix; Jetix Play Broadcast hours: 0700– 2000 Language: Turkish	2,032	14
Germany Date launched: October 2000 Channels: Jetix Broadcast hours: 0600–1945 Language: German	1,685	3
Israel Date launched: February 2001 Channels: Jetix Broadcast hours: 0600–0215 Language: Hebrew	779	1
Greece Date launched: October 2001 Channels: Jetix Broadcast hours: 0700–1700 (Mon–Fri); 0700–1500 (Sat–Sun) Language: Greek	323	1
Total	50,493	59²

¹ Bulgarian added after the period end ² Two channel feeds cover Belgium (Netherlands and France) so total countries reached is 58.



Totally Spies is one of Jetix Europe's most popular programmes. It is produced by Marathon and follows the adventures of three fashion-conscious Beverly Hills high school debutantes who have secret identities as international spies.

Operating and financial review continued:

Channels and online

Achievements in 2007

Households reached exceed 50 million

Distribution deals renewed

Ad-funded online video player rolled out

Digital division reorganised

Priorities for 2008

Continue to expand channel network reach

Enhance online presence with increased investment

Further develop new ways to view and interact

Revenue €m

2005	113.0
2006	120.3
2007	122.9

EBITDA¹ €m

2005	45.5
2006	48.2
2007	51.0

¹ Consistent with prior years EBITDA is operating profit stated before programme amortisation, impairment and depreciation.

58

Countries reached
Strong pan-European
footprint

18

Localised websites
Engage with our audiences

50.5m

Households reached
Up 8% on
September 2006

19

Languages ²
Localise our channels

Channels and online is Jetix Europe's largest division. It controls a network of 15 channels and 18 websites across Europe and the Middle East. Our localised television channels broadcast in 19² languages to 58 countries. Our core Jetix-branded network, with 13 feeds, targets six to 14 year-olds. We have an older targeted channel, GXT, which broadcasts in Italy, and a younger targeted channel, Jetix Play, which broadcasts in several territories. The division is also responsible for developing our online, mobile and other digital activities.

Strategy

Our core strategy is to deliver great content, which our audience loves, aggregated under our channel brands, whenever and wherever they want.

Our channel network remains our most important distribution channel. We develop this network in two ways: by extending our reach into new households and by attracting new audiences. We continue to develop new routes to market alongside our channels through online, mobile and other emerging technologies.

The audiences our channels aggregate are sought after by advertisers. We will continue to build audience profiles which appeal to our commercial partners. We will work across all media and all of our territories to offer a total communications solution.

Highlights in 2007

The network continued to extend its reach. Our channels now reach 50.5 million households across Europe and the Middle East, up 8% on last year.

We grew strongly in Eastern Europe this year. Our Central and Eastern European feed gained over a million subscribers. Our Polish channel grew homes reached by 25%. Our Hungary / Czech / Slovak feed saw increases in all of its markets. We also added significant numbers of households in France, Spain and Italy.

We renewed a number of distribution deals this year. In the UK, we renewed with Virgin Media, in France we have an expanded deal with Numericable following their acquisition of Noos, and in Israel we renewed with Hot. Other deals were renewed in Spain, Scandinavia and across Eastern Europe.

We have also reopened negotiations with Canalsat in France, following the suspension of talks earlier this year. A short-term extension to March 2008 has been agreed to allow time for a long-term deal to be negotiated.

Strong performances by our channels in Italy and Poland contributed to increases in advertising revenue in these markets. Elsewhere advertising came under pressure from heightened competition and regulatory changes.

We are stepping up our investment in digital activities and have reorganised our online teams accordingly. For the first time, we are planning investment in programming dedicated to the digital environment. We are also planning to expand our online games offering.

Our online presence continued to develop this year. Our broadband online video player is now available in seven markets and has generated more than a million streams per month. Our online game supporting *Oban Star-Racers* proved especially popular, with over four million game plays.

We continue to develop new ways of reaching our audience. Third party video-on-demand services are generating interest and we have signed deals in several major markets. Mobile phone distribution, of both our channels and individual pieces of content, is also growing in popularity. Our channels are being made available in mobile packages in four countries. We are also selling individual pieces of content through mobile partners in Spain and Israel.

