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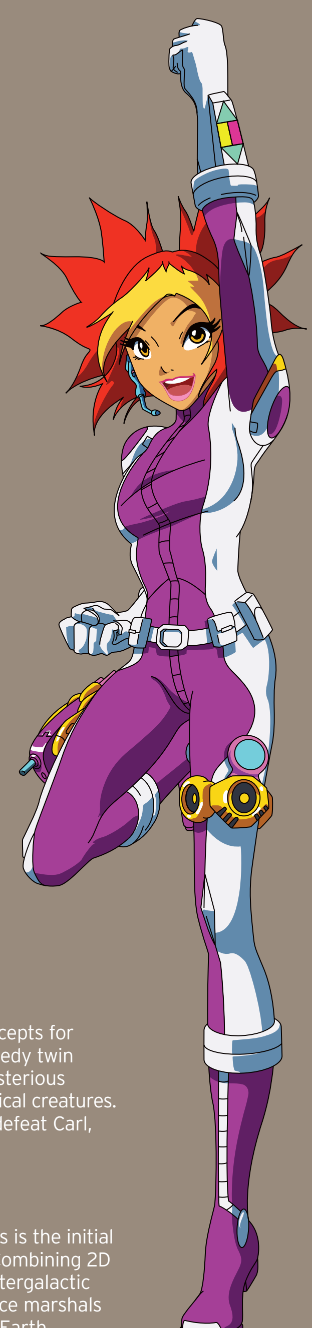
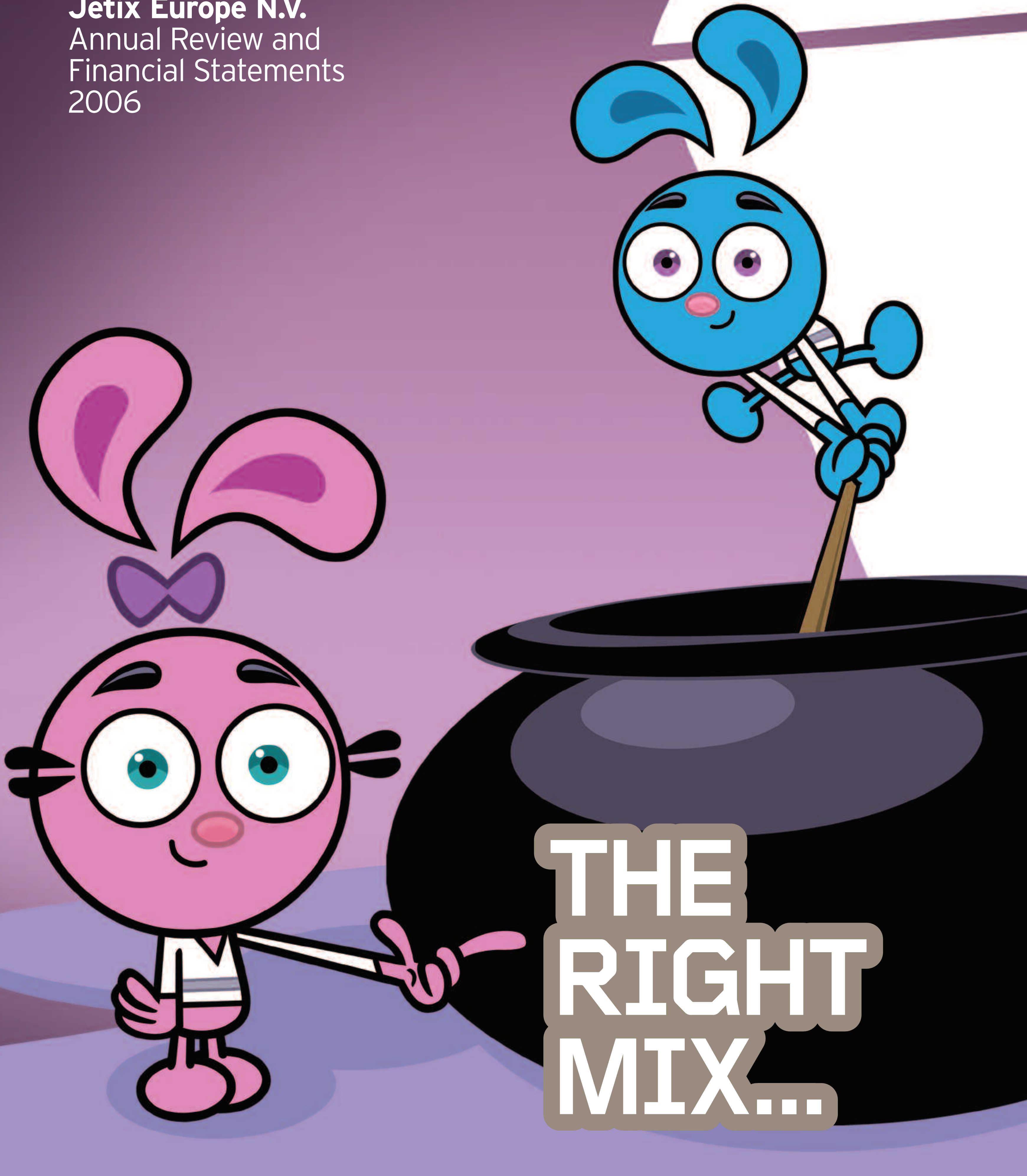


Front cover:
Ying Yang Yo!
Produced by Disney's Jetix Animation Concepts for the Jetix global alliance. In this action-comedy twin rabbits, Yin and Yang, live in a strange, mysterious world filled with magic, monsters and mythical creatures. They must become "Woo Foo" Knights to defeat Carl, the Evil Cockroach Wizard.

Back cover:
Team Galaxy
Co-produced with Marathon Animation, this is the initial production in an exclusive first look deal. Combining 2D and 3D animation, the series follows the intergalactic exploits of three friends, training to be space marshals at Galaxy High, the coolest high school on Earth.

Jetix Europe N.V. Annual Review and Financial Statements 2006

Jetix Europe N.V.
Annual Review and Financial Statements 2006



Delivering the best creative content
We invest heavily in creating terrific content, which our audience will love. We partner with leading producers, creators, artists and many others to ensure we have just the right idea, at the right time.

Get Ed
Get Ed is a Jetix alliance co-production with Disney's Jetix Animation Concepts. The hero, a genetically created boy derived from an ancient artefact, operates in cyberspace to foil information crimes.

IT'S OUR AWESOME CONTENT THAT KEEPS US FLYING HIGH...

A clear focus on adventure and cheeky humour

Jetix is recognised by our audience as the home of their favourite content – programming, games and characters which inspire and entertain, and which let kids rule their world.

Ōban Star-Racers
Jetix Europe co-produces *Ōban Star-Racers* with Sav! the World, Super RTL and France 3. Molly and her teammates compete in an epic, intergalactic race whose victor will be granted any wish by the God-like Avatar.

IT'S THE FASTEST AND MOST EXCITING AROUND – AND A LITTLE BIT CHEEKY TOO...

The right people to deliver

Our people understand kids, what they want, where they're coming from and where they're headed. Every day we're driven by the desire to make their world that little bit more fun.

Pucca

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.

Extending our reach

We're one of the most widely distributed kids networks in Europe. Our channels reach over 46 million households, and our programming and characters go much further.

Shuriken School

Jetix Europe has acquired pay television and consumer products rights for *Shuriken School* from Xilam Animation. This quirky comedy follows the playground adventures of a group of first year students at an under-funded Ninja school.

WE'RE REACHING OUT TO MAKE FRIENDS WITH A WHOLE NEW BUNCH OF KIDS WHENEVER AND WHEREVER...

Our strategy

Embracing new technology to create new opportunities

As technology develops, we're finding new ways for our audience to experience our content – be that streaming video to PCs, watching our channels on mobile phones or enhanced online games.

Sonic X

Sonic X is the latest incarnation of the classic game character, Sonic the Hedgehog. Jetix Europe owns television and consumer product rights outside Asia and North America and has acquired 78 episodes of this popular action comedy series.

ALWAYS ON THE LOOKOUT FOR NEW WAYS TO MAKE IT HAPPEN...

Our strategy

Maximising the value of our characters

Away from television and computers, our characters continue to reach and entertain our audience in many different ways, from toys and games through to magazines and clothes.

Power Rangers – Space Patrol Delta

This is the 13th 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.

AND WE GET THE MOST OUT OF OUR CHARACTERS.

WE ARE JETIX.

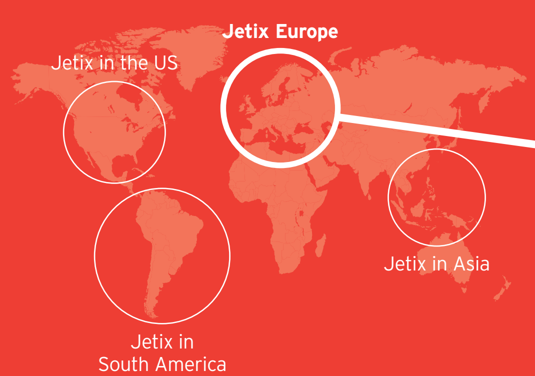
Contents

This is Jetix

Jetix Europe partnered with The Walt Disney Company (Disney) to create Jetix, a global kids entertainment brand. Jetix targets kids aged six to 14 with a unique combination of adventure and cheeky humour.

Jetix is becoming a truly global brand:

- 289 million households
- 80 countries
- 25 languages



Jetix Europe N.V.

Jetix Europe is a leading kids entertainment company with localised channels, programme distribution and consumer products businesses in Europe and the Middle East.

- 15 channel feeds reach over 46 million households
- 17 localised websites
- Programming sold to over 95 broadcasters
- Consumer products offices or representation in 45 countries

Share ownership

74%
ABC Family Worldwide
(a subsidiary of The Walt Disney Company)

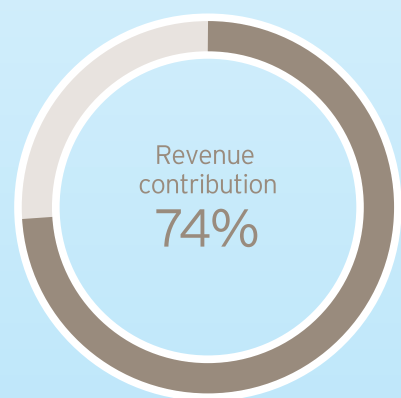
26%
Public shareholders
(listed on Euronext Stock Exchange)

Content is at the heart of everything we do – and fuels our **three business lines:**

Channels and online

Our network of 15 television channels reaches over 46 million households across Europe and the Middle East. We broadcast in 18 languages to 58 countries. We manage 17 localised websites, which support these channels and allow kids to interact with our content. We are developing new digital distribution channels, such as broadband and mobile.

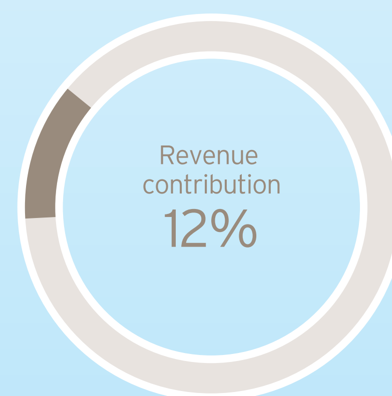
We generate revenue from subscriptions to satellite and cable pay television operators, and from advertising. Other revenue comes from a number of sources, including live events and interactive games.



Programme distribution

We sell television programming which we own or represent to other broadcasters, usually free-to-air channels. We also sell programming to our partners in the Jetix alliance. Third party programme sales are serviced by Disney's Buena Vista International Television. We currently sell to over 95 clients in 59 markets.

We earn licence fees from broadcasters for the right to air our programming, generally for a limited number of runs over a specific time period.

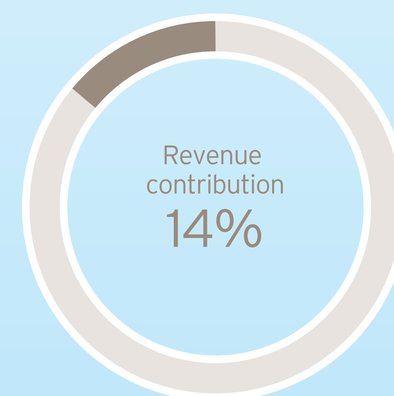


Consumer products

We license rights to our characters and properties for a wide range of merchandising and media, across Europe and the Middle East.

This is managed by our in-house operation, Jetix Consumer Products, through its network of seven regional offices and agents in a further 38 countries. Jetix Consumer Products also licenses programming for home entertainment use. We have outsourced representation of our largest property, *Power Rangers*, to Disney Consumer Products.

We derive revenue from royalties. In most cases we negotiate a minimum guarantee, together with a variable fee based on sales.



Message from the Chief Executive

I am very pleased to announce strong full year results for 2006. Revenue has increased by 12% and net profit is up to €23.4 million. The figures demonstrate that our clear focus on long-term strategic objectives is already enhancing performance.

The Company has three core strategic assets: great content, our alliance with The Walt Disney Company and our brand. Our long-term strategy is simple. We aim to grow the business and enhance its profitability by maximising the value of each of these assets.

Kids entertainment is an exhilarating area to be involved in. It is also one of the most demanding markets in the world.

Content is central to all of our operations. There are no guarantees; we fully understand that today's hit product may be out of favour next year. Our primary challenge is always to develop content that satisfies kids' high expectations and caters to their rapidly changing tastes.

The people who consume our products are content experts. Kids are passionately committed to the characters they follow; they understand them intimately. As every parent knows, they will not be satisfied with sub-standard products.

We have taken delivery of a strong slate of programming this year. Our epic co-production, *Ōban Star-Racers*, is now airing on our network and on European free-to-air channels. We have commissioned a second *Pucca* series in response to consumer demand. *Power Rangers* is achieving strong free-to-air television sales and remains an exceptional consumer products property. *A.T.O.M. Alpha Teens on Machines* and *Sonic X* continue to impress in the consumer products space.

Currently, TV is the dominant medium for transmission, but the media market is evolving. And we have to be ready, because kids are early adopters of technology.

I see it with my own children. My youngest son is eight. He wasn't even born when digital TV first came to our screens. Technology doesn't constrain him. He is equally at home on the internet, with a gaming console, mobile phone or DVD. To him, these are just different platforms for accessing content.

It illustrates another important challenge, which the business is addressing. We need to get our content to our audiences, whenever and wherever they want it.

During the year, we have continued to secure our TV channel distribution network, most notably through the renewal of our Sky deal in the UK, which we announced in our interim results.

Alongside television content, we are developing multiple points of contact with our audience. We are exploiting new platforms for content delivery and adding to the mix of business models across our activities. In the Netherlands, for example, we have launched an online video-on-demand service, funded by advertising. The site went live in June. It has already streamed over four million pieces of content, both programming and advertising.

We have increased our presence in both online and print media. We have experienced an upsurge in unique visitor numbers to our websites. The launch of a new magazine in Spain has enhanced our print presence.

Our consumer products division continues to perform well. The popularity of *A.T.O.M. Alpha Teens on Machines* has secured home entertainment deals in new markets. The continued success of *Pucca* is helping to develop new product categories. *Power Rangers*, represented by Disney Consumer Products, has again been a notable success, demonstrating strong year-on-year growth.

We are strengthening our alliance with Disney. During the year Disney's Cable Networks Group in the US acquired several Jetix Europe productions/co-productions. *Ōban Star-Racers, Pucca* and *A.T.O.M. Alpha Teens on Machines* are all now airing in the Jetix-branded block on the Toon Disney channel.

We have extended our content creation partnership. Our jointly commissioned show, *Yin Yang Yo!*, aired in the US this year and was the top rated show on the Jetix block.

Kids want powerful content allied to a strong brand. Our brand is now in its second full year of operations across all activities. We are one of the leading European kids entertainment companies. We enjoy widespread recognition with our audiences and our commercial partners.

It is people that create momentum and I am constantly impressed by the energy and commitment I encounter here. I'd like to take this opportunity to thank all of the Jetix people for the great work they do. This year of achievement is a testament to their skills, dedication and drive. Together, we will achieve great things.

The kids entertainment market continues to change rapidly. Our powerful brand, large audience, geographical reach, mix of businesses and the alliance with our parent, The Walt Disney Company, allow us to look to the future with confidence.

Paul Taylor
Chief Executive Officer
December 2006

Achievements in 2006

- Strong financial results
- Sky distribution renewed
- Continued development of Jetix alliance
- Growth in consumer products

Priorities for 2007

- Continue content investment
- Implement digital distribution strategy
- Conclude key distribution deals

Revenue €m

2005	145.3
2006	162.8

EBITDA[1] €m

2005	49.2
2006	62.4

Net profit attributable to shareholders €m

2005	6.1
2006	23.4

(1) Consistent with prior years, EBITDA is stated before programme amortisation, impairment and depreciation. EBITDA less depreciation, amortisation and impairment is equivalent to operating income.

Operating and financial review: Our business and markets

Jetix Europe is one of the largest kids entertainment companies in Europe. We invest in creating and owning content, which our audience will love. We deliver it to them in different 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 franchise.

Activities

Content is at the heart of what we do. We invest heavily in securing high quality content from a wide range of sources.

We have a three-tiered strategy for content acquisition. Firstly, we co-produce content with our Disney global partners in the Jetix alliance. Secondly, we co-produce with leading production companies around the world. Thirdly, we acquire properties – either on a pan-European basis or for a specific territory.

Our three divisions, Channels and online, Programme distribution and Consumer products deliver this content to our audience. Our largest division, Channels and online, runs our network of channels across Europe and the Middle East. It supports each channel with a localised website.

