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Jetix Europe N.V. Annual Review and Financial Statements 2007

Jetix Europe N.V.

Annual Review and Financial Statements 2007


OUR CHARACTERS ENGAGE
KIDS, FEEDING THEIR
IMAGINATIONS WITH TERRIFIC
STORYTELLING...

CONNECTING WITH ALL KINDS OF KIDS, GETTING INVOLVED IN THEIR LIVES...

AND BECOMING THEIR FAVOURITES – THE ONES THEY WANT TO HANG OUT WITH.

OUR CHARACTERS HAVE STAYING POWER, REFLECTING WHAT'S IN NOW, ADAPTING TO WHAT COMES NEXT...

ATTRACTING AND INSPIRING TALENTED PEOPLE ACROSS OUR BUSINESS WITH THEIR INFECTIOUS ENERGY.

This is Jetix Europe

We are a leading kids entertainment company with localised channels, websites, programme sales and consumer products businesses across Europe and the Middle East.

We create and own great content...
which our audience loves. We invest in creating and owning new content and we have one of the largest libraries of kids programming, with over 6,000 episodes[1].

We have a clearly defined and focused brand...
which our audience recognises as the home of their favourites. Our brand focuses on universal themes of adventure and cheeky humour, empowering and inspiring kids wherever they are.

We are extending our reach...
and we can now be enjoyed by more kids than ever. Our channels are in over 50 million households. Our localised digital content and consumer products can be enjoyed throughout Europe and the Middle East.

We're embracing new technology...
to allow our audience to enjoy our content wherever and whenever they want. We continue to develop our online websites, including the roll out of video-on-demand. We are using the latest technology to create more compelling and engaging interactive experiences across a range of different media.

We're maximising the value of our characters...
whether it's on television screens, on computer screens or in the real world. Wherever our audience enjoys our content we create value by engaging our audience's imagination.

We have the right people to deliver...
the very best entertainment. Our people understand our audience, our partners and the potential of the changing media environment.

1 Half hour equivalents as of September 30, 2007.

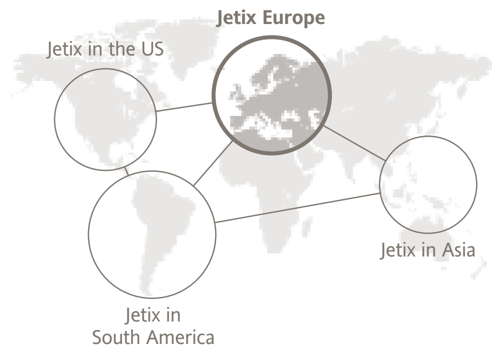
Contents

Jetix Europe and Disney

Jetix Europe is listed on the Euronext stock exchange in the Netherlands. Our major shareholder is a subsidiary of The Walt Disney Company (Disney), which owns approximately 73% of the Company's shares.

Jetix Europe has partnered with Disney to create the Jetix global brand alliance. Jetix is a global kids entertainment brand, targeting kids six to 14 with a unique combination of adventure and cheeky humour. The global alliance produces content which is distributed through Jetix branded channels and programme blocks around the world.

The global Jetix alliance[2]



Globally Jetix reaches:

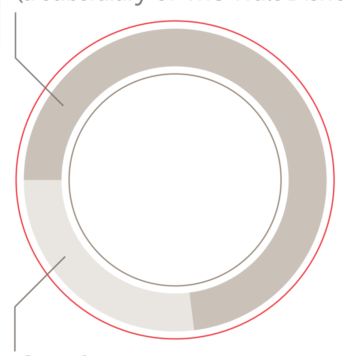
Over 250 million households

In more than 80 countries

Broadcasting in 26 languages

Share ownership

73%
ABC Family Worldwide
(a subsidiary of The Walt Disney Company)



27%
Public shareholders

2 Disney fully owns the Jetix operations in the US, South America and Asia.

Content is at the heart of our Company – and drives each of our three business lines.

Channels and online

74% of total 2007 revenue

Our network of 15 television channels reaches over 50 million households across Europe and the Middle East. We broadcast in 19[3] languages to 58 countries.