Priorities for 2008

Developing our channel network will continue to be our most important priority. We will focus on increasing the number of households we reach and on maximising our appeal within our target audience. Securing long-term distribution in France is one immediate priority.

We are investing in programming and games to develop our online presence. This initiative will create more compelling opportunities for our audience to engage with our characters, driving traffic and revenue.

We will continue to explore new ways of reaching our audience. We will build on the current interest in video-on-demand, and continue experimenting with new technologies, as they emerge.

² Including Bulgarian, which was launched after the period end.



Live events and sponsorship
We are building audience loyalty with live events. Our sponsorship of a Monster Jam truck embodies our adventurous brand. Audience participation is key to the popularity of the Jetix Kids Awards, which now take place in six countries.



Online VOD player
We have developed an online video-on-demand player which is available through our websites. It showcases clips and trailers, and in some countries full-length episodes. It is currently operational in seven markets.



Integrated advertising
Alongside our traditional spot advertising, we work with our commercial partners to offer integrated promotional solutions. In the Netherlands, a supermarket promotion included branded product giveaways alongside in-store and on-air promotions. Over 30 million branded marbles were distributed.

MBC
MONSTER BUSTER CLUB

Monster Buster Club is the new series from Marathon. It is the second series Jetix Europe has co-produced as part of its exclusive first look deal with Marathon. It follows the secret adventures of four kids as they hunt down and foil the plans of the zany-looking aliens who have invaded their town.

Operating and financial review continued:

Programme distribution

Achievements in 2007

Strong sales from core properties

Good on-air performance

US sales continue

First commission in Israel

Priorities for 2008

Continue investment in content

Focus on character-led properties

Deliver strong on-air performance

Revenue €m

2005	17.8
2006	19.0
2007	21.0

EBITDA¹ €m

2005	11.7
2006	11.5
2007	13.0

¹ Consistent with prior years, EBITDA is operating profit stated before programme amortisation, impairment and depreciation.

144

New episodes delivered
From eight different series

6

New series secured
Both co-productions
and acquisitions

124

Episodes
In production

>110

Clients
In 53 markets

The programme distribution division sells our television programming to third party broadcasters. Jetix Europe's library of over 6,000 episodes² is refreshed each year with new programme production and acquisitions.

Our third party customers are typically free-to-air broadcasters. We currently have over 110 clients in 53 markets. Disney-ABC International Television (DAIT) services this division, allowing us to benefit from its market presence and global scale.

Strategy

The division relies on strong programming. We will maintain our current strategy of investing in great content. We will continue our policy of restricting investment to a limited number of great programmes to secure significant positions in our properties.

We employ a range of strategies to obtain the best programming. We co-produce with selected partners and acquire high quality finished product in the marketplace.

We will continue to leverage the global scale and market power of Disney's international television distribution arm. In markets which are less developed, we will aim to place Jetix-branded programme blocks on free-to-air channels. These build our brand presence and act as powerful marketing for our channels.

Highlights in 2007

This year, we achieved strong sales to third party broadcasters through DAIT. We sold *Pucca* to our US alliance partner. Jetix Israel gained a commission from a local broadcaster for an original production.

Third party sales are primarily driven by our major co-productions. *Power Rangers*, *W.I.T.C.H.*, *A.T.O.M.* *Alpha Teens on Machines* and *Yin Yang Yo!* all sold strongly during the year. Our Jetix-led co-productions *Oban Star-Racers* and *Pucca* also performed well. All of these programmes returned solid ratings. Every one of them ranked as a top-two show in its territory for that timeslot.

Following the strong performance on air of the first series of *Pucca*, our Jetix alliance partner in the US, Disney ABC Cable Networks Group, has acquired the second series. Delivery is due next year.

We secured six new series during the year. We have commissioned another series of *Power Rangers* and a second season of *Yin Yang Yo!* from our Jetix alliance partner. *Combo Niños*, our co-production with SIP Animation in Paris, is also underway. We have acquired two new series, *Urban Vermin* and *Iggy Arbuckle*. We also picked up the second series of *Captain Flamingo*, following the success of the first series on Jetix channels.

We took delivery of 144 new episodes during the year, with new content from all of our major sources of programming – Jetix alliance co-productions, Jetix Europe-led co-productions and acquisitions. We had 124 episodes in production at the end of the year under review, compared with 93 in the previous year.