The programme distribution division sells our television content to third party channels, usually free-to-air television channels. It is serviced by Disney's Buena Vista International Television.

Our consumer products division licenses our properties for use in a wide range of products and on a variety of merchandise, as well as for home entertainment.

Ownership

Jetix Europe is listed on the Euronext exchange in the Netherlands. Our majority shareholder, Disney, owns approximately 74% of the Company.

Jetix alliance

In 2004 Jetix Europe announced a programming and brand alliance with Disney, its parent company. The alliance covers the Jetix Europe owned operations in Europe and the Middle East, and Jetix-branded operations owned by Disney in the US, Latin America and Asia. Together we have developed Jetix as a common brand. We co-finance the development of some of our new content to be aired across all of the alliance's operations.

Our content strategy

- Jetix Europe led co-productions — Example: Oban Star-Racers
- Jetix alliance co-productions with Disney — Example: Yin Yang Yo!
- Acquired programming — Example: Sonic X

Our strategy in brief

- Invest in the best creative content
- Develop Jetix brand and alliance
- Attract and retain the best people
- Extend reach of channels
- Embrace new technology
- Maximise value of characters outside TV

How our business works

Content

Jetix-branded TV channels	Third party TV channels	Digital distribution	Home entertainment	Consumer products
Typical revenue streams: Subscription, Advertising	Typical revenue streams: Licence fees	Typical revenue streams: Advertising, Fees	Typical revenue streams: Licence fees	Typical revenue streams: Royalties

In 2004 and 2005 our European operations, formerly known as Fox Kids, were rebranded as Jetix. Simultaneously, Disney renamed the Fox Kids Latin America channel network and launched the Jetix brand in the US as a programming block on Toon Disney. It is currently developing Jetix programming blocks in Japan, India and elsewhere in Asia.

This year, Disney's Jetix Animation Concepts produced *Yin Yang Yo!*, our fourth Jetix alliance co-production. Previously they had produced *Super Robot Monkey Team Hyperforce Go!* and *Get Ed*. *W.I.T.C.H.* was produced by SIP in Paris. We have also sold three Jetix Europe led productions/co-productions to our US alliance partners.

Resources and facilities

Jetix Europe has one of the largest children's programming libraries. We have over 6,000 episodes and own[1] pay and free television rights in most of our territories. We also own consumer products rights in many territories.

We continually refresh our library with new productions and acquisitions. In addition, we have acquired pay television rights in one or more countries for a significant volume of programming.

We broadcast our channels from technical facilities across Europe. These are generally provided by third party suppliers.

People

Jetix Europe employs 364 people in 10 European countries. As a creative media company, we depend on being able to attract and retain high-quality personnel. We promote diversity within the business; over 32 nations and 25 different languages are represented. Our people are passionate about kids and dedicated to creating and delivering the very best entertainment experience. We could not succeed without them.

Risks

Jetix Europe operates in a competitive environment. We face limited distribution capacity and strong demand both for audiences and content. We rely on strong content, effective distribution and our ability to meet the demands of our audience. Our markets are highly regulated and employ increasingly complex technology. Pages 36 to 38 review the risks we face in more detail.

Marketplace

Jetix Europe operates in the kids entertainment market. We reach our audience through a number of different channels and media. Most business lines are focused on Europe and the Middle East. We own some programming and consumer products in other territories and have representation in these markets.

Pay television is our most important market. We typically supply our channels to pay television distributors, who offer multi-channel packages to their consumers. In most territories Jetix is a basic-tier channel, supplied to the majority of the distributor's customers. In return, Jetix receives a fee per subscriber.

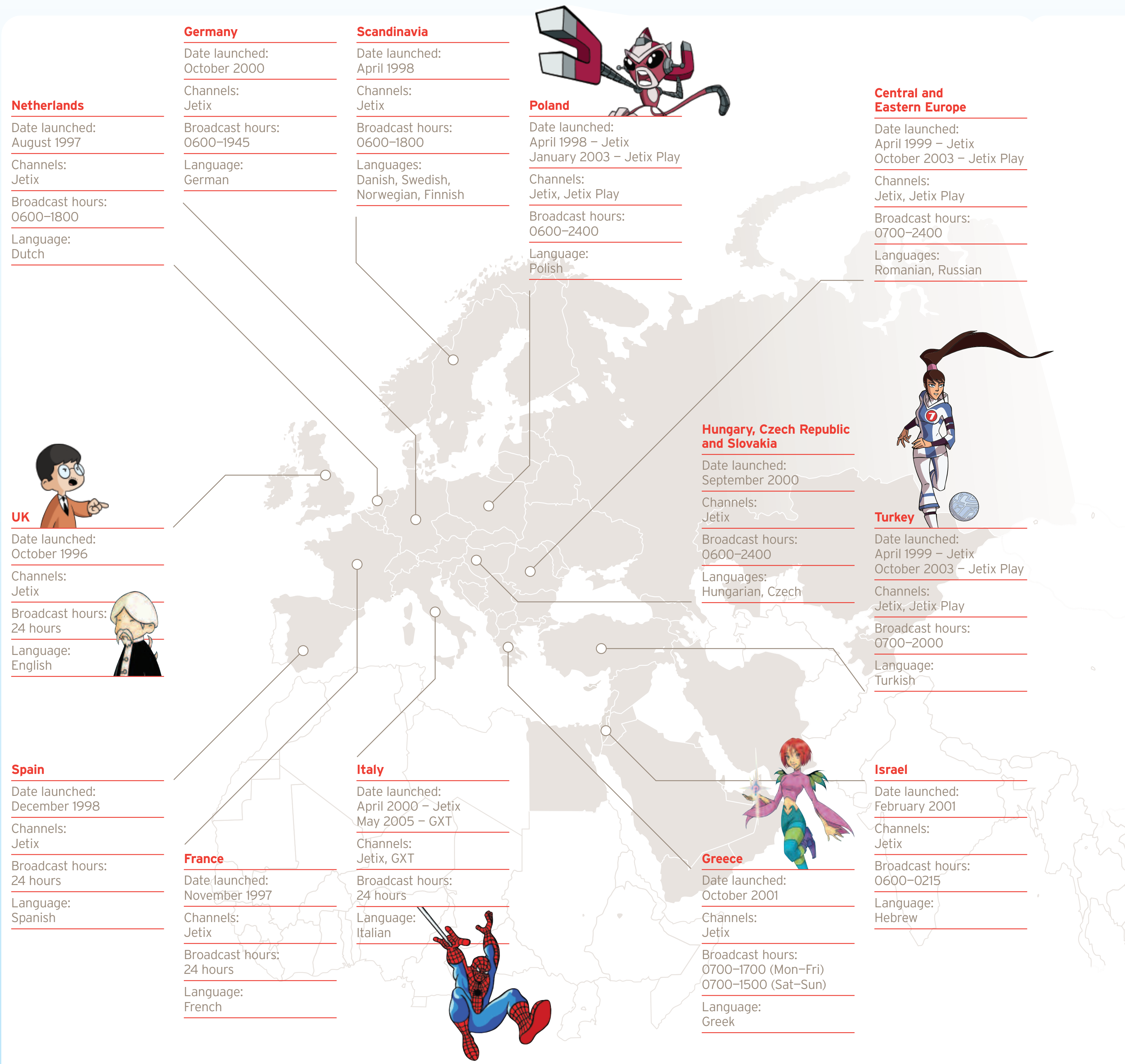
We are also active in the advertising market, selling commercial airtime, sponsorship and other media space on our channels and websites. We compete with adult and other kids channels, as well as other media, for the promotional spend that is targeted at our audience.

In the Netherlands we operate a free-to-air television channel, and in other territories we sell our programming to third party free-to-air television channels. We compete with other suppliers of children's programming and sell both individual programmes and packages of programmes to broadcasters. We typically sell rights to broadcast a limited number of runs within a defined period.

We license consumer product rights to a wide range of manufacturers, media owners and service providers. We depend upon the continued attractiveness of our intellectual property to potential consumers to add value to their products and services.

1 Or control through a long-term lease.

Operating and financial review continued:
Our business and markets continued



Channels initially launched as Fox Kids and then rebranded to Jetix in 2004/2005.
Jetix Play is one channel feed, distributed in a number of markets and languages.

Market development and competitive position

The kids entertainment market is changing rapidly as technological developments open up new ways of reaching our audience. We are seeing the development of broadband distribution of television programming, downloads to portable devices and television on mobile phones. We may also see completely new categories of content emerge. Technology is also changing the content production process. This is reducing costs and allows us to extend our creative range.

We know that kids are early adopters of new technology and each generation becomes more technology literate. Having said that, we still expect that traditional television channels will remain the dominant distribution mechanism in the medium term.

We want to reach our audience through all possible means. We are actively developing content formats for new distribution channels, to allow kids to consume our product whenever and wherever they want. We are ready to use these new channels as they become economically viable.

We are currently one of only four companies with a pan-European kids network of television channels. The other major groups are Time Warner's *Cartoon Network*, Viacom's *Nickelodeon* and our parent company's *Disney Channel*, and all of their related channel brands. In most territories there is also a mixture of local private and state-funded kids channels and programme blocks.

We compete with other channels to produce or acquire the best kids television programming. In the free-to-air television sales market we compete with a range of other programme providers. In consumer products markets the competition includes all kids' intellectual property owners – from any media, not just television.

We are a major player in programme sales and consumer products. However, these markets are highly fragmented and our market share is commensurately low. To succeed, we must ensure that our future programming and characters attract broadcasters and licensors.

Jetix reach

Channel feed	As at September 30, 2006 Households reached '000	Number of countries covered
UK	9,471	3
Central & Eastern Europe	7,408	18
Netherlands	6,775	2
Italy	3,732	1
France	3,681	6
Poland	3,131	1
Scandinavia	2,696	5
Spain	2,627	1
Hungary, Czech Republic and Slovakia	2,276	3
Germany	1,976	3
Turkey & Middle East	1,881	14
Israel	799	1
Greece	324	1
Total	**46,777**	**59***

*Two channel feeds cover Belgium (Netherlands and France) so total countries reached is 58.

Operating and financial review continued:

Channels and online

Achievements in 2006

- Revenue, EBITDA and operating income growth
- Households reached increased to 46.8 million
- Sky deal renewed
- Online traffic grew strongly
- Ad-funded online video player launched in Netherlands

Priorities for 2007

- Continue to grow network reach
- Implement digital distribution strategy
- Conclude key distribution deals

+8%
Advertising revenue
Strong growth in Italy following GXT launch

+€3.9m
Subscription revenue
Increased distribution of channels

46.8m
Households reached
Up 12% on September 2005

>100m
Average page views per month
Increasing popularity of online

Revenue €m

2005	113.0
2006	120.3

EBITDA[(1)] €m

2005	45.5
2006	48.2

(1) Consistent with prior years, EBITDA is stated before programme amortisation, impairment and depreciation. EBITDA less depreciation, amortisation and impairment is equivalent to operating income.

Channels and online is Jetix Europe's largest division. It controls a network of 15 channels across Europe and 17 websites. Our television channels are localised. We broadcast in 18 languages in 58 countries. Our core Jetix-branded network, with 13 feeds, targets kids aged six to 14. We have an older targeted channel, GXT, which broadcasts in Italy, and a younger targeted channel, Jetix Play. The division is also responsible for developing innovative distribution systems for our television content, including video-on-demand, mobile and broadband.

Strategy

Our overriding strategy is to deliver great content, which our audience loves, aggregated under the Jetix brand, whenever and wherever they want. Our channel network remains our core distribution channel. We will continue to develop this network. We are extending its reach, by attracting new audiences and by making it available to more households.

Advertisers are attracted by our audience demographics and our pan-European proposition. We will maintain our focus on growing advertising revenue. As technology develops we will develop new, profitable routes to market.

Highlights in 2006

Our channel network grew its reach by 12% this year. We are now available in 46.8 million European and Middle Eastern households.

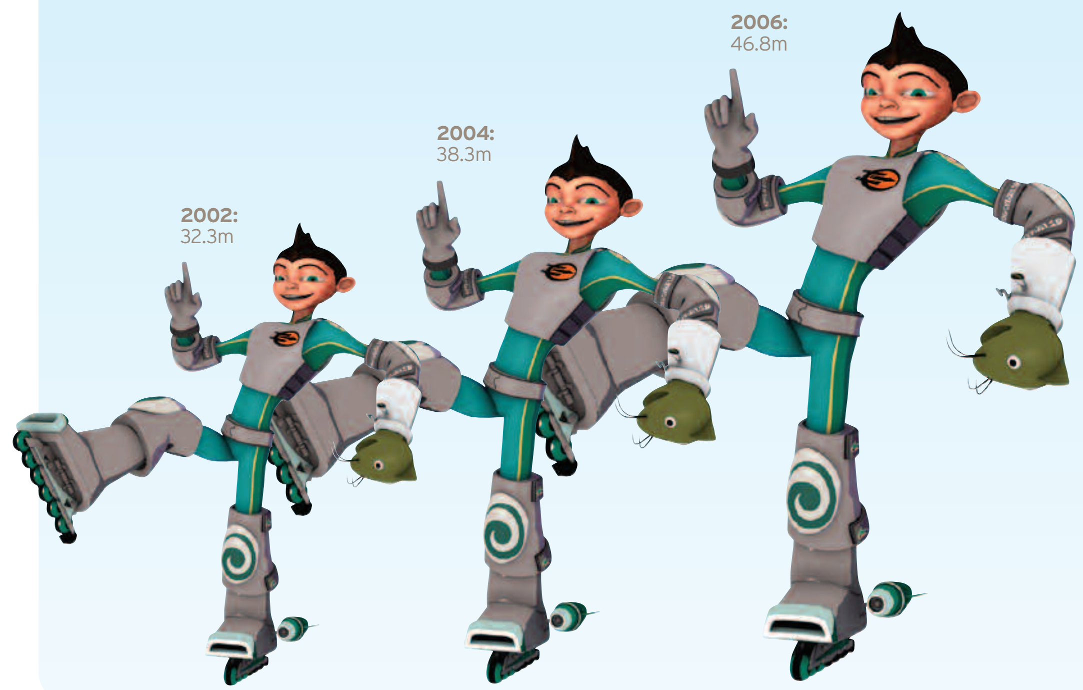
We renewed several key channel distribution deals. In the UK we have extended our deal with Sky through to 2009, with an option to extend it until 2012. This has secured our position on the leading platform in Europe's largest pay television market. As part of this deal we have agreed to a stepped reduction in our subscriber revenue per household. An initial reduction in fiscal year 2006 will be followed by a further reduction in 2008[1]. We have also extended deals with Telewest and NTL in the UK, pending their merger, and with ONO in Spain.

Advertising revenue increased by 8% during the year. Italian revenues benefited from the launch of GXT. Central and Eastern Europe, France and Germany also returned strong performances.

We use live events to engage directly with our audiences, reinforcing brand loyalty. In July, to coincide with the FIFA World Cup, we held the international final of the Jetix Kids Cup in Munich. Teams from 14 countries took part, including, for the first time, Japan, following the launch of the Jetix brand in that market[2]. This event also allowed us to promote an active lifestyle.

1 There will be a further reduction after 2008 if Jetix exercises its option.
2 Jetix in Japan was launched by Disney.

Growth in households reached Millions



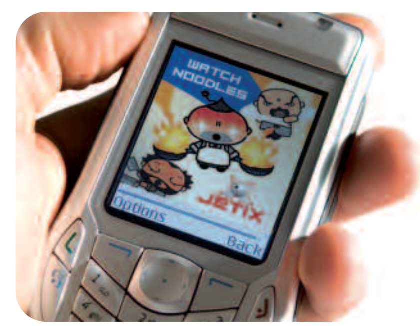
Our online presence has continued to grow strongly. Traffic on our 17 websites was up by almost 50%, to an average of over 100 million page views per month. In the Netherlands, we launched a web-based broadband video service funded by advertising. Viewers can stream favourite episodes to their PCs. Early take-up has been encouraging. Over four million pieces of content have been streamed in the first few months[3].

We have launched a content streaming service in the UK and Italy, delivering short-form clips and commercials. We are trialling distribution to mobiles in France, Sweden and Spain. We are also supplying content to third party video-on-demand services and piloting IPTV distribution of our channel in France.

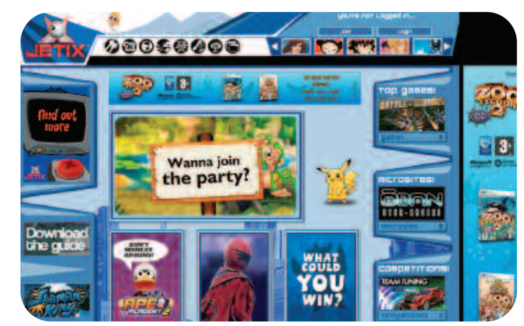
Priorities for 2007

Developing our channel network, by increasing our reach and attracting a larger audience, will remain our top priority for 2007. Securing strong content is critical to this. We will complement our pan-European flagship programming with local acquisitions to maximise the local appeal of each of our channels.

We will experiment with new ways of distributing our channels. We expect that broadband distribution of both video and supporting content, especially games, will be at the heart of these developments.



Latest technologies
We are running trials distributing our content through new technologies, including mobile, broadband and video-on-demand. Mobile trials this year included simulcasting our channel and selling individual pieces of content.



Online
Our 17 websites have continued to grow and now average over 100 million page views per month. In the Netherlands we have launched an advertising funded broadband video player, allowing viewers to watch episodes whenever they like.