We run 18 localised websites, supporting the channels and allowing in-depth interaction with our characters. Our websites immerse our visitors in games, competitions and unique content, as well as video-on-demand, which we are currently rolling out across our network.

We are also reaching our audience through new technologies. These include IPTV distribution of our channels, third party video-on-demand and mobile.

Over 95% of this division's revenue is generated by subscriptions from pay television operators and advertising. We are developing other revenue streams, such as live events.

Programme distribution

13% of total 2007 revenue

We sell television programming which we own or represent to other broadcasters, primarily free-to-air channels. These sales are serviced by Disney-ABC International Television (DAIT).

We also sell programming to our partner in the Jetix alliance, Disney.

We currently sell to over 110 clients in 53 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

13% of total 2007 revenue

We license rights to use our characters and properties on a wide range of merchandise and for home entertainment, such as DVD. We generally own or represent rights for Europe and the Middle East.

Our largest property, *Power Rangers*, is represented by Disney Consumer Products (DCP). This allows us to leverage DCP's global scale and market power.

Our in-house operation, Jetix Consumer Products (JCP), represents all of our other properties. We have a pan-European network of seven regional offices, and use agents in more than 50 other countries.

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

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

Financial highlights

Revenue
€166.4 million
2006: €162.8 million

EBITDA
€69.4 million
2006: €62.4 million

Operating profit
€24.5 million
2006: €18.4 million

Net profit attributable to shareholders
€37.3 million
2006: €23.4 million

Diluted earnings per share
43.9 cents
2006: 27.6 cents

Operating cash flow
€26.4 million
2006: €16.9 million

Message from the Chief Executive

Achievements in 2007

- Strong profit growth
- Enhanced co-operation with Disney
- New SVP Programming hired
- Strong performance from key franchises
- €50 million distributed to shareholders

Priorities for 2008

- Continue content investment
- Renew key distribution deals
- Expand online and digital activities
- Build on key franchise performance

Revenue €m

2005	145.3
2006	162.8
2007	166.4

EBITDA[1] €m

2005	49.2
2006	62.4
2007	69.4

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

I'm pleased to report on another good year for Jetix Europe. We delivered strong profit growth in all our divisions.

We are developing the business by concentrating on our long-term strategic objectives. These priorities remain unchanged. Namely: to produce great content; to strengthen our relationship with Disney; and to develop the Jetix offering across all media. We made solid progress on all fronts this year.

Our content offering took a major stride forward with the arrival of Marc Buhaj as Senior Vice-President in charge of programming. Marc has immense experience in this field. Under his guiding influence we have been reviewing and are now refreshing our entire production pipeline. Exciting new shows are in development – *Jimmy Two Shoes* and *Freaky Frankenbikes* among them. They share an emphasis on compelling storytelling and memorable, well-rounded characters.

We have been subtly shifting the type of content we deliver to reflect the competitive environment in which we operate. Our action and adventure shows won kids over with thrills and excitement. Our newer shows feature appealing characters who take on adventures with a healthy dose of humour. They engage kids' emotions and forge continuing relationships.

Strong characters are helping us to build long-term franchises. *Pucca* and *Yin Yang Yo!* have been sold to a number of free-to-air channels across Europe and beyond. Free-to-air channels typically deliver large audiences, building the awareness and popularity of these brands. This helps drive sales in our consumer products division.

Power Rangers, our most significant consumer products brand, had another good year. The brand continues to be represented by Disney Consumer Products and we benefit greatly from Disney's global standing.

Disney's role as a Jetix alliance partner is key to our success. *Yin Yang Yo!* was commissioned from Disney's Jetix Animation Concepts. Together, we are piloting a live action concept, which will develop and broaden the Jetix brand.

There is shared understanding and tremendous goodwill between Jetix Europe and Disney. As we forge ever-closer links we are uncovering new complementary strengths. This year, for the first time, we aired Disney's flagship *High School Musical* on Jetix channels in selected markets. This global hit show has played on Jetix channels in the Netherlands, Israel, Hungary and the Czech Republic.