Priorities for 2008

We will continue to invest in content. Our new SVP Programming has put a strong programme development slate in place and we will build on that. We will commission new seasons of our most successful productions.

We will work closely with our alliance partner, collaborating to create great new content.

We will leverage DAIT's global distribution capabilities to maintain our position as a leading supplier of kids entertainment. We will remain focused on delivering outstanding value to our customers with shows which perform strongly on-air.



Strong on-air performance

Our flagship shows performed well on-air, driving future demand. Our five top selling shows delivered large audiences. In the markets in which they aired, they all ranked in the top two kids shows for their timeslots.

Pucca sold to Jetix in US

Our alliance partner in the US, Disney ABC Cable Networks Group, has acquired the second series of *Pucca*. This follows the strong on-air performance of the first series, which aired in the Jetix programme block on Toon Disney.



Library of over 6,000 episodes

Jetix Europe has one of the largest libraries of kids programming, with over 6,000 episodes. This library is continually refreshed with our new productions and acquisitions. 144 new episodes were added this year.



COMBO NIÑOS

Combo Niños is a new co-production with SIP Animation in Paris. It is set in an ancient Latin American city and follows the adventures of four kids with secret superpowers, as they transform into animal-inspired superheroes and use their magic powers to protect the city.

Operating and financial review continued:

Consumer products

Achievements in 2007

Strong underlying performance from *Power Rangers**Pucca* continues to sell well

New magazines launched

Expansion in Central and Eastern Europe

Priorities for 2008

Continue developing key franchises

Build on success of *Power Rangers*

Launch new Jetix magazines

Secure CP rights for new series

Revenue €m

2005	14.5
2006	23.6
2007	22.5 ¹

EBITDA² €m

2005	5.0
2006	12.2
2007	12.8

¹ Excluding the change in the *Power Rangers* contract, Consumer Products revenue would have increased by 10%.

² Consistent with prior years, EBITDA is operating profit stated before programme amortisation, impairment and depreciation.

7

Local JCP offices
JCP runs a pan-European
network of offices

>50

Countries in which
JCP is represented
Using agents where JCP
does not have an office

20

Countries licensed
Power Rangers
Securing the home
entertainment rights

7

Magazines
Five Jetix branded and
two non-Jetix branded

Our consumer products division licenses our characters and properties for use in merchandising and home entertainment. They are used in a wide range of different ways, including toys, stationery, clothes and magazines.

Disney Consumer Products (DCP) represents our largest property, *Power Rangers*. Jetix Consumer Products (JCP), our in-house consumer products team, is responsible for all the other properties where we own or represent the consumer products rights.

Strategy

Our dual strategy in consumer products has served the business well and it will continue. *Power Rangers* is easily our most recognisable property and it benefits hugely from DCP's market presence. JCP represents our other properties and these brands profit from the focus and attention of our in-house operation.

We will continue to secure consumer products rights to our flagship programmes so as to benefit from the audience exposure we generate. Our channel and programme sales activities bring clear advantages to brand building and consumer recognition for our key franchises; we will capitalise on these. We will aim to secure ownership of consumer products rights, rather than acting as an agent.

Highlights in 2007

Our consumer products division had another good year led by the continuing strong performance of the *Power Rangers* brand. During the first half of the year, we phased in a change in our contractual arrangements with DCP. Whereas previously DCP had acted as Jetix's agent for *Power Rangers*, it now acts as Jetix's licensee. The economics of our relationship are unaffected by this change. Its rationale is to increase DCP's freedom of manoeuvre and open up wider opportunities for the brand.

The division improved on last year's excellent performance. Reported revenue is down, but only because DCP's licensee status has altered the way revenues are reported. With DCP as its agent, Jetix Europe booked gross revenues from *Power Rangers* sales and accounted for DCP's fees as expenses. With DCP now a licensee, our revenue is booked net of DCP's share of revenue. Without this change in accounting treatment this division's reported revenue would be 10% ahead of last year's levels.

Power Rangers, through DCP, has continued to grow underlying revenue³. The master toy licence with Bandai contributed materially to growth. The brand performed notably well in the apparel sector, particularly in the UK and Italy. The UK remains our most important market, but we also saw strong revenue growth in Italy and Germany. The number of licensees grew substantially. We are already beginning to benefit from the change in our contract with DCP.