3 Each advert or programme are counted as individual pieces of content.

Operating and financial review continued:

Programme distribution

Revenue €m

2005	17.8
2006	19.0

EBITDA[1] €m

2005	11.7
2006	11.5

(1) Consistent with prior years, EBITDA is stated before programme amortisation, impairment and depreciation. EBITDA less depreciation, amortisation and impairment is equivalent to operating income.

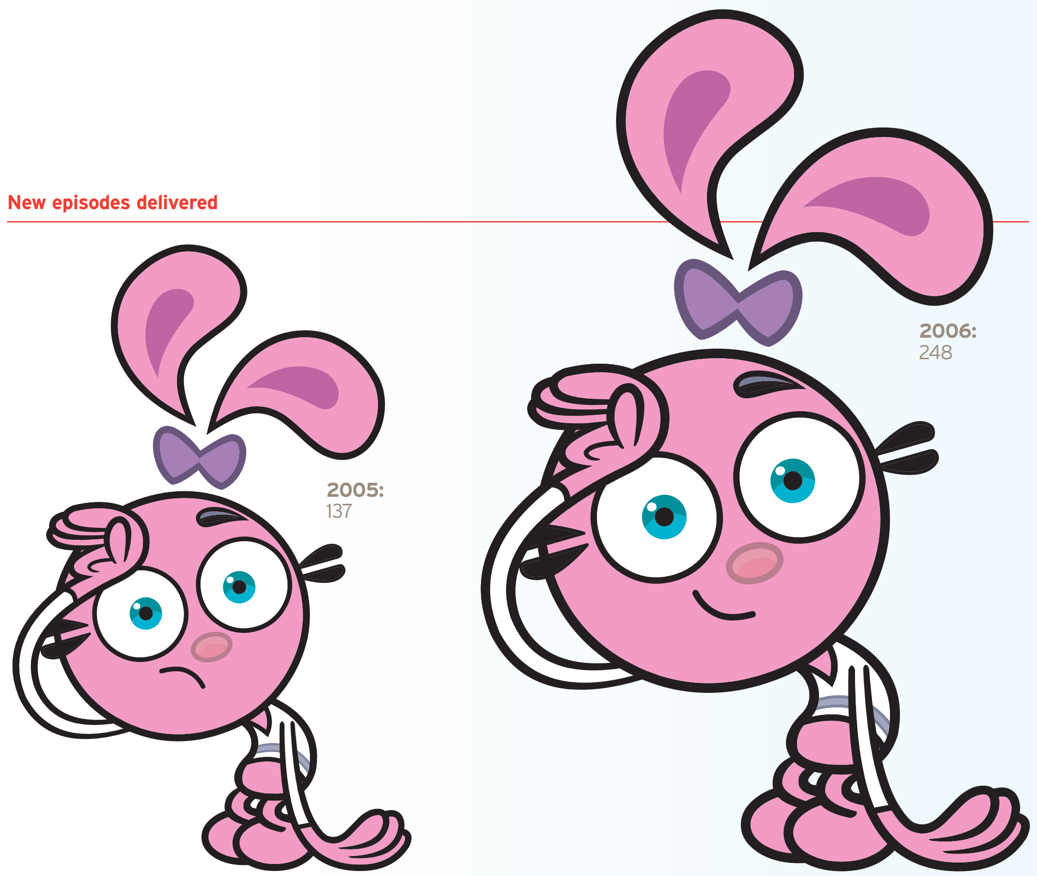
Achievements in 2006

- Division performance stabilised
- Programming sold to US alliance partners
- Strong sales from flagship titles
- 248 new episodes delivered

Priorities for 2007

- Continue investment in content
- Focus on new titles *Yin Yang Yo!* and *Captain Flamingo*

New episodes delivered



248
New episodes delivered
Includes co-productions and acquisitions

4
New series commissioned
Including *Yin Yang Yo!* with our alliance partners

93
Episodes
In our programme pipeline

>95
Clients
In 59 markets

New alliance production *Yin Yang Yo!*
This new series has been produced by Disney's Jetix Animation Concepts Division, and is the latest co-production to be financed by the Jetix global alliance.

***Ōban Star-Racers* sold to Jetix in the US**
This year Jetix Europe has sold three titles, including *Ōban Star-Racers*, to Disney ABC Cable Networks Group (US). These titles are airing in the Jetix-branded programming block on Toon Disney in the US.

Our programme distribution division sells our television programming to third party and other Jetix alliance channels. Jetix Europe's library of over 6,000 episodes[1] is refreshed each year with our new programme production and acquisitions.

Our third party customers are typically free-to-air broadcasters. We sell to over 95 clients in 59 markets. This division is serviced by Disney's Buena Vista International Television (BVITV), allowing us to leverage their market access and global scale.

Strategy

The division relies on having strong programming to sell. We will maintain our current strategy of investing in great content. We will secure significant positions in our properties by continuing to invest heavily in a limited number of great programmes. We will employ a range of strategies to obtain the best programming. We will 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. Where possible, notably in less developed markets, we aim to secure Jetix-branded programme blocks, which help to build our brand presence and act as powerful marketing for our channels.

Highlights in 2006

Overall, the division has shown moderate revenue growth. This was primarily due to Disney-owned Jetix operations in the US and Latin America acquiring several Jetix Europe led productions/co-productions. Disney ABC Cable Networks Group bought *A.T.O.M. Alpha Teens on Machines, Pucca* and *Ōban Star-Racers*. Jetix Latin America bought several titles, including *Sonic X* and *Pucca*. These sales are on a title-by-title basis and are likely to occur infrequently. These are flagship titles and Jetix Europe had secured broader territorial rights on them than would normally be the case.

Our core, third party programme sales have stabilised, supported by a strong performance from our major 2006 titles. *Power Rangers* has continued to sell well, alongside *A.T.O.M. Alpha Teens on Machines, W.I.T.C.H., Pucca* and *Ōban Star-Racers*. These titles have enjoyed good terrestrial audiences. *W.I.T.C.H.* aired in all five major European markets and was ranked by kids as one of the top two programmes for its timeslot. *Sonic X* was notably strong in Italy, where it attracted more than 40% of the kids audience.

We have taken delivery of 248 new episodes of programming this year, well ahead of last year. There were 102 episodes of Jetix Europe led productions or co-productions *(Ōban Star-Racers, Pucca, A.T.O.M. Alpha Teens on Machines, Monster Warriors)*, 118 episodes were co-produced with our US alliance partners *(Power Rangers, Get Ed, Yin Yang Yo!, Super Robot Monkey Team Hyperforce Go!, W.I.T.C.H.)* and 28 episodes were acquired, including *Captain Flamingo*.

Four new series were commissioned during the year. *Yin Yang Yo!*, produced by Disney's Jetix Animation Concepts, and the latest series of *Power Rangers* further our relationship with our Jetix US partners. The second series of *Pucca* strengthens this successful consumer products property. We also acquired *Captain Flamingo* from Breakthrough Entertainment in Canada. At the end of the year we had 93 episodes in production.

Priorities for 2007

Next year we intend to secure, and take a substantial ownership position in, more great content. We will continue to invest, both in new properties and in the development of existing properties.

We will work with BVITV to get our programming to the widest possible audience and to build on our position as a leading kids entertainment supplier.

1 Half hour equivalents, as of September 30, 2006.

Operating and financial review continued:

Consumer products

Achievements in 2006

- Strong revenue and profit growth
- *Power Rangers* continues to grow
- Over 80 licensees for Pucca
- *A.T.O.M.* strong in home video
- New rights secured

Priorities for 2007

- Develop *Ōban Star-Racers*
- Continue growing *Power Rangers*
- Maintain focus on *Pucca*

Jetix magazine launched in Spain
Jetix-branded magazines are now in the Netherlands, UK and Spain. These promote the brand, as well as offering another medium for our commercial partners to reach our audience.

***Power Rangers* goes from strength to strength**
DCP has continued to grow *Power Rangers*, and has been expanding beyond the traditional action figure toys into new categories.

Our consumer products division licenses our characters and programmes for use in merchandising and home entertainment. The properties we represent are used in a variety of ways. Toys are a major category, but we also publish magazines and our characters appear on numerous products, from toiletries to apparel.

Disney Consumer Products (DCP) is the global representative for our *Power Rangers* brand. Other brands are represented through our in-house consumer products team, Jetix Consumer Products (JCP). We represent properties where we own the underlying consumer rights and act as agent for third party properties, usually in combination with airing the associated television programming on our channels.

Strategy

We intend to continue pursuing our dual strategy in consumer products with DCP representing *Power Rangers* and JCP representing our other properties. We benefit from DCP's global scale and market access for our largest brand. Our smaller brands profit from the dedicated focus which our in-house operation can bring.

Pucca Licensees

Revenue €m

2005	14.5
2006	23.6

EBITDA[1] €m

2005	5.0
2006	12.2

(1) Consistent with prior years, EBITDA is stated before programme amortisation, impairment and depreciation. EBITDA less depreciation, amortisation and impairment is equivalent to operating income.

We will continue to use our significant investment in flagship programmes to secure consumer products rights. 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, where appropriate.

Highlights in 2006

The consumer products division has continued to achieve strong growth. A key factor has been the minimum guaranteed revenue on master toy deals for *A.T.O.M. Alpha Teens on Machines* and *Sonic X*.

Power Rangers again performed strongly. Core categories did well and new categories were developed. *Power Rangers* remains a significant property for DCP, and it has benefited from their global support and attention.

JCP's merchandising activities generated strong performances from *Sonic X* and *Pucca,* and the Jetix brand has continued to develop well. *Pucca* now has over 80 licensees in place. We have extended the reach of the Jetix brand in Spain with the launch of a new magazine.

We own global rights to *A.T.O.M. Alpha Teens on Machines*. The property has performed strongly for JCP Home Entertainment, selling in over 50 countries. It is the first time we have been able to license a home entertainment property to the US market.

During the year we secured consumer products rights for *Yin Yang Yo!, Monster Buster Club* and *Captain Flamingo.* Securing the rights to *Yin Yang Yo!* is notable as previously DCP represented all consumer products for US-led alliance co-productions. We have also been appointed to represent the rights for the classic *Sonic the Hedgehog* character, following our success with the new *Sonic X.*

Priorities for 2007

We will continue to pursue our dual strategy. DCP's global representation of *Power Rangers* has proved very effective and we anticipate that this property will continue to be successful. Within JCP, we will build on the current high levels of interest in *Pucca*. Our flagship title, *Ōban Star-Racers*, aired in Autumn 2006. It is already generating significant interest from licensees.

7
Local JCP offices
JCP runs a pan-European network of offices

38
Countries in which JCP is represented
JCP uses agents where it doesn't have an office

>80
Pucca licensees
On a wide range of product from clothes to toys

>50
Countries bought A.T.O.M.
A.T.O.M. is a key property for JCP Home Entertainment

Operating and financial review continued:

Financial review

We are delighted to have achieved solid revenue, EBITDA and operating income growth for 2006 in line with, or exceeding, the targets disclosed last year. Operating cash flow was adversely affected by paying down net related party liabilities to our parent company.

This is the first full year in which the Company has prepared financial information under International Reporting Standards (IFRS). The transition to IFRS has changed the reported profitability of the Company, but has not impacted the underlying economics of the business or its ability to generate cash.

Revenues

Revenue increased by 12% to €162.8 million[1]. Channels and online revenue increased by 6% to €120.3 million, with subscription revenue increasing by 5% to €77.6 million and advertising revenue increasing by 8% to €39.5 million. Other channels and online revenue, including live events, research and interactive, was up 19% at €3.2 million. The primary drivers of growth in channel and online revenue were an increase in the number of subscribers – partially offset by the impact of the Sky UK deal – and strong advertising growth, notably in Italy, following full year revenue related to GXT, and in Central and Eastern Europe.

Programme distribution revenue increased by 6% to €19.0 million. The increase was primarily driven by significant sales to Jetix US of flagship titles *Ōban Star-Racers* and *A.T.O.M. Alpha Teens on Machines*.

Our consumer products revenue increased by 63% to €23.6 million. This increase was driven by significant growth in sales related to *Power Rangers,* represented by DCP, and minimum guaranteed revenues related to the master toy licensing deal on *A.T.O.M. Alpha Teens on Machines* with Hasbro.

Marketing, selling and distribution costs

Marketing, selling and distribution costs increased by 13% to €54.1 million. This was principally due to an increase in sales commissions in line with higher channel advertising sales and higher *Power Rangers* revenues within consumer products. During the year there were also increases in channel-related costs including music licence fees, increases in Jetix brand pan-European promotional and marketing expenses, full year costs associated with GXT and higher technical costs. These increases were partially offset by lower participation fees for the programme library, which primarily affected the channels and online business.

General and administrative costs

General and administrative costs decreased by 3% to €48.1 million. This was principally due to the recognition of a provision in the prior year for indirect taxes and a decrease in bad debt expense as a result of improved collections of accounts receivable. These decreases were largely offset by additional lease exit costs and an increase in payroll-related expenses, including termination costs.

EBITDA

EBITDA increased by 27% to €62.4 million. Channels and online EBITDA increased by 6% to €48.2 million. This was driven primarily by subscription and advertising revenue growth being only partially offset by the channel cost increases described above. Programme distribution EBITDA decreased by 2% to €11.5 million driven primarily by increased mastering and selling costs due to the increased volume of new episodes delivered. Consumer products EBITDA increased by 145% to €12.2 million, with strong revenue growth partially offset by increased costs from sales commissions. Shared costs not allocated to segments decreased by 27%, primarily due to the recognition of a provision in the prior year for indirect taxes.

1 All comparisons and percentage changes are stated versus the year ended September 30, 2005.

Revenues by territory	€'000	%
United Kingdom & Ireland	41,256	25.3
Italy	24,271	14.9
France	19,753	12.1
Benelux	18,642	11.4
Central and Eastern Europe	15,574	9.6
Germany	13,951	8.6
Middle East	7,130	4.4
Spain & Portugal	6,519	4.0
Poland	5,948	3.7
Nordic Region	5,843	3.6
USA	1,994	1.2
Other	1,957	1.2
Total revenue	**162,838**	**100**

Amortisation and impairment of programme rights

Amortisation and impairment of programme rights (defined as cost of sales in the income statement) decreased by 6% to €42.3 million primarily due to the net impairment of programme rights in the prior year. The key accounting difference compared to the prior year is the change in estimate related to the amortisation of the programme library, referred to in Note 6. This revised method of estimation has not led to a significant impact on the programme rights amortisation charge for the full year results.

Financial income (net)

Financial income (net) increased by 88% to €3.6 million due to an increase in interest income earned from higher cash balances and higher interest rates.

Foreign exchange

The Group recognised a €5.9 million gain on foreign exchange during the year. This primarily related to gains on inter-company transactions with foreign group members where the Euro is not the functional currency.

Profit before tax

Profit before tax and minority interest increased by 310% to €30.2 million, resulting from increased operating profit, a gain on foreign exchange and increased financial income.

Tax expense

The effective tax rate was 22% compared with 13% in the prior period. The increase was primarily due to the recording in the prior period of a deferred tax asset resulting from an intragroup transfer of programming rights. This asset will be charged to the income statement over a period of six years beginning with the current fiscal year.

Minority interest[2]

Minority interest decreased by 35% to €0.19 million. Higher profits from the Polish channel were partially offset by a one-off adjustment to minority interest in the prior year.

Earnings per share

Basic and diluted earnings per share increased to 27.7 cents and 27.6 cents respectively, resulting from higher net profit attributable to shareholders.

Cash flow

Cash and cash equivalents increased by €24.0 million to €127.1 million from September 30, 2005. Net cash generated from operations during the period decreased by €5.9 million to €16.9 million as the increase in net income was more than offset, primarily by the paying down of net related party liabilities to our parent company, Disney, and significant non-cash charges in 2005.

Dene Stratton
Chief Financial Officer
December 2006

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

Management Board

1 Paul Taylor
Chief Executive Officer

Date of birth: September 30, 1958

Nationality: British

Initial appointment date: March 31, 2003

Current term expiry date: September 30, 2007

Paul Taylor was formally appointed Chief Executive Officer in November 2004 having served as interim CEO since July 2004. In this role, he is responsible for leading the continued growth of all Jetix Europe's businesses. Mr Taylor spent five years at BSkyB and was General Manager of movies and Pay-Per-View when he left to join Jetix Europe. Prior to that he served as Director of Advertising Sales at UK Gold and UK Living. Mr Taylor also worked at Channel Four from 1992 to 1996, and held posts at various advertising agencies including JWT, McCanns, Lowe Howard-Spink and Geers Gross.

2 Dene Stratton
Chief Financial Officer

Date of birth: November 30, 1958

Nationality: American

Initial appointment date: January 5, 2005

Current term expiry date: January 31, 2007*

Dene Stratton was appointed Chief Financial Officer and a member of the Management Board in January 2005. He is responsible for all aspects of finance, administration, business development and investor relations. Prior to joining Jetix Europe he worked at Disney, as Senior Vice President, Planning and Control at ABC Inc., having held a number of roles within Disney since 1990. He began his career in public accounting with Ernst & Young in Los Angeles.

*Mr Stratton has entered into a new contract with effect from February 2007. No fixed term applies.

3 Olivier Spiner
Executive Vice President of International Affairs

Date of birth: November 28, 1957

Nationality: French

Initial appointment date: November 17, 1999

Current term expiry date: June 30, 2008

Olivier Spiner was appointed as a member of the Management Board in November 1999, and is responsible for Jetix Europe's corporate activities. Prior to joining Jetix Europe he served as Deputy General Manager of Saban International Paris from 1996 and before this, from 1982, he held the positions of Deputy General Manager and Chief Financial Officer at Créativité and Développement.