Our strong performance in Central and Eastern Europe has been particularly satisfying. First mover advantage may prove decisive in these high-growth markets and we've been achieving that – in Bulgaria for instance we have added a local language track to our channel and we are now the only dedicated kids' channel broadcasting in Bulgarian.

We create content that is engaging, distinctive and varied. Increasingly, we are making that content available on multiple platforms. Kids expect to find their favourite shows whenever and wherever they want. They are equally at home on mobiles, using PCs, watching cable TV and playing games. The challenge for us is to ensure that wherever they experience our content, it engages them and leaves them wanting more.

We are testing new ways to introduce our characters and shows to audiences. *Ōban Star-Racers* was initially launched with an online game. It was an instant hit: within six months four million people had played it. 70% of them recommended it to friends. By the time the show aired across Europe the game's popularity had built up a sizeable core audience.

Engaging our audiences through digital media makes up an increasingly important part of the business. Widespread broadband connectivity has expanded the range of digital possibilities. Video on computer is becoming mainstream and in this context our video-on-demand player is proving popular. After our initial success, we have rolled it out to new territories this year. It is now available in seven countries. Kids also access our content on mobiles.

We strengthened our digital division during the year. We brought in new leadership to spearhead an aggressive digital strategy supported by additional financial resources and specially commissioned content. In 2008 we will see a positive transformation in our online presence.

Kids entertainment is a fascinating and complex market. Kids have strong preferences and that gives us the opportunity to forge emotional connections through our characters.

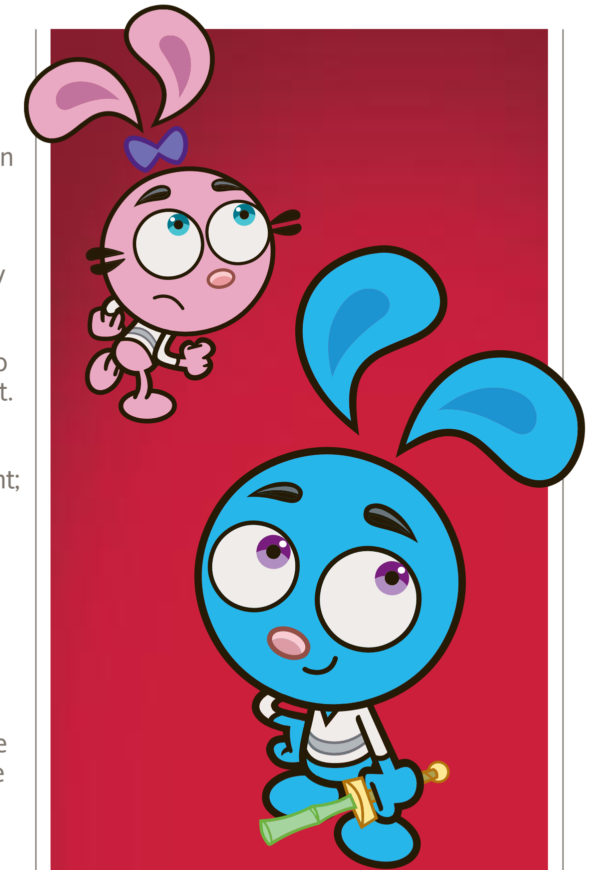
We create content for six to 14 year-olds so every year, as kids get older, 11% of our market disappears. We must constantly renew our offering. We can only maintain market share by attracting the next generation of six year-olds. And we want them to stay with us.

Our biggest challenge is time itself. Kids have limited leisure time and seemingly endless choices. We must compete in a crowded market for a share of their time. It simply means we must work even harder to attract their attention and hold their interest.

Although it's still young, Jetix is widely recognised as one of Europe's leading kids entertainment companies. This is no accident; it is the result of the combined efforts of many talented, dedicated people. I would like to thank all my colleagues for the great work they do.

We are investing in content and in our future. We may face some short-term challenges, but the fundamentals are in place. I am confident that we have the capabilities and the market base to compete effectively and to ensure we will remain one of the market leaders in the years to come.