JCP's merchandising division had a good year. *Pucca* performed well, particularly in France. Stationery and fashion were key categories. Following this success licensees are looking to expand their representation to other territories.

JCP continued to expand its range of magazines with the launch of Jetix-branded titles in Italy and Poland. It secured another master toy licence with Hasbro, for the second series of *A.T.O.M. Alpha Teens on Machines*. However, as a third series is not planned this revenue will not be repeated.

Following the decision in 2006 to bring representation in-house for most territories, our home entertainment division benefited from the continued success of *Power Rangers*. We have seen sales in over 20 markets.

JCP's sales in Central and Eastern Europe were also a highlight, following our appointment of a dedicated sales executive to serve this region.

We secured the consumer products rights, or entered into agency agreements, for all of the six new series we acquired or began producing this year.

Priorities for 2008

We will continue to work closely with DCP to build on the success of *Power Rangers*. The new contract should allow a continued expansion in the range of relationships in which DCP can include *Power Rangers*.

Within JCP we will continue to develop key franchises, such as *Pucca*. We will augment our range of Jetix magazines. We will focus on extending our Central and Eastern Europe presence and are dedicating additional resources to these markets.

Where appropriate, we will negotiate to secure the consumer products rights on new series we acquire or produce.

³ Excluding the effect of the change in DCP's contract.



New Jetix magazines in Italy and Poland

Jetix Europe now has five Jetix-branded magazines and two non-Jetix magazines. They complement our on-air and online advertising inventory and allow us to offer our commercial partners a multi-platform advertising solution.



Pucca continues to grow

With a notably strong performance in France, Pucca continues to grow her consumer products presence. She is particularly strong in apparel and stationery. Her success is generating interest in new markets.



Strong Power Rangers performance continues

Power Rangers had another good year. Disney Consumer Products, which represents merchandising rights, grew underlying revenue by over 15%⁴. Home Entertainment also did well, following our decision last year to bring representation of most of the rights in-house.



This is the 15th series of our hugely successful live-action adventure show. It is produced for the Jetix alliance by Power Rangers Productions. Jetix Europe markets the consumer products rights for Power Rangers through Disney Consumer Products.

⁴ Excluding the effect of the change in DCP's contract.

Operating and financial review continued:

Financial review

Our double digit EBITDA and operating profit growth reflects management's continuing attention to controlling costs, in light of slower revenue growth during the year. We also delivered strong operating cash flow growth, up €9.5 million to €26.4 million during 2007.

I am also pleased that we were able to distribute €50 million to shareholders during the year.

Revenue

Revenue increased 2% to €166.4 million. Channel and online revenues increased 2% to €122.9 million, with subscription revenue increasing 4% to €80.6 million offset by advertising revenue decreasing 6% to €37.3 million. Other channel and online revenue, including live events, research and interactive, was up €1.8 million at €5.0 million. The primary drivers of the improvement in channel and online revenues were an increase in the number of subscribers, partially offset by the full year impact of the price reduction in the Sky deal for the UK channel signed in the prior year. Advertising revenues decreased, notably in the UK and the Netherlands, offset by increased advertising in Italy and Poland.

Programme distribution revenue increased 11% to €21.0 million. The increase is primarily the result of a programme sale in Israel, partially offset by the appreciation of the Euro versus the US dollar as distribution sales are predominately US dollar-based.

Consumer products revenue was €22.5 million, a decrease of €1.1 million. The decrease was due to the change in recording DCP *Power Rangers* revenue on a net basis¹. Total consumer products revenue would have increased 10% had revenue been recognised on a consistent basis with the prior year, with both DCP *Power Rangers* and JCP gross revenues increasing year-on-year.

Marketing, selling and distribution costs

Marketing, selling and distribution costs decreased 8% to €50.0 million resulting from decreases in costs related to the change in the DCP *Power Rangers* contract¹, marketing expenses and music licence costs offset by production costs associated with the sale of programming in Israel and higher participation fees.

General and administrative costs

General and administrative costs increased 1% to €48.5 million. There was an increase in personnel-related costs and bad debt expense, largely related to specific provisions. This was offset by a release of provisions made in the prior year for indirect taxes (unallocated to segments) and lease exit costs charged in the prior year.