4 Oliver Fryer
General Counsel

Date of birth: November 2, 1963

Nationality: British

Initial appointment date: September 10, 2003

Current term expiry date: February 14, 2007*

Oliver Fryer was appointed as a member of the Management Board in September 2003. He is responsible for all of Jetix Europe's contractual, legal and business affairs issues. He previously served as Director of Legal Business Affairs for Jetix Europe. Before joining the Company in June 2001, Mr Fryer worked for the Simkins Partnership and for Zenith Entertainment plc, where for several years he was Director of Legal and Business Affairs. Mr Fryer also acts as the Corporate Secretary pursuant to the requirements of the Tabaksblat Code.

*Mr Fryer has entered into a new contract with effect from February 2007 with a further two year term and with an option in favour of the Company of a further third year.


1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Supervisory Board

Andy Bird

Date of birth: January 3, 1964

Nationality: British

Initial appointment date: January 5, 2005

Current term expiry date: 2009

Andy Bird was appointed as a member of the Supervisory Board in January 2005 and to Chairmanship in January 2006. As President of Walt Disney International, Mr Bird works with all of Disney's business unit leaders around the world, coordinating and overseeing growth opportunities for Disney outside the US. He is responsible for targeting new businesses, growing and increasing penetration of existing business, and leading the development of business and operations in emerging markets. Prior to joining Disney, Mr Bird spent nearly a decade with Time Warner. Mr Bird chairs the Selection Committee.

Wolf-Dieter Gramatke

Date of birth: December 26, 1946

Nationality: German

Initial appointment date: January 10, 2006

Current term expiry date: 2010

Wolf-Dieter Gramatke has been a freelance media consultant since 2001 and acts as a supervisory board member for a number of German media companies including Deutsche Entertainment and Pixelpark. Previously, he was Chairman and CEO of Universal in Germany, Austria and Switzerland and President and CEO of Polygram in Germany and worked in senior management positions in a number of German and international companies including BMW and Columbia Pictures.

Peter Seymour

Date of birth: May 31, 1968

Nationality: American

Initial appointment date: September 13, 2005

Current term expiry date: 2009

Peter Seymour was appointed as a member of the Supervisory Board in September 2005. He is currently Senior Vice President of Strategy for Disney Media Networks where he oversees strategy development for all of Disney broadcasting and cable programming activities. Mr Seymour joined Disney in 1996 as Manager of Strategic Planning. In 2001 he became Senior Vice President of Strategic Planning responsible for Disney's overall corporate development activities as well as strategy and business development for the company's technology and broadcasting initiatives. Mr Seymour chairs the Remuneration Committee.

Brian Spaulding

Date of birth: June 6, 1960

Nationality: American

Initial appointment date: January 10, 2006

Current term expiry date: 2010

Brian Spaulding is Senior Vice President and Chief Financial Officer for Walt Disney International. In this capacity, he oversees the finance, business development and information technology activities for many of Disney's international operations. Mr Spaulding joined Disney in 1988 as a Senior Auditor in that company's Management Audit department. Since that time, he has held US and international based positions in Disney's television, filmed entertainment and corporate groups. Mr Spaulding chairs the Audit Committee.

Etienne de Villiers

Date of birth: August 19, 1949

Nationality: South African

Initial appointment date: January 5, 2005

Current term expiry date: 2009

Etienne de Villiers was appointed as a member of the Supervisory Board in January 2005. Mr de Villiers is founder and senior partner of Englefield Capital LLP, a UK based private equity fund focused on mid-market development capital deals. He is a non-executive Director for Pi Capital and Video Networks, as well as non executive Chairman of BBC Commercial Holdings Limited. He is also the Executive Chairman and President of the ATP, the governing body of men's professional tennis. Until May 2000, Mr de Villiers served as President and MD of Walt Disney International Europe, Middle East and Africa and President of Walt Disney International where he was responsible for Disney's production, broadcasting and distribution activities outside the US.

OK, NOW IT STARTS TO GET A BIT MORE SERIOUS...

Report of the Supervisory Board

Introduction
The role of the Supervisory Board is to supervise the policies of the Management Board and the general affairs of the Company and its group companies, as well as to assist the Management Board by providing advice. In discharging its role, the Supervisory Board is guided by the interests of the Company and its group companies and takes into account the relevant interests of the Company's stakeholders. The Supervisory Board is responsible for the quality of its own performance.

The role of the Management Board is to manage the Company, which means, inter alia, that it is responsible for achieving the Company's aims, strategy and policy, and results. The Management Board is accountable for this to the Supervisory Board and to the general meeting of the shareholders. In discharging its role, the Management Board is guided by the interests of the Company and its group companies, taking into consideration the interests of the Company's stakeholders. The Management Board provides the Supervisory Board, on a timely basis, with all information necessary for the exercise of the latter's duties. The Management Board is responsible for complying with all relevant legislation and regulations, for managing the risks associated with the Company's activities and for financing the Company. The Management Board reports related developments to and discusses the internal risk management and control systems with the Supervisory Board and its Audit Committee.

During the year and in addition to the meetings, consultation and decision making referred to below, the Supervisory Board and its sub-committees were involved in monitoring and advising the Management Board in relation to its commercial strategy, the financial health of the Company and other major issues.

Financial Statements
The financial statements included in this annual report were drawn up by the Management Board, and audited by PricewaterhouseCoopers Accountants N.V., who have given them an unqualified opinion (see Page 92). The Supervisory Board has approved the annual report, including the financial statements. The financial statements will be submitted for shareholder approval at the Annual General Meeting, alongside a separate proposal to grant discharge to the Management and Supervisory Board for the conduct of their duties in the year ended September 30, 2006.

Supervisory Board changes and appointments
Tom Staggs resigned from the Board on January 10, 2006 and Andy Bird assumed its chairmanship. At an Extraordinary General Meeting of the Company, also on January 10, 2006, Brian Spaulding and Wolf Dieter-Gramatke were elected by the shareholders to the Board. All appointments are subject to retirement by rotation, for a maximum of four years.

Supervisory Board independence and conflicts of Interest
Although the Company complies with principle III.2 (independence Supervisory Board) by virtue of III.2.2 (f) the Board notes that three of the five members of the Supervisory Board are employees of Disney.

All material transactions involving Disney, and therefore a potential conflict of interest for the Disney employed members of the Supervisory Board, are detailed elsewhere in this annual report under related party transactions (see Note 30). No arrangements were entered into involving any personal potential or actual conflict of interest.

Consultation and decision making
The Supervisory Board held four formal meetings with the Management Board present and two without, as well as a large number of more informal contacts with and without members of the Management Board being present. Most meetings were attended by the full Supervisory Board and there were no frequent absences from any member of that Board. At the meetings held without the Management Board being present, the Supervisory Board discussed, inter alia, its own functioning, that of its individual members, its composition and competence as well as the functioning of the Management Board and the performance of its individual members including its Chairman and CEO. The CEO and Chairman of the Management Board also consulted with the Chairman and other members of the Supervisory Board and their nominees on an informal but regular basis. The items discussed at the meetings with the Management Board present, included a number of recurring subjects, such as the Company's strategy, the financial position, results and forecasts, business plans, corporate governance and remuneration (including incentive plans) and appointments. The Supervisory Board also discussed with the Management Board the corporate structure and examined the operation of the internal risk management and control systems. These discussions continue on an ongoing and regular basis. The three sub-committees of the Board also met regularly. The Audit Committee worked with the Management Board in reviewing and approving financial results and releases (both interim and full year), budgets, forecasting and longer range planning. The Audit Committee also met the external auditor both with and without the presence of the Management Board. The Remuneration and Selection Committees approved the terms of Management Board contract renewals, bonuses, pay rises and also the Remuneration Committee met several times to discuss the proposed new Long-Term Incentive Plan which they recommended to the full Board.

Supervisory Board
December 13, 2006

Remuneration report

The Supervisory Board (through the Remuneration Committee) reviews remuneration recommendations made to it and has responsibility for their approval. The Supervisory Board is committed to ensuring that such approval, insofar as possible taking into account the specific international focus of the business, will be in line with 'Best Practice' provisions of the Tabaksblat Code of Corporate Governance in the Netherlands (the "Code"). Following its creation, the Supervisory Board Remuneration Committee reviews all proposals relating to the remuneration of the Management Board and makes recommendations to the full Board.

Background

The Supervisory Board (through the Remuneration Committee) determines the remuneration of the individual members of the Management Board. In doing so, the Supervisory Board will take into account market competitive data from the global broadcast, satellite and cable television sector and associated entertainment and licensed consumer products industries and including, in particular, Disney.

All members of the Management Board were initially appointed on two-year fixed term contracts. At the conclusion of the fixed-term, this contract may be extended by the Supervisory Board for a definite or indefinite term as mutually agreed. Paul Taylor is now in the third and final year of an extended contract. Oliver Fryer's contract has been renewed for a further two-year term from February 2007. Please note that after the conclusion of his initial two-year term, the provision of Mr Stratton's services to the Company will not be subject to a minimum term. It is the intention of the Supervisory Board that, in case of termination by Jetix Europe, any compensation to a Management Board memebr for loss of office would be restricted to no more than 12 month's salary.

For those current members of the Management Board, base salary increases on average of two point four five percent (2.45%) were awarded in the financial year ended September 30, 2006. No other salary increases or special payments of any nature (other than the bonuses detailed below) were made to the members of the Management Board during the financial year ended September 30, 2006. For more detailed information on remuneration received by Management Board members please refer to Note 27 of the financial statements to the Annual Report.

Remuneration report

The remuneration of members of the Management Board consists of a base salary, a short-term incentive bonus, and a long-term incentive plan (share options and restricted stock). The base salary is fixed and the variable element from the short-term incentive is based on a target total cash remuneration which is competitive for the executive role which each member carries out. At present, the "at risk" variable component may vary from fifteen percent (15%) to fifty percent (50%) of the target cash reward. Superior performance, however, may result in actual bonus payments in excess of target levels. Bonus levels in this financial year (please see Note 27) reflected substantially improved operating income over previous years and the achievement of individual goals.

The Supervisory Board sets performance goals, using objective and measurable targets, which are intended to drive positive business results in the medium-term and are linked directly to the creation of shareholder value. For the financial year ending September 30, 2006, these were based on achievement of operating income and operating cash flow goals set in the corporate budgeting process 12 months earlier. This practice shall continue for 2007 and the foreseeable future. The Supervisory Board is also committed to the long-term growth of the Company and will adjust goals or adopt new measures as appropriate to that aim. Such action will be presented to shareholders as part of any proposed change in remuneration policy.

Long-term incentive is provided through a share option and restricted stock plan for which the members of the Management Board are eligible. The Supervisory Board considers that encouraging the members to purchase shares in Jetix Europe is in the long-term interest of the Company through aligning the financial interests of the member with the Company and its shareholders.

Three members of the Management Board participate in the general employee retirement benefit arrangements. In respect of current members, these retirement benefit arrangements are financed through defined contributions on base salary only. Dene Stratton's services are provided to the Company by Disney International Employment Services Inc., to whom the Company reimburses his salary and bonus costs. He does not participate in the Company's pension arrangements.

The Company's Remuneration Policy was put before and approved by the Company's shareholders along with the other recommendations in respect of compliance with the Code at the Annual General Meeting of Shareholders held in March 2005. It has not changed significantly since then. A copy is available on the Company's website.

Long-Term Incentive Plan

The Fox Kids Discretionary Share Option Scheme was approved by the shareholders on November 17, 1999. On September 13, 2005 new Rules of the Scheme (now called the Jetix Europe Discretionary Stock Option Scheme) were approved by the Company's shareholders in an Extraordinary General Meeting, together with the rules of the Jetix Europe Discretionary Restricted Stock Scheme. All permanent employees of Jetix Europe, as well as the members of the Management Board, not within two years of normal retirement, are eligible to participate in these schemes. The level of any offer of options and/or restricted stock under the scheme to any eligible participant is subject to approval by the Supervisory Board. The decision as to whether any eligible participant shall be granted options and/or restricted stock, and the number of options and/or restricted stock to be granted, is judged in accordance with the performance of that participant and such additional factors as motivation, retention and sharing of financial risk and reward with the shareholders.

The rules of the Option Scheme require that the exercise price set in any offer of options shall not be less than the greater of the current fair market value of the share or the nominal value of the share on the date of grant. The Supervisory Board has not imposed any additional restrictions on the disposal of shares acquired under either scheme nor required members of the Management Board to hold shares in Jetix Europe. Presently there are no performance hurdles attached to the vesting of restricted stock units or options although the Supervisory Board does have the ability under the rules of the schemes to impose them. The vesting schedule and option lapse periods reflect those provisions in effect under similar long-term incentive plans operated by the controlling shareholder in order to provide a consistent equitable approach to long-term incentives for all senior executives.

No awards were made under this scheme in the financial year to September 30, 2006.

On September 20, 2006, the Supervisory Board approved in principle (and subject always to any necessary shareholder approvals) a new Long-Term Incentive Plan for the Company's senior management. This scheme (the "LTIP") will not be implemented until the financial year to September 30, 2007. It will consist of a mixture of Jetix restricted stock together with a minority element of Disney stock options. The same factors and rules as referenced in the two first paragraphs of this section will continue to apply to awards of options and restricted stock under the LTIP. The LTIP will not be compliant with the Code but, after careful consideration by the Remuneration Committee of the Supervisory Board and by that Board as a whole, it has been decided that this represents the most cost effective way of incentivising and retaining senior staff. Any material changes to the Remuneration Policy occasioned by the new LTIP and the new LTIP itself will be submitted in detail for approval at the Annual General Meeting of the shareholders.

For more detailed information on remuneration received by Management Board and Supervisory Board Members please refer to Note 27 of the financial statements, to the Annual Report.

Outlook and risk factors

For financial year 2007 the Group intends to pursue the strategies outlined in the "Message from the Chief Executive" and the "Operating and financial review" sections, as well as continuing to work closely with its majority shareholder, Disney, to capture synergies for the benefit of all the Company's shareholders.

The Group does not anticipate any substantial changes to employee numbers in the foreseeable future.

The Group may from time to time make written or oral statements that are "forward looking", including statements in this report and other filings. Such statements may, for example, express expectations or projections about future actions that we may take, including restructuring or strategic initiatives or about developments beyond our control including global economic conditions. These statements are made on the basis of management's views and assumptions as of the time the statements are made and we undertake no obligation to update these statements. There can be no assurance, however, that our expectations will necessarily come to pass. The Group's future performance could be affected by the following risk factors:

Competition for viewers and ratings could reduce our channel revenues and our profitability
The multi-channel television broadcast business is highly competitive. We compete for viewers, ratings and related advertising revenues in each of the territories where we broadcast our channels. We currently compete with children-focused terrestrial television programmes and widely distributed cable and satellite channels for market acceptance of our programming, for viewership ratings and for related advertising. For example, we compete with *Cartoon Network* and *Nickelodeon* in many markets and in each of our markets we often also have local competition such as *Trouble* in the United Kingdom, *Teletoon* in France and *Panda* in Spain. In some countries, popular terrestrial channels have also launched digital children's channels.

More generally, we compete with channels that do not exclusively target children, various other leisure-time activities such as home videos and DVDs, movies, print-media, personal computers and other alternative sources of entertainment and information that appeal to children. Competition for our target audiences' viewing time from other forms of entertainment could result in a loss of customers, hinder our growth and negatively affect our revenues and our profitability.

Distribution of our channels is highly competitive and this may limit our growth plans or result in a decrease in our revenues
We currently broadcast our channels over both analogue and digital DTH and cable systems. In most markets, we receive subscription revenues from these systems. We currently compete with other children's channels, as well as with other types of DTH and cable channels, for carriage rights on each system. Competition for carriage is largely based on quality and popularity of programming, price and relationships within the industry. While we have been successful thus far in obtaining carriage in the markets in which we have entered, there can be no assurance of our continued success in connection with our expansion plans or with renewals of our existing arrangements on which our subscription revenue depends.

The expansion of digital distribution in our markets may increase competition for viewers, ratings and related advertising revenues
The increased capacity of digital distribution platforms including the introduction of digital terrestrial television (DTT), should lessen the competition for carriage rights and allow development of extra services at low incremental cost. Therefore, increased digital capacity lowers barriers to entry for competing channels. An increasing number of channels will increase competition among channels for viewers and advertisers. Significant declines in ratings could affect our ability to attract advertising and new distribution, and could therefore materially and adversely affect our results of operations and our financial condition.

We may be hurt should the popularity of current content decline and cannot be certain about the acceptance of new content
The success of any content depends partly upon unpredictable and volatile factors beyond our control, such as children's preferences, competing content and the availability of other entertainment activities for children. A shift in children's interests could cause our content to decline in popularity, which would hurt each of our business lines, causing a decline in revenues. We may not be able to anticipate and react effectively to shifts in tastes and interests in our markets. In addition, our competitors may be able to react more quickly and may have greater production, distribution and capital resources. There can be no assurance as to the continuing commercial success of any of our current content or that we will be successful in generating sufficient demand and market acceptance for our new children's content.

We depend on Disney for operational and other support as well as for some content
Our relationship with Disney is valuable to us. Our ability to acquire the European rights to future content from Disney depends upon Disney and its subsidiaries continuing to produce or acquire suitable programmes or properties. Disney has also in the past and will continue to provide us with operational and technical support. Disney Consumer Products acts as licensing agent for our Power Rangers property, BVHE acts as distributor on video and DVD formats for one of our titles, and Buena Vista International Television services our programme distribution business.