Paul Taylor
Chief Executive Officer
December 2007



Yin Yang Yo! is 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.

Operating and financial review: Our business, markets and strategy

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

We are majority owned by the world leader in family entertainment, The Walt Disney Company (Disney). Together with Disney we are building the Jetix brand into a global franchise[1].

Our market and competitive environment

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

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

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

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

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

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

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

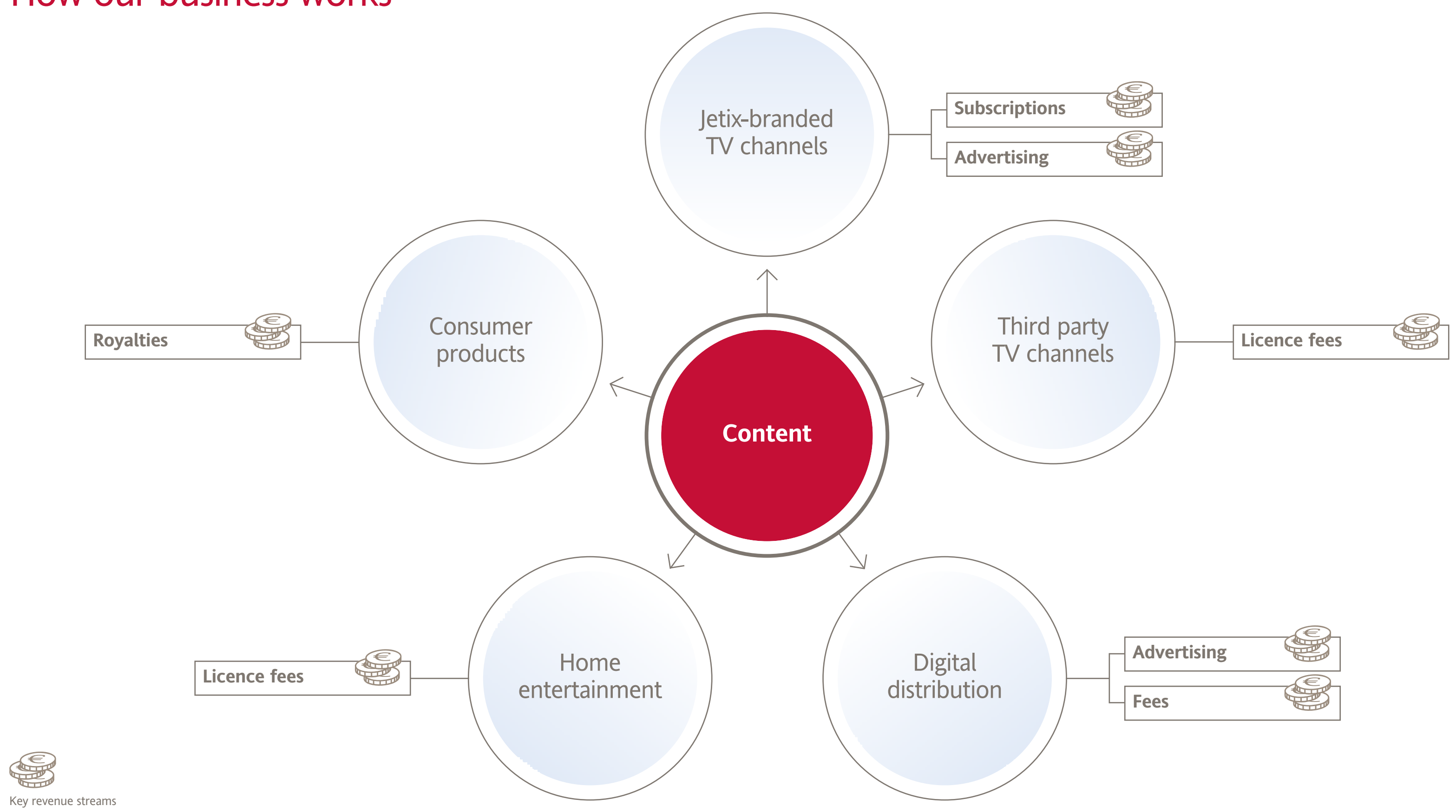
We license consumer products rights to a wide range of manufacturers, media owners and service providers. We compete in this space with other kids intellectual property owners, both from television and other media. This too is a fragmented market with numerous companies promoting many different characters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