Operating cash flow €m

2005	22.8
2006	16.9
2007	26.4

Net profit attributable to shareholders €m

2005	6.1
2006	23.4
2007	37.3

EPS cents

2005	7.2
2006	27.6
2007	43.9



EBITDA

EBITDA increased 11% to €69.4 million. Channels and online EBITDA increased 6% to €51.1 million. This was primarily due to the increased revenue as described above on a flat cost structure. Programme distribution EBITDA increased 13% to €13.0 million due to the net impact of the programme sale within Israel and cost savings related to marketing expenses described above. Consumer products EBITDA increased 5% to €12.8 million, primarily driven by strong net growth of *Power Rangers*¹ offset by increased costs from participation fees. Shared costs not allocated to segments decreased 21% to €7.5 million due to the release of provisions for indirect taxes and lease exit costs charged in the prior year.

Amortisation and impairment of programme rights

Amortisation and impairment of programme rights (defined as cost of sales in the income statement) increased 3% to €43.4 million primarily due to increased amortisation associated with acquiring the worldwide rights on a number of properties offset by the appreciation of the Euro versus the US dollar, as the programme library is predominately US dollar based.

Finance income (net)

Finance income (net) increased €2.2 million to €5.9 million due to an increase in interest income earned from higher average cash balances during the year and higher interest rates.

Gain on foreign exchange

The gain on foreign exchange recognised during the year of €10.8 million 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 Euros².

Profit before tax expense

Profit before tax and minority interest increased by €13.6 million to €43.8 million, resulting from increased EBITDA as discussed above, a gain on foreign exchange and increased financial income.

Tax expense

The effective tax rate for the period was 14% compared with 22% in the prior period. This lower rate primarily reflects the differential pattern of profit distribution among the tax jurisdictions in which the group operates and the utilisation of deferred tax losses not previously recognised.

Minority interest³

Net profit attributable to minority interest increased by €0.3 million to €0.5 million resulting from higher profits from the Polish channel.

Earnings per share

Basic and diluted earnings per share increased to 43.9 cents from 27.7 cents and 27.6 cents, respectively in the prior period.

Cash flow

Cash and cash equivalents decreased by €27.6 million to €99.5 million from September 30, 2006 primarily as a result of the distribution to shareholders. Net cash generated from operations increased by €9.5 million to €26.4 million as a result of an increase in net profit and a reduction in programming spend, offset by an increase in the net amount due from our parent company, Disney.

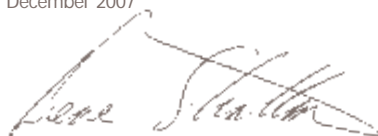
Outlook

As we publish this report we are expecting that revenue will be adversely affected in fiscal 2008 by a number of specific factors, which could cause revenue to decline by 10% to 15%.

The primary causes of this decline are specific changes in a number of our deals. In channels and online a further per subscriber rate decrease with Sky in the UK and the effect of our anticipated renewal with CanalSat in France will have an impact on subscription revenue. In programme distribution we are expecting a lower overall volume of programming to be delivered, and in consumer products we are not planning a third series of *A.T.O.M. Alpha Teens on Machines*, and therefore the master toy licence sale will not recur.

We are also anticipating that this revenue reduction will feed through to EBITDA, alongside specific cost increases from the end of a rent rebate period on one of our offices and an increased investment in developing our digital activities.

Dene Stratton
Chief Financial Officer
December 2007



¹ Reported revenue was unfavourably impacted by a change in our *Power Rangers* representation contract with DCP, which resulted in revenue being recorded net of DCP's share of revenue. Measured on a like-for-like basis against the prior year, impact on revenues was €3.6 million. Revenue had been recorded gross along with the related DCP commissions in marketing, selling and distribution costs under the previous arrangement. This change has been phased in during the first half of fiscal 2007.

² Primarily the result of 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.

³ Minority interest relates to a third party's 20% interest in Jetix Poland Limited.



Galactik Football is produced by Alphanim in France. It charts the progress of the Snow Kids, a football team from the planet Akillian, as they immerse themselves in the emotion and adventure of competing for the prestigious Galactik Football Cup.