If Disney is unable to continue its productions or acquisitions, or produces or acquires fewer programmes or properties than we anticipate, we may be forced to produce or acquire an increased volume of programmes or properties on our own. If Disney were to decrease its support of our activities our business could suffer. We also cannot assure that Disney will in the future continue to be able to provide us with the same level of, or adequate, operational and other support.

We continue to be controlled by Disney whose interests may be different from those of other shareholders
Disney, through various subsidiaries, owns 73.7% of our ordinary shares and all of our priority shares. As a result, Disney is able to control the election of all the members of our Board of Management and our Supervisory Board. Certain resolutions of the Board of Management are subject to the approval of our shareholders. Thus, Disney will continue to control our business affairs and policies. Conflicts may arise between the interests of Disney and our other shareholders.

Present and future adverse government regulations may limit our revenue and growth plans
We are subject to detailed legislation regulating broadcasting activities in each of the markets in which we operate. Among other things, the laws we are subject to regulate broadcasting, the relationship between the channel providers and DTH and cable operators, the content and quality of television advertising generally, television advertising targeting children, and local content and language quotas. Failure to adhere to the broadcasting regulations in any of the countries in which we are licensed could result in the relevant broadcasting regulators imposing fines and/or suspending or revoking the relevant broadcasting license, which could have a material adverse effect on our financial condition and results of operations.

The broadcasting laws in each of the European Union ("EU") member states in which we broadcast require us to carry a significant proportion of European programming, and some EU member states also require that a proportion of our programmes be originally produced in the local language. Failure to comply with these quota regulations with respect to any of our channels may lead to the imposition of fines and/or conditions on the broadcast license for that channel or possible revocation of that license.

Broadcasting regulations are also subject to changes which may have material effects on our business. For example, in the United Kingdom, "minimum carriage requirements" (whereby channel providers could require distribution to a minimum percentage of a system operator's subscribers) were prohibited by the Independent Television Commission ("ITC") in 1998. As a result, satellite and cable operators can now engage in the "unbundling" of "big basic" tiers (a single tier of all basic channels) and replace them with smaller "mini-basic" tiers, allowing consumers greater choice as to which basic channels they receive as part of their television subscription package. Since our channel is a basic channel, unbundling has the potential to reduce the number of subscribers to our channel and therefore could negatively affect our subscription revenues in the future. The ruling may also result in greater fluctuations in subscription revenues if operators change their packaging of "mini-basic" tiers.

Broadcasting regulations are generally subject to periodic and on-going governmental review and legislative initiatives which may, in the future, affect the nature of programming we are able to offer and the means by which it is distributed. We are unable to predict the timing, scope or outcome of these reviews, which can occur at the national or EU level, or the extent to which any changes to current broadcasting legislation or regulations will affect our operations.

We depend upon satellite transponders to broadcast our channels
We rely on a number of satellites to broadcast our channels. To date, we have not experienced any significant disruption of our broadcast transmissions. However, satellites are subject to significant risks that may prevent or impair proper commercial operations, including satellite defects, destruction and damage. If satellite transmission is interrupted or terminated due to the failure or unavailability of a transponder, the interruption or termination could have a material adverse effect on us. Currently, there is wide availability of digital transponder capacity for most of our markets. The availability of additional transponders in the future, however, is dependent upon a number of factors over which we have no control. These factors include the future authorisation and availability of additional satellites and demand for available transponder space.

Outlook and risk factors continued

Competition for consumer products may limit our revenues and growth plans
The consumer products industry is highly competitive. Our ability to successfully take advantage of the consumer products opportunities afforded by our library of properties will depend upon favourable ratings of the programmes, the availability of new characters and the ability of our characters to continue to provide attractive merchandising opportunities for our licensees. There can be no assurance as to the continuing commercial success of any of our currently licensed properties, or that we will be successful in generating sufficient demand and market acceptance for our new properties.

Our copyrights and trademarks may be diluted and unlawfully infringed upon through unauthorised use by third parties
Our content is protected by copyrights and trademarks, which are generally owned by us or by the producer of the content and licensed to us. Disney has granted the Company a trademark licence without a fixed term to use the "Jetix" name and related logos without material charge. We regard the protection of our copyrights and trademarks as critical to our success, and we intend to vigorously enforce our licenses against unlawful infringement by third parties. However, it is possible that third parties will succeed in commercially exploiting our popular characters and elements or will use our brand name without our permission, and we may not be aware of all instances when such infringement occurs. If third parties succeed in selling products or services using our protected content without our permission, it may negatively affect our revenues. In addition, misuse of our brand name or content by third parties could cause a loss in the value of our brand and content.

The application of digital technology may develop in ways which harm some of our business lines
The advent of digital technology is likely to lead to convergence between broadcast, telecommunications, internet and other media. This could result in material changes in the economics, regulations, intellectual property usage and technical platforms on which our business lines rely. These changes could fundamentally affect the scale, source and volatility of our revenue streams, cost structures and profitability, and may require us significantly to change our operational processes. There is a risk that our businesses will be harmed by these changes or that we will not adapt to them as quickly as our competitors do.

We depend on key executives and personnel
Our success depends greatly upon the expertise and continued service of certain key executives and personnel. In addition, we will have to hire additional personnel to accommodate our anticipated growth. We may not be able to retain existing personnel or hire new, qualified personnel because of strong competition for qualified executives and personnel in our industry. If we fail to attract, hire or retain the necessary personnel, or if we lose the services of our key executives, our business could suffer.

Foreign currency exchange rate fluctuations may cause financial losses
Changes in foreign currency exchange rates can reduce the value of our assets and revenues and increase our liabilities and costs. In general, we try as much as possible to naturally hedge this risk by matching costs and revenues that are incurred in the same currency. However, it is usually not possible to completely eliminate the impact of exchange rate movements and we may therefore suffer losses solely as a result of exchange rate fluctuations.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Internal risk management and control systems

The Management Board is responsible for ensuring that the Company complies with all relevant legislation and regulations. It is responsible for proper financing of the Company and the management of risks that the Company is facing. The Management Board is responsible for maintaining the internal risk management and control systems of the Company and for reviewing those systems to ensure that they are operating effectively. It reports on and accounts for internal risk management and control systems to the Supervisory Board and its Audit Committee.

At Jetix, we believe risk management to be a continual process of identification and review throughout all levels of the organisation and forms an integral part of business management. The Company's policy of risk management and control is designed to provide reasonable assurance that strategic objectives are being met by creating focus, by integrating management control over the Company's operations, by ensuring compliance with legal requirements and by safeguarding the integrity of the Company's financial reporting and related disclosures. Significant non-financial risks (including operational, strategic, legislative and regulatory) are identified in the Outlook and risk factors section of this annual report. The internal risk management and control systems cannot provide certainty as to the realisation of strategic objectives, nor can they prevent all misstatements, inaccuracies, errors, frauds and non-compliance with rules and regulations.

As an integral part of the annual strategic planning and budgeting process, management evaluates the key financial and operational risks facing the Company and identifies areas where action is required to minimise any exposure. Furthermore, management regularly reviews actual performance against the budget and forecast, reviews the quarterly close process and supporting documentation and the internal auditor conducts a quarterly review of the Minimum Control Standards governing our accounting infrastructure as well as performing audit procedures throughout the organisation to limit risk and improve internal controls. In addition, throughout the year, regular reviews are held with local management to identify and prepare action plans to address any new opportunities or risks that have arisen since the previous review. The results of the above assessments are also presented to the Supervisory Board and the Audit Committee thereof at least once a year, which is followed by a Supervisory Board discussion to evaluate the corporate strategy, risks of the business and the evaluation made by the Management Board of the risk management and control systems.

In response to the Code, as part of the strengthening of internal control systems and an improvement to the Corporate Governance Structure, the Audit Committee was established during the year ended September 30, 2006. The CFO is responsible for reviewing and approving audit plans, however all significant audit findings and an overview of the audit approach and risk areas are presented to the Audit Committee at least once a year. This Committee has worked with the Management and Supervisory Boards and the external auditors in approving the IFRS Impact Statement, FY06 interim results and press release, the current year budget and in finalising and approving the full year FY06 results, press release and Annual Report.

There is a Company-wide self assessment programme designed to assess, review and monitor compliance with internal controls over financial reporting. The Company also has a programme to monitor and correct any significant deficiencies identified. In accordance with Section V.3.1 of the Code, the internal auditor presents all findings during the year to the external auditor and takes account of recommendations made by the external auditor. The internal auditor's work schedule also covers financial and operating risks identified by the Management Board and Audit Committee. Due to the size of our organisation, the internal auditor reports directly to the CFO, however the internal auditor has full access to the Audit Committee in order to report audit findings to it and the Audit Committee may communicate directly with the internal auditor. It is intended that the Supervisory Board will follow any recommendations made by the Audit Committee.

Furthermore, the Company has introduced a financial code of ethics that applies to all senior finance employees and members of management and has also revised the general code of conduct. In accordance with Section II.1.6 of the Code, the Company has introduced a Whistleblowing Policy, whereby any individual working for the Company has the right to report confidentially on any concerns that they have relating to irregularities of a financial or operational nature without jeopardising their legal position. Any irregularity concerning the functioning of the Management Board members shall be dealt with by the Chairman of the Supervisory Board. All of the above policies are available on the corporate website.

The Management Board has a continuing policy to review the risk management framework and is committed to strengthening and improving corporate governance in line with best practice.

In view of the above, the Management Board believes that in relation to financial reporting risks, the risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies. Furthermore, overall the risk management and control systems, in respect of financial reporting, have functioned properly in the year under review and there are no indications that they will not continue to do so.

Corporate governance

This is the second full financial year in which the Company has been subject to the Tabaksblat Dutch corporate governance code (the "Code"). The Company agrees with the aims of the Code and seeks to achieve general compliance with it. The Company is not subject to any other corporate governance code. This has been a year of consolidation following the extensive changes introduced in the previous financial year to effect general compliance with the Code.

In the financial year to September 30, 2005, changes to the Articles of the Company were approved by the shareholders as well as a Corporate Governance Compliance Policy and Remuneration Policy. Subsequently, new rules for the Supervisory Board and Management Board were approved by the Supervisory Board, together with rules for Audit, Remuneration and Appointment Committees. A number of corporate policies relating to business, financial conduct and whistle-blowing have also been approved by the Supervisory Board and implemented and can be found on the Company's corporate website. Oliver Fryer, a member of the Management Board, acts as the Corporate Secretary for the purposes of the Code. In the year to September 30, 2006 the Supervisory Board's Audit, Remuneration and Selection Committees became fully operational, meeting regularly and working with both Boards in accordance with the requirements of the Code and their own rules.

The Company is in general compliance with the Code. However, we wish to explain certain deviations from the Code or to provide further detail in relation to the following:

- For best practice provisions II.2.1 and II.2.2 of principle II.2 (remuneration Management Board), the Company partly deviates from the Code, as the current option and restricted stock schemes for the members of the Management Board (as well as for employees as a whole) do not include any formal conditional criteria following a grant of options or restricted stock. Additionally, options may be vested and exercised over a period of four years (while the restricted stock vests in two equal tranches, two and four years after grant). There is no formal requirement to retain stock following vesting or exercise. The scheme broadly reflects that of the majority shareholder, Disney, and it has been considered desirable by the Supervisory Board to have generally consistent incentive arrangements for senior management throughout both companies. The format (including the extent of the detail within it) of the Remuneration report included in this Annual Report, follows that of the Company's Remuneration Policy, which was approved by shareholders on March 31, 2005 and which has not been materially changed since that date. It should be noted that on September 20, 2006, the Supervisory Board approved in principle a new Long-Term Incentive Plan for the Company's senior management as a whole (including the Management Board), designed for implementation in the following financial year. This will also be non-compliant with principle II.2. Please see the relevant section of the Remuneration report for further detail on this proposed scheme.
- Although the Company complies with principle III.2 (independence Supervisory Board) by virtue of III.2.2 (f) the Board notes that three of the five members of the Supervisory Board are employees of Disney.

Financial statements

NOW FOR THE ACCOUNTS...

Consolidated income statements

	Notes	Year ended September 30, 2006 €'000	Year ended September 30, 2005 €'000
Revenue	8	162,838	145,323
Cost of sales	9	(42,268)	(45,108)
Gross profit		120,570	100,215
Marketing, selling and distribution costs	26	(54,121)	(47,770)
General and administrative costs	26	(48,098)	(49,556)
Operating profit		18,351	2,889
Finance income	10	7,093	3,544
Finance expense	10	(3,485)	(1,625)
Gain on foreign exchange	10	5,874	467
Share of net profits from joint ventures	16	2,367	2,093
Profit before tax expense		30,200	7,368
Tax expense	12	(6,618)	(993)
Net profit		23,582	6,375
Attributable to minority interest		(192)	(294)
Net profit attributable to shareholders		23,390	6,081

Earnings per share for profit attributable to the equity shareholders of the Group during the year expressed in Euro cents per share			
Basic	13	27.7	7.3
Diluted	13	27.6	7.2

The notes on pages 47 to 85 are an integral part of these consolidated financial statements.

Consolidated balance sheets

	Notes	September 30, 2006 €'000	September 30, 2005 €'000
Assets			
Non-current assets			
Intangible assets			
– Programme rights	14	105,029	114,837
– Goodwill	14	9,834	9,834
– Other	14	3,105	1,204
		117,968	125,875
Property and equipment, net	15	1,309	1,447
Investment in joint ventures	16	366	969
Related party receivables	30	–	889
Deferred tax assets	17	8,515	9,727
		128,158	138,907
Current assets			
Trade and other receivables, net	18	49,805	54,114
Related party receivables	30	10,313	7,032
Cash and cash equivalents	19	127,126	103,170
		187,244	164,316
Total assets		315,402	303,223

The notes on pages 47 to 85 are an integral part of these consolidated financial statements.

Consolidated balance sheets continued

	Notes	September 30, 2006 €'000	September 30, 2005 €'000
Equity			
Capital and reserves attributable to the Company's shareholders' equity			
Share capital	20	21,199	20,992
Share premium	20	456,799	449,197
Other reserves	21	(8,508)	4,187
Retained losses		(234,258)	(257,648)
Total shareholders' equity		235,232	216,728
Minority interest		1,627	1,428
Total equity		236,859	218,156
Liabilities			
Non-current liabilities			
Other liabilities	22	–	889
Provisions for other liabilities	24	–	1,379
		–	2,268
Current liabilities			
Trade and other payables	23	54,769	51,569
Current income tax liabilities		4,928	2,974
Related party payables	30	13,518	20,283
Other liabilities	22	985	1,067
Provisions for other liabilities	24	4,343	6,906
		78,543	82,799
Total liabilities		78,543	85,067
Total equity and liabilities		315,402	303,223

The notes on pages 47 to 85 are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity

		Attributable to equity holders of the Company						
	Notes	Share capital €'000	Share premium €'000	Currency translation adjustment €'000	Share option reserve €'000	Retained earnings/ (losses) €'000	Minority interest €'000	Total equity €'000
Balance at October 1, 2004	21	20,799	443,452	–	1,601	(263,729)	978	203,101
Currency translation differences		–	–	1,979	–	–	156	2,135
Net income recognised directly in equity		–	–	1,979	–	–	156	2,135
Net profit for the year		–	–	–	–	6,081	294	6,375
Total recognised income for 2005		–	–	1,979	–	6,081	450	8,510
Employee share option scheme								
– fair value of employee services	25	–	–	–	607	–	–	607
– proceeds from shares issued	20	193	5,745	–	–	–	–	5,938
Balance at September 30, 2005		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	25	–	–	–	667	–	–	667
– proceeds from shares issued	20	207	7,602	–	–	–	–	7,809
Balance at September 30, 2006		21,199	456,799	(11,383)	2,875	(234,258)	1,627	236,859

The notes on pages 47 to 85 are an integral part of these consolidated financial statements.

Consolidated cash flow statements

	Notes	Year ended September 30, 2006 €'000	Year ended September 30, 2005 €'000
Cash flows from operating activities			
Net profit		23,582	6,375
– Depreciation	15	1,016	1,016
– Amortisation	14	42,701	40,690
– Impairment charge	14	342	4,632
– Share option charge	25	667	686
– Equity income of joint ventures	16	(442)	(364)
– Interest income	10	(7,093)	(3,544)
– Interest expense	10	3,485	1,625
– Increase/(decrease) in provision for bad and doubtful debts		441	(283)
– Increase in other intangible assets	14	(2,673)	(944)
– Increase/(decrease) in other liabilities		(3,254)	2,054
– Deferred taxation	17	846	(1,444)
– Decrease in amounts due from related parties		874	604
Operating cash flows before changes in working capital		60,492	51,103
Change in working capital	29	(8,544)	8,343
Cash generated from operations		51,948	59,446
– Purchase of programme rights		(35,903)	(37,537)
– Dividends received from joint ventures	16	1,045	1,181
– Interest received	10	7,093	3,544
– Interest paid	10	(3,485)	(1,625)
– Income tax paid		(3,818)	(2,259)
Net cash generated from operating activities		16,880	22,750
Cash flows from investing activities			
Purchases of property and equipment	15	(876)	(518)
Purchases of software	14	(109)	(37)
Net cash from investing activities		(985)	(555)
Cash flows from financing activities			
Proceeds from exercise of employee share options	20	7,809	5,938
Net cash from financing activities		7,809	5,938
Increase in cash and cash equivalents		23,704	28,133
Cash and cash equivalents at the beginning of the year	19	103,170	71,057
Effects of exchange rate changes on cash and cash equivalents		252	3,980
Cash and cash equivalents at the end of the year	19	127,126	103,170

The notes on pages 47 to 85 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" is a pan-European integrated children's 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 nine 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 18 different languages in 58 countries via cable and DTH satellite transmission. Main channel markets currently include France, Germany, Italy, the Netherlands, Poland, Scandinavia, Spain, the United Kingdom and various countries in the Middle East and Eastern Europe. The Company also operates 17 fully localised websites.