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

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

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

How our business works



Our strategy

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

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

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

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

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

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

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

Our strategy in brief

- Invest in the best creative content
- Extend reach of channels
- Enhance online presence
- Innovate with new technology
- Capitalise on popularity of characters
- Attract and retain the best people

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

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

Our resources and relationships

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

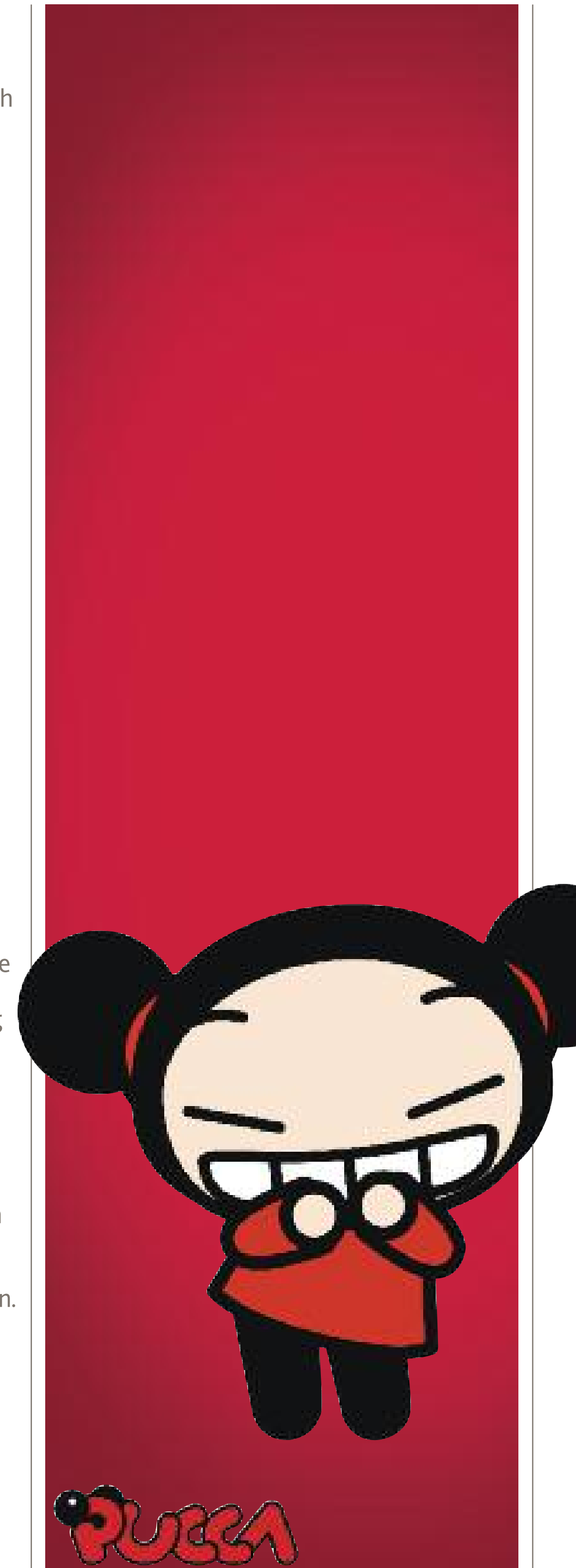
We own[2] one of the world's largest libraries of kids programming, with over 6,000 episodes. We own both pay and free television rights in most of our territories. We also own consumer products rights for most of our properties. We continually refresh our library with new productions and acquisitions.

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

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

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

2 Or control through a long-term lease.



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.

Operating and financial review continued:

Our reach

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

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

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

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

50.5m

Households reached

2006: 46.8m

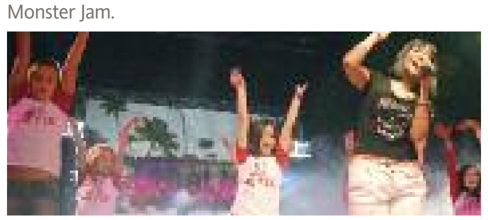
Our diverse content delivery

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

Magazines
There are currently five Jetix branded and two non-Jetix branded magazines. They have a combined circulation of over ¼ million copies a month.

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

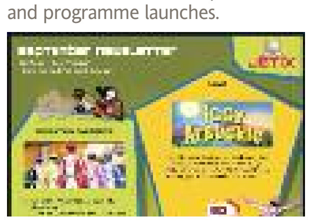
Live events
We run a number of live events, including the Jetix Kids Awards, which is now in six countries, a live stage show at Butlins in the UK and our sponsorship of a truck in Monster Jam.



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

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

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



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

Our broadcast channels

As at September 30, 2007

	Households reached '000	Number of countries covered
UK Date launched: October 1996 Channels: Jetix Broadcast hours: 24 hours Language: English	9,075	3
Central and Eastern Europe Date launched: April 1999 – Jetix; October 2003 – Jetix Play Channels: Jetix; Jetix Play Broadcast hours: 0700–2400 Languages: Romanian, Russian, Bulgarian[1]	8,521	18
Netherlands Date launched: August 1997 Channels: Jetix Broadcast hours: 0600–1800 Language: Dutch	6,798	2
France Date launched: November 1997 Channels: Jetix Broadcast hours: 24 hours Language: French	4,235	6
Italy Date launched: April 2000 – Jetix; May 2005 – GXT Channels: Jetix, GXT Broadcast hours: 24 hours Language: Italian	4,125	1
Poland Date launched: April 1998 – Jetix; January 2003 – Jetix Play Channels: Jetix; Jetix Play Broadcast hours: 0600–2400 Language: Polish	4,014	1
Spain Date launched: December 1998 Channels: Jetix Broadcast hours: 24 hours Language: Spanish	3,065	1
Scandinavia Date launched: April 1998 Channels: Jetix Broadcast hours: 0600–1800 Language: Danish, Swedish, Norwegian, Finnish	2,941	5
Hungary, Czech Republic and Slovakia Date launched: September 2000 Channels: Jetix Broadcast hours: 0600–2400 Language: Hungarian, Czech	2,900	3
Turkey and Middle East Date launched: April 2000 – Jetix; October 2003 – Jetix Play Channels: Jetix; Jetix Play Broadcast hours: 0700– 2000 Language: Turkish	2,032	14
Germany Date launched: October 2000 Channels: Jetix Broadcast hours: 0600–1945 Language: German	1,685	3
Israel Date launched: February 2001 Channels: Jetix Broadcast hours: 0600–0215 Language: Hebrew	779	1
Greece Date launched: October 2001 Channels: Jetix Broadcast hours: 0700–1700 (Mon–Fri); 0700–1500 (Sat–Sun) Language: Greek	323	1
Total	**50,493**	**59[2]**

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

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

Operating and financial review continued:

Channels and online

Achievements in 2007

- Households reached exceed 50 million
- Distribution deals renewed
- Ad-funded online video player rolled out
- Digital division reorganised

Priorities for 2008

- Continue to expand channel network reach
- Enhance online presence with increased investment
- Further develop new ways to view and interact

Revenue €m

2005	113.0
2006	120.3
2007	122.9

EBITDA[1] €m

2005	45.5
2006	48.2
2007	51.0

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

58
Countries reached
Strong pan-European footprint

18
Localised websites
Engage with our audiences

50.5m
Households reached
Up 8% on September 2006

19
Languages [2]
Localise our channels

Channels and online is Jetix Europe's largest division. It controls a network of 15 channels and 18 websites across Europe and the Middle East. Our localised television channels broadcast in 19[2] languages to 58 countries. Our core Jetix-branded network, with 13 feeds, targets six to 14 year-olds. We have an older targeted channel, GXT, which broadcasts in Italy, and a younger targeted channel, Jetix Play, which broadcasts in several territories. The division is also responsible for developing our online, mobile and other digital activities.