The Group's programme distribution business distributes programming from its library to free television broadcasters, third party cable and satellite channels and Jetix alliance partners. Jetix currently supplies programming to over 95 broadcasters in Europe and the Middle East. 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 and most recognised libraries of children's programming in the world. The programming distribution business is currently serviced by Buena Vista International Television (BVI TV).

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 a further 38 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 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 73.7% of the shares in Jetix Europe N.V. at September 30, 2006 (74.4% at September 30, 2005).

These consolidated financial statements were approved for issuance by the Supervisory Board on December 13, 2006.

Notes to the consolidated financial statements continued

2 Basis of preparation

For the year ended September 30, 2006 the Group is required to prepare its annual financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These financial statements take account of the requirements and options in IFRS 1 "First-Time Adoption of International Financial Reporting Standards" as they relate to the 2005 comparatives included herein.

Whilst accounts prepared in accordance with US GAAP were filed with Euronext through fiscal year 2005, the consolidated statutory financial statements for 2005 were prepared in accordance with the accounting laws applicable in the Netherlands (Dutch GAAP) set out in Note 2 of those financial statements. Therefore Dutch GAAP formed the basis for the transition to IFRS.

IFRS 1 requires an entity to develop accounting policies based on the standards and related interpretations effective on the reporting date of its first annual IFRS financial statements (September 30, 2006). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS (October 1, 2004) and throughout all periods presented in the first IFRS financial statements. The consolidated financial statements have been prepared in accordance with IFRS as at September 30, 2006.

Dutch GAAP differs in certain respects from IFRS and comparative information for 2005 has been restated as necessary in accordance with IFRS. The transition date to IFRS was October 1, 2004. All adjustments on first-time adoption were recorded in shareholders' equity on the date of transition, except for adjustments related to IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Reconciliations and descriptions of the effect of the transition from Dutch GAAP to IFRS on equity and net income are given in Note 7, including a description of the nature of the changes in accounting policies. IFRS 1 sets out the transition rules which must be applied when IFRS is adopted for the first-time. As a result, some of the requirements and options in IFRS 1 may result in a different application of accounting policies in the 2005 financial information, presented for the first-time under IFRS, from that which would apply if the 2005 financial statements were prepared using full retrospective application of IFRS. The standard sets out the mandatory exceptions to retrospective application and certain optional exemptions. The optional exemptions taken by the Group are:

– Cumulative currency translation differences were deemed to be zero at the transaction date.

– IFRS 2 "Share-based Payment" has only been applied to options issued after November 7, 2002 and not vested by January 1, 2005.

– IAS 32 and IAS 39 has been applied as of October 1, 2005 which permit the Group not to change any designation of financial instruments at transition to IFRS. Measurement and recognition principles are consistent with those under previous GAAP.

– IFRS 3 "Business Combinations" has been applied prospectively from October 1, 2004.

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

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, allowances for doubtful accounts, and deferred taxation.

The Group changed its presentation currency effective October 1, 2005 from US dollars (USD) to Euros. Effective October 1, 2005 it was concluded that the functional currency of Jetix Europe Properties Sarl, a principal subsidiary (see Note 31), is now the Euro as the activities are primarily carried out as an extension of the reporting entity.

New accounting standards and interpretations

IFRIC 4 "Determining whether an arrangement contains a lease" – In December 2004, the International Financial Reporting Interpretations Committee (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 is not expected to have a material effect on the results or net assets of the Group.

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 liability should be re-measured at the reporting date. If 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. This interpretation is not expected to have a material effect on the results or net assets of the Group.

IFRIC 9 "Reassessment of embedded derivatives" – In March 2006, the IFRIC issued IFRIC 9, which is effective for annual accounting 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 only when the entity first enters into the contract and not to be reassessed subsequently unless there is a change in terms in the contract that significantly modifies the cash flows. This interpretation is not expected to have a material effect on the results or net assets of the Group.

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. The interpretation addresses the interaction between the requirements of IAS 34 – "Interim reporting" and the recognition of impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements. The Group will apply the interpretation of the IFRIC in respect of future interim reporting periods. This interpretation is not expected to have a material effect on the results or net assets of the Group.

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. The interpretation clarifies that where an entity receives goods or services as consideration for its own equity instruments, this should be accounted for as an equity-settled arrangement. The interpretation also clarifies the accounting for share-based payment arrangements in a subsidiary that has an obligation to provide its employees with parent equity instruments for services it receives from its employees. This interpretation is not expected to have a material effect on the results or net assets of 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 has not yet performed a thorough 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 from annual accounting periods beginning on or after January 1, 2009. The standard will replace IAS 14, "Segment Reporting" and requires entities to report by 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 is not expected to have a significant impact on disclosures presented in the annual accounts.

Notes to the consolidated financial statements continued

3 Summary of significant accounting policies

The consolidated financial statements are presented in Euros and include the financial statements of Jetix Europe N.V. and 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.

Intercompany 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. Barter revenues, representing the exchange of goods and services for advertising time on a television station, are recognised upon the airing of an advertisement, where 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 dilutive potential ordinary share equivalents that were outstanding during the period.

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 – 10 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).

Notes to the consolidated financial statements continued

(2) *Programme rights*
Programme rights, as defined in Note 1, and acquired programme rights 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.

In the current year, 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.

Refer to Note 6 for policy related to the prior year.

(3) *Computer software*
Acquired computer software licenses 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) *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 Trade 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.

J 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.

K 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.

L 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. 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 awards 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.

(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.

M 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.

Notes to the consolidated financial statements continued

N Financial instruments

(1) Receivables
Receivables are recognised at fair value based on amounts exchanged less any impairment (refer to Note 3(I)).

(2) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, and bank overdrafts where there is a right of offset, together with commercial paper notes which have a maturity of three months or less at date of acquisition.

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

Upon maturity, the net gains and losses are included in income.

O Foreign currency translation

(1) Presentation currency
Due to the growing usage of the Euro since its introduction and the growth of our channels and online business, management has determined the Euro to be the most significant currency in which revenue and costs originate. Therefore, effective fiscal year 2006 the consolidated financial statements are presented in Euros, which is the Group's presentation currency. Prior to the year ended September 30, 2006 the Group's presentation currency was US dollars. The fiscal year 2005 figures are presented in Euros for comparability purposes.

(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 dates of the transactions. 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 are measured at the functional currency of the acquired entity and are translated at the closing rate at the balance sheet date.

P 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.

Q Use of estimates
The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect amounts reported in the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

R 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 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 €5.9 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 investment with terms less than 90 days to ensure sufficient funds are available for operations and therefore there is minimal exposure to liquidity risk.

(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, 2006, 87% 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 preparation, financial condition and cash flow. Group accounting policies are described in Note 3.

A Provisions

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

A change in estimate of a recognised provision would result in a change 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 (G). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. This calculation required the use of estimates (Note 14).

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 (G). 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 the release of prior period impairments when there is any indication to suggest a reversal in the current period. The calculation requires the use of judgement and estimates (Note 14).

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 income tax and deferred tax provisions in the period in which such determination is made.

F Stock-based compensation

Stock-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.

6 Changes in accounting estimates

Effective October 1, 2005, the Group changed its method for estimating the amortisation of programme rights within the programme library, as defined in Note 1. In the 2005 accounts, these programme rights were stated at the lower of cost less accumulated amortisation or fair value. However, the amortisation charge for each period was based on the ratio of that period's gross revenue to estimated remaining total gross revenue from such programmes. Each year management revised the estimates, based on historical and anticipated trends, of future revenue for each programme property. See Note 3 G(2) for discussion of the method of estimation applied in the current period. The Group is unable to determine the impact of the change in estimate as it has been deemed impractical. However, in determining the new method of calculation, management performed a detailed review of the historic consumption of economic benefit under the old profiling method. Therefore, the difference is not expected to be significant. The change has been applied on a prospective basis in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

7 Reconciliation from previous GAAP to IFRS

Dutch GAAP to IFRS

Whilst US GAAP accounts were filed with Euronext through fiscal year 2005, the consolidated statutory financial statements for 2005 were prepared in accordance with the accounting laws applicable in the Netherlands (Dutch GAAP) set out in Note 2 of those financial statements. Therefore Dutch GAAP formed the basis for transition to IFRS.

The effects of adopting IFRS on the previously reported total equity as of October 1, 2004 and September 30, 2005 are:

	Notes	September 30, 2005 €'000	October 1, 2004 €'000
Total equity as previously reported under Dutch GAAP		217,560	205,678
Adjustments:			
Operating lease incentive	7(A)	(1,976)	(2,561)
Share options	7(B)	(249)	(204)
Goodwill	7(C)	2,885	–
Deferred taxation		210	188
Other		(256)	–
Currency translation adjustment		(18)	–
Total equity restated under IFRS		218,156	203,101

Notes to the consolidated financial statements continued

The effects of changing to IFRS on the previously reported consolidated net profit for the year ended September 30, 2005 are:

	Notes	September 30, 2005(1) €'000
Consolidated net profit as previously reporting under Dutch GAAP		3,532
Adjustments:		
Operating lease incentive	7(A)	584
Share options	7(B)	(686)
Goodwill	7(C)	2,885
Deferred taxation		22
Other		(256)
Consolidated net profit restated under IFRS		6,081

(1) Excludes minority interest relating to Jetix Poland Limited.

There were no changes identified resulting from the adoption of IAS 32 and 39 as of October 1, 2005.

A **Operating lease incentive**

The Group relocated its operations in the UK and France to Disney's premises during 2004. 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 at 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 it relates to. In the Dutch GAAP accounts this amount was treated as reimbursement from Disney on expenses incurred relating to services rendered and moving costs and not as an operating lease incentive and was taken to the income statement in the year ended September 30, 2004.

In 2005 the incentive recognised through the income statement under IFRS was €1.2 million. Under Dutch GAAP the €1.2 million was recognised in 2004 (included within the original €2.6 million reimbursement on expenses) so has been reversed in the year ended September 30, 2005. In addition Disney provided the Group with an additional €0.6 million operating lease incentive resulting from updated assumptions underlying the provision for certain costs relating to the relocation.

B **Share options**

Under Dutch GAAP no cost is allocated to share options, except where the market value at the time of the options being granted is higher than the exercise price. As the exercise price of options granted by the Group is the same as the market price at date of grant no charge was ever taken.

IFRS 2, "Share-Based Payment" requires that an expense for equity instruments granted is recognised in the financial statements based on their fair value at the date of grant. This expense which relates to the Jetix Discretionary Stock Option Scheme is recognised through the income statement over the vesting period of the options.

The measurement of the expense is calculated for options granted after November 7, 2002 and not yet vested by January 1, 2005 and is calculated as the fair value of the options as at the date of grant. The Group has adopted the Black-Scholes model for the purposes of calculating the fair value of the options.

The additional pre-tax charge arising from the adoption of IFRS 2 on the Group's income statement is €0.7 million for the year ended September 30, 2005. The impact on equity includes the deferred tax implications and a provision for national insurance made on the options outstanding.

C **Goodwill**

Under Dutch GAAP, goodwill is amortised over five years, whereas under IFRS goodwill is not amortised but tested annually for impairment. Therefore the amortisation charge of €2.9million taken under Dutch GAAP is reversed for IFRS purposes.

D **Cash flow impact of IFRS transition**

Purchase of programme rights in the current year has been reclassified as an operating cash flow. This presentation is based on management's view that the acquisition of programme rights is integral to the principal revenue generating activities of the Group.

US GAAP to IFRS

As approved by Euronext, the Group reported financial information for the year ended September 30, 2005 (the comparative period) publicly under US GAAP on December 8, 2005. The reconciliation between the shareholders' equity and the net result for the year under US GAAP to IFRS is included for information purposes since IFRS transition has been based on the statutory Dutch GAAP financial statements.

	Notes	Equity at September 30, 2005 €'000	Net result for year ended September 30, 2005(1) €'000
As presented under US GAAP		208,388	15,560
Programme rights	7(E)	22,050	(12,237)
Goodwill	7(F)	(13,310)	–
Share options	7(G)	(249)	(686)
Deferred taxation	7(H)	1,989	3,700
Other		(256)	(256)
Currency translation adjustment		(456)	–
As presented under IFRS		218,156	6,081

(1) Excludes minority interest relating to Jetix Poland Limited.

E **Programme rights**

Under US GAAP, the carrying value of programme rights is lower than under Dutch GAAP due to different accounting treatments on recognition of the programme library contributed to the Company in 1999. Under US GAAP, the library was contributed at net book value, historical costs less amortisation and impairment, as it was deemed a transfer of assets between companies under common control.

Under IFRS, as compared to US GAAP, at September 30, 2005 there is an increase in the programme library valuation of €22.1 million and a corresponding increase in amortisation and impairment charge of €12.2 million.

F **Goodwill**

Under USA GAAP, goodwill was amortised over a period of up to 40 years until July 1, 2002, at which time amortisation ceased and was replaced by an annual impairment test. Under Dutch GAAP the amortisation period is five years. Amortisation of €2.9 million was recognised in the 2005 Dutch accounts. These different accounting policies resulted in a €16.2 million lower goodwill carrying value under Dutch GAAP, which forms the basis for the balance sheet at the date of transition. As the accounting treatment under IFRS is the same as under US GAAP, the adjustment of €13.3 million adjusts for amoritsation recognised in 2005, offset against the change in carrying value resulting from Dutch GAAP forming the basis of transition to IFRS.

G **Share options**

There is no difference between Dutch GAAP and US GAAP, and therefore the difference is consistent with the discussion under part B of this note.

H **Deferred taxation**

IFRS results in an additional deferred tax asset of €2.0 million as at September 30, 2005 and a corresponding €3.7 million lower tax charge for the year ended September 30, 2005, primarily as a result of an intergroup transfer of programme rights.

Notes to the consolidated financial statements continued

8 Segment information

For the year ended September 30, 2006, the Group was organised into three main business 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 and home entertainment.

Primary reporting format – business segments

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, and minority interest				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	15	1,005	–	39	(28)	1,016
Amortisation	14	29,302	7,087	5,804	508	42,701
Impairment charge	14	–	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	14	27,400	4,319	5,376	–	37,095
Capital expenditure[1]	14, 15	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.

Year ended September 30, 2005

	Channels and Online €'000	Programme Distribution €'000	Consumer Products €'000	Total €'000
Sales to external customers	112,964	17,840	14,519	145,323
Total segment sales	112,964	17,840	14,519	145,323
Segment result	9,423	5,345	1,347	16,115
Unallocated costs				(13,226)
Operating profit				2,889
Finance income, expense and gain on foreign exchange				2,386
Share of net profits from joint ventures	2,093	–	–	2,093
Profit before tax expense, and minority interest				7,368
Tax expense				(993)
Net profit				6,375
Segment assets	179,744	92,105	19,926	291,775
Equity investments in joint ventures	969	–	–	969
Unallocated assets				
– Deferred tax assets				9,727
– Other				752
Total assets				303,223
Segment liabilities	25,558	54,751	669	80,978
Unallocated liabilities				4,089
Total liabilities				85,067

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	15	874	9	76	57	1,016
Amortisation	14	30,620	6,373	3,544	153	40,690
Write back of impairment	14	(3,702)	–	–	–	(3,702)
Impairment charge	14	8,334	–	–	–	8,334

Notes to the consolidated financial statements continued

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	14	24,442	4,034	2,993	–	31,469
Capital expenditure(1)	14,15	1,499	–	–		1,499

(1) Consists of property and equipment additions of €518,000: software additions of €37,000 and other intangible asset additions of €944,000.

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 2006 €'000	2006 %	Revenue 2005 €'000	2005 %
Customer A	20,164	12%	21,358	15%

There are no inter-segment transfers or transactions entered within the Group. Unallocated costs represent corporate expenses. Capital expenditure comprises additions to intangible assets (Note 14) and property, plant and equipment (Note 15).

Secondary reporting format – geographical segments

	Sales		Total assets		Capital expenditure	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000	2006 €'000	2005 €'000
United Kingdom and Ireland	41,256	43,705	38,151	51,329	11,377	9,686
Italy	24,271	19,134	65,642	59,935	5,613	5,065
France	19,753	16,154	36,425	33,104	4,617	3,535
Benelux	18,642	16,761	82,762	68,272	5,480	3,616
Central and Eastern Europe	15,574	12,283	17,824	16,803	3,536	2,612
Germany	13,951	12,128	18,893	15,413	3,241	2,579
Middle East	7,130	6,167	12,085	14,035	1,717	1,458
Spain and Portugal	6,519	5,836	15,510	13,112	1,617	1,609
Poland	5,948	4,972	9,122	10,045	1,360	1,057
Nordic Region	5,843	6,813	6,196	8,671	1,295	1,449
USA	1,994	–	1,974	–	454	–
Other	1,957	1,370	1,937	1,808	446	302
	162,838	145,323	306,521	292,527	40,753	32,968

The Group recorded revenues and costs of €2.1 million and €2.3 million in relation to non-cash barter transactions during the years ended September 30, 2006 and 2005, respectively. Barter revenues represent the receipt of services in exchange for advertising time on a television station and are recognised upon the airing of an advertisement during such advertising time, where the fair value of the advertising surrendered is determined 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.

9 Depreciation and amortisation

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

	2006 €'000	2005 €'000
Cost of sales		
– Amortisation and impairment of programme rights(1)	42,268	45,108
General and administrative costs		
– Depreciation of fixed assets	1,016	1,016
– Amortisation of software	228	120
– Amortisation of other intangible assets	547	94
	44,059	46,338

(1) Net of write back of impairment: €nil (2005: €3,702).

10 Finance income, expense and gain on foreign exchange

	2006 €'000	2005 €'000
Interest income		
– Bank deposits	7,093	3,544
Net foreign exchange transaction gains(1)	5,874	467
	12,967	4,011
Interest expense		
– Bank charges	3,485	1,625
	3,485	1,625
Net finance income	9,482	2,386

(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 risk of doing business with foreign group members where the functional currency is not in Euros.

Notes to the consolidated financial statements continued

11 Employment benefit expenses

	2006 €'000	2005 €'000
Wages and salaries, including termination benefits €0.7 million (2005: €0.7 million)	24,745	23,169
Pension costs	759	722
Other social security costs	3,309	3,081
	28,813	26,972

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 €0.4 million and €0.3 million for the years ended September 30, 2006 and 2005, 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 2006 was 364 (2005: 356).

12 Tax expense

	2006 €'000	2006 €'000	2005 €'000	2005 €'000
Income tax – current year	5,946		2,520	
Income tax – prior year	(174)		(83)	
Total income tax		5,772		2,437
Deferred tax – current year	1,851		(1,775)	
Deferred tax – prior year	(1,005)		331	
Total deferred tax (Note 17)		846		(1,444)
Tax charge		6,618		993

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:

	2006 €'000	2005 €'000
Profit before tax	30,208	7,368
Income before tax multiplied by Dutch statutory rate of corporation tax (29.6%) (2005: 31.5%)	8,942	2,321
Effect of		
Income not taxable/expenses not deductible	(177)	(2,493)
Tax on share of profits from joint ventures	(166)	(143)
Movement in unrecognised deferred tax	(742)	(1,992)
Adjustment in respect of foreign tax rates	(1,916)	2,088
Adjustments to tax charge in respect of previous periods	(1,179)	248
Foreign taxes[1]	1,856	964
Tax charge	6,618	993

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

13 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.

	2006	2005
Net profit attributable to shareholders (€'000)	23,390	6,081
Weighted average number of ordinary shares in issue (€'000)	84,344	83,502
Basic earnings per share (cents per share)	27.7	7.3

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, being share options 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. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of share options. The difference is added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

	2006	2005
Net profit attributable to shareholders (€'000)	23,390	6,081
Weighted average number of ordinary shares in issue (€'000)	84,344	83,502
Adjustments for:		
– share options (€'000)	260	530
– unvested restricted shares (€'000)	22	–
Weighted average number of ordinary shares for diluted earnings per share (€'000)	84,626	84,032
Diluted earnings per share (cents per share)	27.6	7.2

Notes to the consolidated financial statements continued

14 Intangible assets

	Goodwill €'000	Programme rights €'000	Software €'000	Other[4] €'000	Total €'000
At October 1, 2004					
Cost	9,834	606,215	3,129	–	619,178
Accumulated amortisation	–	(475,936)	(2,526)	–	(478,462)
Net book amount	9,834	130,279	603	–	140,716
Year ended September 30, 2005					
Opening net book amount	9,834	130,279	603	–	140,716
Additions	–	31,469	37	944	32,450
Disposals					
– cost	–	–	(82)	–	(82)
– accumulated amortisation	–	–	82	–	82
Write back of impairment[1]	–	3,702	–	–	3,702
Impairment charge[2]	–	(8,334)	–	–	(8,334)
Amortisation charge[3]	–	(40,476)	(120)	(94)	(40,690)
Exchange differences	–	(1,803)	(162)	(4)	(1,969)
Closing net book amount	9,834	114,837	358	846	125,875
At September 30, 2005					
Cost	9,834	639,150	3,105	944	653,033
Accumulated amortisation	–	(524,313)	(2,747)	(98)	(527,158)
Net book amount	9,834	114,837	358	846	125,875
Year ended September 30, 2006					
Opening net book amount	9,834	114,837	358	846	125,875
Additions	–	37,095	109	2,673	39,877
Impairment charge[2]	–	(342)	–	–	(342)
Amortisation charge[3]	–	(41,926)	(228)	(547)	(42,701)
Exchange differences	–	(4,635)	(8)	(98)	(4,741)
Closing net book amount	9,834	105,029	231	2,874	117,968
At September 30, 2006					
Cost	9,834	646,400	3,359	3,617	663,210
Accumulated amortisation	–	(541,371)	(3,128)	(743)	(545,242)
Net book amount	9,834	105,029	231	2,874	117,968

(1) Write back of impairment of €3,702 is included in 'cost of sales'.
(2) Impairment of (2005: €8,334) and (2006: €342) is included in 'cost of sales'.
(3) Amortisation of (2005: €40,476) and (2006: €41,924) is included in 'cost of sales' and (2005: €214) and (2006: €775) in 'general and administrative costs'.
(4) 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. 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, 2006 (2005: €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, 2006. There was no impairment charge for the year (2005: €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 estimated 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	9.5%

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 reflect specific risks relating to the relevant segments.

The CGU's recoverable amount exceeds the carrying value of goodwill by €28.4 million (2005: €10.1 million). There will need to be a significant change in the key assumptions for the CGU's recoverable amount to fall below to the carrying amount of goodwill.

Software

Software comprises both internally and external 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, 2006 the Group recorded an impairment charge of €0.3 million (2005: €8.3 million), as a result of indications that there were no expected future usage of certain programme titles. No write back of prior impairment charges occurred during the year, (2005: €3.7 million).

At September 30, 2006 the net book value of programming rights included work in process of €2.6 million (2005: €3.3 million).

Notes to the consolidated financial statements continued

15 Property and equipment

	Leasehold improvements €'000	Property and equipment €'000	Total €'000
At October 1, 2004			
Cost or valuation	1,035	7,439	8,474
Accumulated depreciation	(965)	(5,587)	(6,552)
Net book amount	70	1,852	1,922
Year ended September 30, 2005			
Opening net book amount	70	1,852	1,922
Additions	8	510	518
Disposals			
– cost	(26)	(35)	(61)
– accumulated depreciation	26	35	61
Depreciation charge	(24)	(992)	(1,016)
Exchange differences	(31)	54	23
Closing net book amount	23	1,424	1,447
At September 30, 2005			
Cost or valuation	998	7,899	8,897
Accumulated depreciation	(975)	(6,475)	(7,450)
Net book amount	23	1,424	1,447
Year ended September 30, 2006			
Opening net book amount	23	1,424	1,447
Additions	2	874	876
Disposals			
– cost	(244)	(761)	(1,005)
– accumulated depreciation	244	761	1,005
Depreciation charge	(2)	(1,014)	(1,016)
Exchange differences	–	2	2
Closing net book amount	23	1,286	1,309
At September 30, 2006			
Cost or valuation	756	8,015	8,771
Accumulated depreciation	(733)	(6,729)	(7,462)
Net book amount	23	1,286	1,309

16 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. 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:

	2006		2005	
	Jetix España S.L. €'000	TV10 B.V. €'000	Jetix España S.L. €'000	TV10 B.V. €'000
Property and equipment	12	–	17	–
Current assets	2,580	898	2,753	422
	2,592	898	2,770	422
Current liabilities	(2,451)	(673)	(1,943)	(280)
Net assets	141	225	827	142
Sales	4,509	834	4,187	570
Profit/(loss) before tax expense	2,486	83	2,392	(13)
Tax expense	(202)	–	(286)	–
Profit/(loss) after tax expense	2,284	83	2,106	(13)

The Group received dividend of €1.0 million in 2006 (2005: €1.2 million) from these joint ventures. All intercompany transactions between the Group and Jetix España have been eliminated.

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

The average number of employees in Jetix España S.L. and TV10 B.V. in 2006 were 20 and nil respectively (2005: 20 and nil, respectively).

17 Deferred income tax

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

	2006 €'000	2005 €'000
Deferred tax assets		
– Deferred tax asset to be recovered within 12 months	844	2,763
– Deferred tax asset to be recovered after more than 12 months	7,671	6,964
	8,515	9,727

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

	2006 €'000	2005 €'000
Beginning of the year	9,727	8,283
Exchange differences	(366)	–
Income statement charge (Note 12)	(846)	1,444
End of the year	8,515	9,727

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

Deferred tax assets:

	Accelerated accounting depreciation €'000	Tax loss €'000	Other €'000	Total €'000
At October 1, 2004	(1,613)	9,708	188	8,283
Credited/(charged) to the income statement	3,407	(2,023)	60	1,444
Exchange differences	–	–	–	–
At September 30, 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

Management has determined that as at September 30, 2006 approximately €51.7 million (2005: €51.4 million) of total deferred tax assets of €60.3 million (2005: €61.1 million) do not satisfy recognition criteria. €1.8 million (gross €6.0 million) of the total amount unrecognised relates to reversing temporary differences (2005: €2.3 million: gross €7.7 million) and €49.9 million relates to unutilised tax losses carried forward (2005: €49.1 million).

The above unrecognised amount relating to net operating losses results from approximately €291.7 million (2005: €363.8 million) of tax net operating loss carry forwards as at September 30, 2006, of which approximately €102.0 million have no expiry date and approximately €189.7 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.

18 Trade, other and related party receivables

	2006 €'000	2005 €'000
Trade receivables and accrued income	49,056	50,659
Less: Provision for impairment of bad and doubtful debts	(2,235)	(1,849)
Current trade receivables – net	46,821	48,810
Prepayments and other assets	2,984	5,304
Trade and other receivables – net	49,805	54,114
Amount due from related parties (Note 30)	10,313	7,032
	60,118	61,146

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

19 Cash and cash equivalents

	2006 €'000	2005 €'000
Cash at bank and in hand	16,498	13,246
Short-term bank deposits	110,628	89,924
	127,126	103,170

The average interest rate on short-term bank deposits was 3.3% (2005: 2.9%) and these deposits have an average maturity of 29 days.

20 Share capital

	Priority shares Number[1]	Ordinary shares Number	Total Number	Ordinary shares €'000	Share premium €'000	Total €'000
At October 1, 2004	100	83,196,912	83,197,012	20,799	443,452	464,251
Issue of shares – share option scheme	–	770,003	770,003	193	5,745	5,938
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

[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 (2005: 349,999,900 shares) with a par value of €0.25 per share (2005: €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.

Notes to the consolidated financial statements continued

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.

21 Equity

The following elements of equity are attributable to the equity holders of the parent: share capital, share premium, other reserves and retained (losses)/earnings. Other reserves are comprised of currency translation adjustment and share option reserve. Refer to the consolidated statements of changes in equity.

Currency translation adjustment: The Group has elected to deem the cumulative translation differences of all foreign operations to be zero at the date of the transition to IFRS, October 1, 2004.

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 our 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.

22 Other liabilities

	2006 €'000	2005 €'000
Operating lease incentive	985	1,956
Less: Short-term portions	(985)	(1,067)
	–	889

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 30) 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 at 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, 2006 was €0.9 million (2005: €1.2 million). The operating lease incentive outstanding as at September 30, 2006 was €1.0 million (2005: €2.0 million).

The Group will also receive an additional lease incentive as discussed in Note 30.

23 Trade, other and related party payables

	2006 €'000	2005 €'000
Trade payables	14,678	9,353
Participation and royalty costs	10,505	10,863
Accrued programming costs	7,387	6,439
Payroll liabilities	8,325	6,110
Deferred income	2,446	7,225
Other accruals	11,428	11,579
Trade and other payables	54,769	51,569
Amounts due to related parties (Note 30)	13,518	20,283
	68,287	71,852

24 Provision for other liabilities

	Indirect taxes €'000	Lease exit costs €'000	Other €'000	Total €'000
At September 30, 2005	3,536	2,757	1,992	8,285
Additional provisions	584	–	–	584
Utilised during year	–	(2,380)	(1,992)	(4,372)
Exchange differences	(185)	31	–	(154)
At September 30, 2006	3,935	408	–	4,343

Analysis of total provisions:

	2006 €'000	2005 €'000
Non-current	–	1,379
Current	4,343	6,906
	4,343	8,285

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 €3.5 million to cover probable liabilities. For the year ended September 30, 2006 the provision was increased to €3.9 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 is 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, 2006 the provision remaining for lease exit costs is €0.4 million (2005: €2.8 million).

Notes to the consolidated financial statements continued

Other
In the ordinary course of its business, the Group from time to time may become exposed to certain litigation. At September 30, 2005, the Group and a subsidiary of its major shareholder were in settlement discussions with a third party over claims relating to the exploitation of the third party's programming. This was settled during the year ended September 30, 2006 and no further provision is required.

25 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 share options outstanding and their related weighted average exercise prices are as follows:

	2006		2005[1]	
	Weighted average exercise price in € per share	Options	Weighted average exercise price in € per share	Options
At October 1	8.35	1,426,647	7.33	2,718,045
Granted	–	–	13.59	70,000
Forfeited	7.20	(145,043)	5.11	(591,399)
Exercised	9.45	(826,037)	7.71	(769,999)
At September 30	6.73	455,567	8.35	1,426,647

(1) The 2005 figures have been adjusted to correctly reflect the number of outstanding options.

Share options outstanding at the end of the year have the following terms:

	Outstanding			Exercisable	
Exercise prices €	Number of options	Weighted average remaining years of contractual life	Weighted average exercise price in € per share	Number of options	Weighted average exercise price in € per share
3.4 – 5.5	387,019	7.04	5.30	45,759	5.43
9.1 – 13.6	52,502	8.36	13.59	–	–
16.5 – 20.2	16,046	3.55	18.78	16,046	18.78

The weighted average share price of options exercised during the year was €16.19 (2005: €13.59).

The fair value of options granted during the period using the Black-Scholes valuation model was €nil (2005: €0.7 million). The significant inputs into the model were:

	2006	2005
Risk free interest rate	–	3%
Expected years from grant until exercise	–	1 – 4
Expected stock volatility	–	30%
Dividend yield	–	0%

The movement in issued options during the year to September 30, 2006 classified by exercise price is as follows:

Exercise price	Outstanding at October 1, 2005	Awards exercised	Awards forfeited	Outstanding at September 30, 2006
19.80	3,566	–	–	3,566
19.00	8,194	–	–	8,194
17.50	18,572	2,857	11,429	4,286
13.59	70,000	17,500	–	52,500
13.50	364,761	350,934	13,827	–
13.40	27,452	27,452	–	–
12.05	22,821	21,784	1,037	–
9.10	2	–	–	2
5.43	761,279	330,510	118,750	312,019
5.40	100,000	50,000	–	50,000
3.51	50,000	25,000	–	25,000
	1,426,647	826,037	145,043	455,567

Details of the restricted shares activity is as follows:

	2006	2005[1]
	Number of restricted shares	Number of restricted shares
At October 1	35,000	–
Granted	–	35,000
At September 30	35,000	35,000

(1) The 2005 figures have been adjusted to correctly reflect the number of outstanding restricted shares.

Year of vesting	Number of restricted shares
2007	17,500
2008	–
2009	17,500

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.

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 2006 and 2005 the fair value of the share option plans was estimated using a Black-Scholes valuation model and used the following assumptions:

	2006	2005
Risk free interest rate	4%	4%
Expected years from grant until exercise	1 – 4	1 – 4
Expected stock volatility	52%	52%
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.

The total stock based compensation charge recognised for the year ended September 30, 2006 was €0.7 million (2005: €0.6 million), comprised of share option charge of €0.4 million (2005: €0.6 million) and restricted share charge of €0.3 million (2005: €nil).

26 Expenses by nature

	2006 €'000	2005 €'000
Depreciation, amortisation and impairment charges (Note 9)	44,059	46,338
Selling and distribution cost[1]	22,301	18,363
Employee benefit expense (Note 11)	28,813	26,972
Broadcast operations cost[1]	16,884	15,068
Marketing cost[1]	14,936	14,339
Other cost	17,494	21,354
Total cost of goods sold, marketing costs and administrative costs	144,487	142,434

(1) Selling and distribution costs, broadcast operations cost and marketing cost represent total marketing, selling and distribution costs on the consolidated income statement of €54,121 (2005: €47,770).

Foreign exchange differences, as defined in Note 10, recognised through the income statement for the year ended September 30, 2006 and 2005 were €5.9 million and €0.5 million, respectively.

Marketing, selling and distribution costs and general and administrative costs have been reclassified since the prior year as a more appropriate allocation of costs.

27 Directors' remuneration

In 2006 the total remuneration of the Directors was €2.9 million (2005: €2.6 million).

	2006 €'000	2005 €'000
Directors and former directors	2,772	2,518
Supervisory and former supervisory directors	79	72
	2,851	2,590

The amount paid for the Supervisory Board Directors relates to Mr E De Villiers (€45,000) and Mr W Dieter-Gramatke (€33,750).

The remuneration of the Directors (including Directors retired during the year) for the year ended September 30, 2006 is determined by the Supervisory Board and was as follows:

	Short-term employee benefits €	Post-employment benefits €	Share-based payments €	Other[1] €	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	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.

The remuneration of the Directors (including Directors retired during the year) for the year ended September 30, 2005 was determined by the Supervisory Board and was as follows:

	Short-term employee benefits €	Post-employment benefits €	Share-based payments €	Other[2] €	Total compensation €
B Steinberg	123,618	60,906	–	–	184,524
P Taylor	458,114	27,487	96,363	218,150	800,114
O Fryer	210,878	12,652	30,045	72,717	326,292
O Spiner	402,947	19,342	96,565	72,717	591,571
M Weigold	164,451	9,132	–	31,995	205,578
D Stratton	223,228	1,143	–	185,439	409,810
	1,583,236	130,662	222,973	581,018	2,517,889

(2) Other benefits include performance related payments. Terms are detailed in the remuneration report.

Notes to the consolidated financial statements continued

Share and share options granted to Directors

The aggregate number of share options granted to the Directors of the Group during 2006 was nil (2005: 70,000). The share options are given on the same terms and conditions as those offered to other employees of the Group (Note 25). The outstanding number of share options granted to the Directors of the Group at the end of the year was 210,019 (2005: 508,819).

The Directors have the following interest in stock options:

	Number of options outstanding at October 1, 2005	Awards exercised	Awards forfeited	Number of options outstanding at September 30, 2006	Exercise price (Euro)	Expiry date
O Spiner	165,039	(165,039)	–	–	13.50	Dec–17–09
O Spiner	123,780	(41,261)	–	82,519	5.43	Sep–11–13
P Taylor	100,000	(50,000)	–	50,000	5.40	Mar–21–13
P Taylor	40,000	(10,000)	–	30,000	13.59	Sep–29–15
O Fryer	50,000	(25,000)	–	25,000	3.51	Feb–21–13
D Stratton	30,000	(7,500)	–	22,500	13.59	Sep–29–15

	Number of options outstanding at September 30, 2006
P Taylor	80,000
O Fryer	25,000
O Spiner	82,519
D Stratton	22,500
	210,019

The aggregate number of restricted shares granted to the Directors of the Group during 2006 was nil (2005: 35,000). The outstanding number of restricted shares granted to the Directors of the Group at the end of the year was 35,000 (2005: 35,000).

The Directors have the following interest in restricted shares:

	Number of restricted shares outstanding at October 1, 2005	Awards exercised	Awards forfeited	Number of restricted shares outstanding at September 30, 2006
P Taylor	20,000	–	–	20,000
D Stratton	15,000	–	–	15,000

The Directors have the following interest in Disney stock options:

	Number of options outstanding at October 1, 2005	Awards awarded	Awards exercised	Awards forfeited	Number of options outstanding at September 30, 2006	Exercise price (USD)	Expiry date
P Taylor	35,000	–	–	–	35,000	27.07	Nov–29–14
D Stratton[1]	–	8,000	–	–	8,000	24.87	Jan–09–16

(1) Relates to options issued to Dene Stratton subsequent to commencement of employment at Jetix.

The Directors have the following interest in Disney restricted shares:

	Number of restricted shares outstanding at October 1, 2005	Awards awarded	Awards exercised	Awards forfeited	Number of restricted shares outstanding at September 30, 2006
D Stratton[2]	–	4,560	–	–	4,560

(2) Relates to retricted shares issued to Dene Stratton subsequent to commencement of employment at Jetix.

28 Commitments

Capital commitments

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

	2006 €'000	2005 €'000
Programme rights	16,203	19,082
	16,203	19,082

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 through 2010. The future aggregate minimum lease payments under these non cancellable operating leases are as follows:

	2006 €'000	2005 €'000
Not later than one year	15,448	16,175
Later than one year and not later than five years	23,336	31,870
Later than five years	–	–
	38,784	48,045

The total operating lease expenses were approximately €10.1 million (2005: €11.6 million).

Notes to the consolidated financial statements continued

29 Change in working capital

	2006 €'000	2005 €'000
Change in net working capital		
– Decrease/(Increase) in trade and other receivables	2,789	(8,526)
– (Increase)/Decrease in amounts due from related parties	(4,765)	157
– Increase in trade and other payables	9,132	3,091
– (Decrease)/Increase in amount due to related parties	(14,292)	11,629
– (Decrease)/Increase in provisions for other liabilities	(1,408)	1,992
	(8,544)	8,343

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 both 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.

	Movements derived from Consolidated Statement of Cash Flows €'000	Movements arising from currency translation €'000	Non-cash movements €'000	Movements derived from Consolidated Balance Sheet €'000
Programme rights	(35,903)	4,635	41,076	9,808
Other intangible assets	(2,782)	106	775	(1,901)
Property and equipment	(876)	(2)	1,016	138
Deferred taxation	846	366	–	1,212
Trade and other receivables	2,789	1,079	441	4,309
Related party receivables	(3,891)	1,499	–	(2,392)
Trade and other payables	9,132	(1,352)	(2,626)	5,154
Other liabilities	(874)	(97)	–	(971)
Related party payables	(14,292)	7,527	–	(6,765)
Provisions for other liabilities	(3,788)	(154)	–	(3,942)
Minority interest	192	7	–	199
Other items	32,155	–	–	–
Net Profit attributable to shareholders	(17,292)		40,682	
Movement in cumulative translation differences(1)		13,614		

(1) Excludes currency translation differences arising on cash and cash equivalents amounting to (€0.3) million.

30 Related party transactions

The following transactions were carried out with related parties:

(i) *Sales of goods and services*

		2006 €'000	2005 €'000
Sales of goods:			
ABC Family Worldwide, Inc. and other Disney affiliates	a)	2,335	236
Jetix España S.L.	c)	1,832	1,729
Buena Vista Home Entertainment	f)	924	1,102
Disney Consumer Products	g)	11,997	7,834
Super RTL	h)	3,210	2,438
		20,298	13,339
Sales of services:			
ABC Family Worldwide, Inc.	j)	–	945
The Walt Disney Company Limited	i)	3,394	3,577
		3,394	4,522

The above transactions were carried out on commercial terms and conditions and at market prices.

(ii) *Purchases of goods and services*

		2006 €'000	2005 €'000
Purchases of goods:			
ABC Family Worldwide, Inc. and other Disney affiliates	l)	5,059	7,402
TV10 B.V.	k)	1,628	1,181
		6,687	8,583
Purchases of services:			
The Walt Disney Company Limited	i)	7,850	7,008
Buena Vista International Television	b)	5,294	4,016
Sogecable S.A.	c)	1,211	1,204
Disney Consumer Products	g)	3,688	2,362
United Pan-Europe Communications N.V.	d)	480	315
		18,523	14,905

The above transactions were carried out on commercial terms and conditions and at market prices.

Notes to the consolidated financial statements continued

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

		2006 €'000	2005 €'000
Receivables from related parties:			
ABC Family Worldwide, Inc. and other Disney affiliates	a), j)	3,788	2,065
Jetix España S.L.	c)	2,396	1,830
Buena Vista Home Entertainment	f)	305	330
Disney Consumer Products	g)	150	460
The Walt Disney Company Limited	i)	985	1,956
SIP Animation	m)	1,887	709
Other		802	571
		10,313	7,921
Payables to related parties:			
ABC Family Worldwide, Inc. and other Disney affiliates	l)	7,960	7,800
Buena Vista International Television	b)	2,242	7,310
Disney Consumer Products	g)	1,104	–
The Walt Disney Company Limited	i)	1,956	2,965
TV10 B.V.	k)	–	750
Other		256	1,458
		13,518	20,283

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.

During the year, sales to subsidiaries of ABCW and other Disney affiliates were €2.3 million (2005: €0.2 million). The amount receivable at September 30, 2006 was €2.8 million (2005: €1.1 million).

b) **Logistical services**
Buena Vista International Television (BVITV), a Disney division, provides logistical services to the Group in connection with its third party programme distribution. The Group pays BVITV 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 BVITV for the year ended September 30, 2006 was €3.4 million (2005: €2.9 million). In addition, BVITV 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 BVITV on behalf of the Group was €1.9 million for the year ended September 30, 2006 (2005: €1.1 million). The amount owed to BVITV as at September 30, 2006 was €2.2 million (2005: €7.3 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, 2006 were €1.2 million (2005: €1.2 million). The amount owed at September 30, 2006 was €0.7 million (2005: €0.3 million).

The Group leases rights to the Jetix Library to Jetix España SL. The lease fee for the year ended September 30, 2006 was €1.8 million (2005: €1.7 million). The amount receivable at September 30, 2006 was €2.4 million (2005: €1.8 million).

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, 2006 was €0.5 million (2005: €0.3 million). There were no amounts payable to UPC for these services at September 30, 2006 (2005: €nil).

e) **Trademark arrangements**
The Walt Disney Company (Disney) has granted the Group a trademark licence without a fixed term to use the "Jetix" name and related logos without material charge.

f) **Buena Vista Home Entertainment Inc. (BVHE)**
On May 5, 2003, the Group entered into an agreement with BVHE, a subsidiary of Disney, to grant BVHE the sole and exclusive right to exploit on VHS and DVD formats all home entertainment distribution and exhibition rights for certain major programmes. The Group received from BVHE a minimum guarantee and excess royalties during the term of the agreement, which ended on May 4, 2006. On May 5, 2006, the Group entered into a new deal with BVHE to exploit similar rights for *Power Rangers* in the UK and Ireland. The remaining rights have reverted back to the Group. In the year ended September 30, 2006 €0.9 million was recognised by the Group for these deals (2005: €1.1 million). The receivable amount outstanding for the year ended September 30, 2006 was €0.3 million (2005: €0.3 million).

g) **Disney Consumer Products (DCP)**
On October 1, 2003 the Group appointed DCP, a division of Disney, to act as its licensing agent within Europe and the Middle East in respect of the property, *Power Rangers*. The Group receives from DCP a minimum guarantee against certain royalties during the term of the agreement, which ended on September 30, 2006. The minimum guarantee and excess royalties received during the year ended September 30, 2006 was €12.0 million (2005: €7.8 million). The amount receivable from DCP at September 30, 2006 was €0.2 million (2005: €0.5 million). DCP received a commission of 30% of earned revenue in return for its services and its commission earned for the year ended September 30, 2006 was €3.7 million (2005: €2.4 million) which was recorded as costs and expenses. The amount payable to DCP at September 30, 2006 was €1.1 million (2005: €nil).

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 *Ōban Star-Racers*, with Super RTL and third parties and also licensed to them other programming. Revenue relating to the deal in the year ended September 30, 2006 was €3.2 million (2005: €2.4 million).

i) Premises and facilities

During the prior year, 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, 2006 was €7.9 million (2005: €7.0 million). The amount payable to The Walt Disney Company Limited and The Walt Disney Company (France) SAS at September 30, 2006 was €2.0 million (2005: €3.0 million).

The relocation costs incurred and the amount recharged to Disney are disclosed in Note 24.

As part of these arrangements, the Group received a rebate of €2.3 million during the year ended September 30, 2006 (2005: €2.3 million). The amount receivable from Disney at September 30, 2006 was €2.0 million (2005: €4.3 million). The Group also recharged to Disney €1.1 million (2005: €1.3 million) during the year ended September 30, 2006, with a receivable balance as at September 30, 2006 of €1.0 million (2005: €2.0 million).

The total receivable of €3.0 million is all receivable within the year.

j) Receivables

ABCW collects certain receivables on behalf of the Group. The amount owed to the Group at September 30, 2006 was €1.0 million (2005: €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 to September 30, 2006 were €1.6 million (2005: €1.2 million). The amount payable to TV10 B.V. at September 30, 2006 was €nil (2005: €0.8 million).

l) Programme rights

The Group acquires certain programme rights relating to its territories from ABCW and other Disney affiliates. The acquisitions made during the year ended September 30, 2006 were €5.1 million (2005: €7.4 million). The amount payable to ABCW and other certain Disney affiliates at September 30, 2006 was €8.0 million (2005: €7.8 million). The current year has seen the co-production with ABCW of *Super Robot Monkey Hyper Force Go!* and *Get Ed*.

m) SIP Animation

During the prior year, 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, 2006 was €1.9 million (2005: €0.7 million).

(iv) Loans to Directors

No loans have been made to any Directors during the year ended September 30, 3006 (2005: €nil).

(v) Directors' renumeration

Refer to Note 27 for details of Directors' renumeration.

31 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	The Netherlands	
Jetix Europe Limited	United Kingdom	
Jetix Europe Properties Sarl	Luxembourg	
Jetix Hungary Financial Management Limited Liability Company[1]	Hungary	
Jetix Germany GmbH	Germany	
Jetix Israel Limited[2]	Israel	
Jetix Italy Srl	Italy	
Jetix Poland Limited	Isle of Man	80%
Jetix Services B.V.	The Netherlands	
Jetix Consumer Products UK Limited	United Kingdom	
Jetix Consumer Products Italy Srl	Italy	
Active Licensing France SAS	France	
Jetix Poland NV	The Netherlands	
Jetix Entertainment Services EPE	Greece	
Lollipop Productions Limited (incorporated January 1, 2005)	Israel	
Jetix Europe Music B.V.	The Netherlands	

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

(2) Jetix Israel Limited prepares financial statements with a reporting date of December 31. All remaining subsidiaries prepare financial statements with a reporting date of September 30.

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.

WHAT ABOUT THE COMPANY?

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, 2006 €'000	€'000	September 30, 2005 €'000
Assets					
Fixed assets					
Financial fixed assets	2(A)		219,499		210,509
Current assets					
Receivables and other current assets	2(B)	15,601		14,499	
Cash at bank and in hand	2(C)	9,584		1,488	
			25,185		15,987
Total assets			244,684		226,496
Liabilities and shareholders' equity					
Shareholders' equity	2(D)				
Share capital		21,199		20,992	
Share premium		456,799		449,197	
Currency translation adjustment		(11,383)		1,979	
Legal reserves		3,861		2,539	
Retained losses before result		(258,634)		(264,060)	
Net profit for the year		23,390		6,081	
			235,232		216,728
Current liabilities	2(E)		9,452		9,768
Total liabilities and shareholders' equity			244,684		226,496

Jetix Europe N.V. Company income statements

	Notes	Year ended September 30, 2006 €'000	Year ended September 30, 2005 €'000
Other income and expenses after taxes		(3,781)	(3,782)
Results from Group companies after taxes		27,171	9,863
Net profit	2(D)	23,390	6,081

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, 2006 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, 2006 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 have 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.

Until 2005, these statements were prepared under Dutch GAAP. The company balance sheets and income statements have been adjusted to reflect the adoption of 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:

Investments in group companies	September 30, 2006 €'000	September 30, 2005 €'000
Balance at September 30, 2004	–	208,770
First time adoption of IFRS[1]	–	(2,575)
Book value at October 1, 2005 and October 1, 2004, respectively	210,509	206,195
Exchange differences	(13,362)	(993)
Profit from group companies	27,171	9,863
Share option disbursement[2]	(4,819)	(4,556)
Book value at September 30, 2006 and September 30, 2005, respectively	219 ,499	210,509

(1) See Note 7 of the consolidated accounts for breakdown of reconciliation from Dutch GAAP to IFRS.

(2) 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.

For a detailed list of the investments reference is made to Note 31.

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

	September 30, 2006 €'000	September 30, 2005 €'000
Amounts receivable from group companies	15,579	14,473
Other debtors	22	26
	15,601	14,499

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 losses €'000	Legal reserves[1] €'000	Result for the year €'000	Total €'000
Balance October 1, 2004	20,799	443,452	–	(285,101)	1,627	21,346	202,123
Appropriation of 2004 Dutch GAAP result	–	–	–	21,346	–	(21,346)	–
Profit for the period	–	–	–	–	–	6,081	6,081
Interim dividend current year	–	–	–	1,181	(1,181)	–	–
Re-classification	–	–	–	(2,093)	2,093	–	–
Share issued	193	5,745	–	607	–	–	6,545
Movement in currency translation adjustment	–	–	1,979	–	–	–	1,979
Balance September 30, 2005	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

(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.

The authorised share capital of the Jetix Europe N.V. as at September 30, 2006 amounts to €87,500,000 and consists of 349,999,900 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[2] shares Nominal value €'000	Ordinary[3] shares Nominal value €'000	Total Nominal value €'000
Issued at September 30, 2005	100	83,966,915	83,967,015	0	20,992	20,992
Shares issued during the year		826,037	826,037	0	207	207
Issued at September 30, 2006	100	84,792,952	84,793,052	0	21,199	21,199

(2) The nominal value of priority shares at September 30, 2006 is €26 (2005: €26). 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.

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

Notes to the Company balance sheets and income statements continued

The issued share capital amounts to €21.2 million and consists of 84,792,952 ordinary shares and 100 priority shares.

The Company has granted options to employees and Directors. Details of these are set out in Note 25 and Note 27 of the consolidated financial statements.

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(O (4)(i), (ii), and (iii)) of the consolidated financial statements.

E Current liabilities (due within one year)

	September 30, 2006 €'000	September 30, 2005 €'000
Amounts payable to group companies	8,161	8,677
Accruals	1,291	1,091
	9,452	9,768

F Commitments not included in the balance sheet
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 27 of the consolidated financial statements.

Rotterdam, December 13, 2006

Management Board
Paul Taylor
Dene Stratton
Oliver Fryer
Olivier Spiner

Supervisory Board
Andy Bird
Peter Seymour
Etienne de Villiers
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.

Report of the independent auditors

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

Introduction
In accordance with your assignment we have audited the financial statements of Jetix Europe N.V., Rotterdam, ("the Company") for the year ended September 30, 2006 as set out on pages 41 to 90. These financial statements consist of the consolidated financial statements and the company financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as at September 30, 2006 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Furthermore, we have to the extent of our competence, established that the Report of the Management Board is consistent with the consolidated financial statements.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of the Company as at September 30, 2006 and of the result for the year then ended in accordance with accounting principles as generally accepted in the Netherlands and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore, we have to the extent of our competence, established that the Report of the Management Board is consistent with the company financial statements.

Amsterdam, December 13, 2006
PricewaterhouseCoopers Accountants N.V

Drs. J. van der Hilst RA

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