Strategy

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

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

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

Highlights in 2007

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

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

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

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

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

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

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

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

Priorities for 2008

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

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

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

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

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

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

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

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

Operating and financial review continued:

Programme distribution

Achievements in 2007
- Strong sales from core properties
- Good on-air performance
- US sales continue
- First commission in Israel

Priorities for 2008
- Continue investment in content
- Focus on character-led properties
- Deliver strong on-air performance

Revenue €m

2005	17.8
2006	19.0
2007	21.0

EBITDA[1] €m

2005	11.7
2006	11.5
2007	13.0

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

144
New episodes delivered
From eight different series

6
New series secured
Both co-productions and acquisitions

124
Episodes
In production

>110
Clients
In 53 markets

The programme distribution division sells our television programming to third party broadcasters. Jetix Europe's library of over 6,000 episodes[2] is refreshed each year with new programme production and acquisitions.

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

Strategy

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

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

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

Highlights in 2007

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

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

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

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

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

Priorities for 2008

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

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

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

2 Half hour equivalents as of September 30, 2007.

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

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

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

COMBO NIÑOS

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

Operating and financial review continued:

Consumer products

Achievements in 2007
- Strong underlying performance from *Power Rangers*
- *Pucca* continues to sell well
- New magazines launched
- Expansion in Central and Eastern Europe

Priorities for 2008
- Continue developing key franchises
- Build on success of *Power Rangers*
- Launch new Jetix magazines
- Secure CP rights for new series

Revenue €m

2005	14.5
2006	23.6
2007	22.5[1]

EBITDA[2] €m

2005	5.0
2006	12.2
2007	12.8

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

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

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

>50
Countries in which JCP is represented
Using agents where JCP does not have an office

20
Countries licensed *Power Rangers*
Securing the home entertainment rights

7
Magazines
Five Jetix branded and two non-Jetix branded

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

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

Strategy

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

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

Highlights in 2007

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

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

Power Rangers, through DCP, has continued to grow underlying revenue[3]. The master toy licence with Bandai contributed materially to growth. The brand performed notably well in the apparel sector, particularly in the UK and Italy. The UK remains our most important market, but we also saw strong revenue growth in Italy and Germany. The number of licensees grew substantially. We are already beginning to benefit from the change in our contract with DCP.

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

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

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

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

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

Priorities for 2008

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

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

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

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

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

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

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

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

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

Operating and financial review continued:

Financial review

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

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

Revenue

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

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

Consumer products revenue was €22.5 million, a decrease of €1.1 million. The decrease was due to the change in recording DCP *Power Rangers* revenue on a net basis[1]. Total consumer products revenue would have increased 10% had revenue been recognised on a consistent basis with the prior year, with both DCP *Power Rangers* and JCP gross revenues increasing year-on-year.

Marketing, selling and distribution costs

Marketing, selling and distribution costs decreased 8% to €50.0 million resulting from decreases in costs related to the change in the DCP *Power Rangers* contract[1], marketing expenses and music licence costs offset by production costs associated with the sale of programming in Israel and higher participation fees.

General and administrative costs

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

Operating cash flow €m

2005	22.8
2006	16.9
2007	26.4

Net profit attributable to shareholders €m

2005	6.1
2006	23.4
2007	37.3

EPS cents

2005	7.2
2006	27.6
2007	43.9

EBITDA

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

Amortisation and impairment of programme rights

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

Finance income (net)

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

Gain on foreign exchange

The gain on foreign exchange recognised during the year of €10.8 million primarily relates to gains on inter-company transactions which reflect the exchange risk of doing business with foreign group members where the functional currency is not in Euros[2].

Profit before tax expense

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

Tax expense

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

Minority interest[3]

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

Earnings per share

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

Cash flow

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

Outlook

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

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

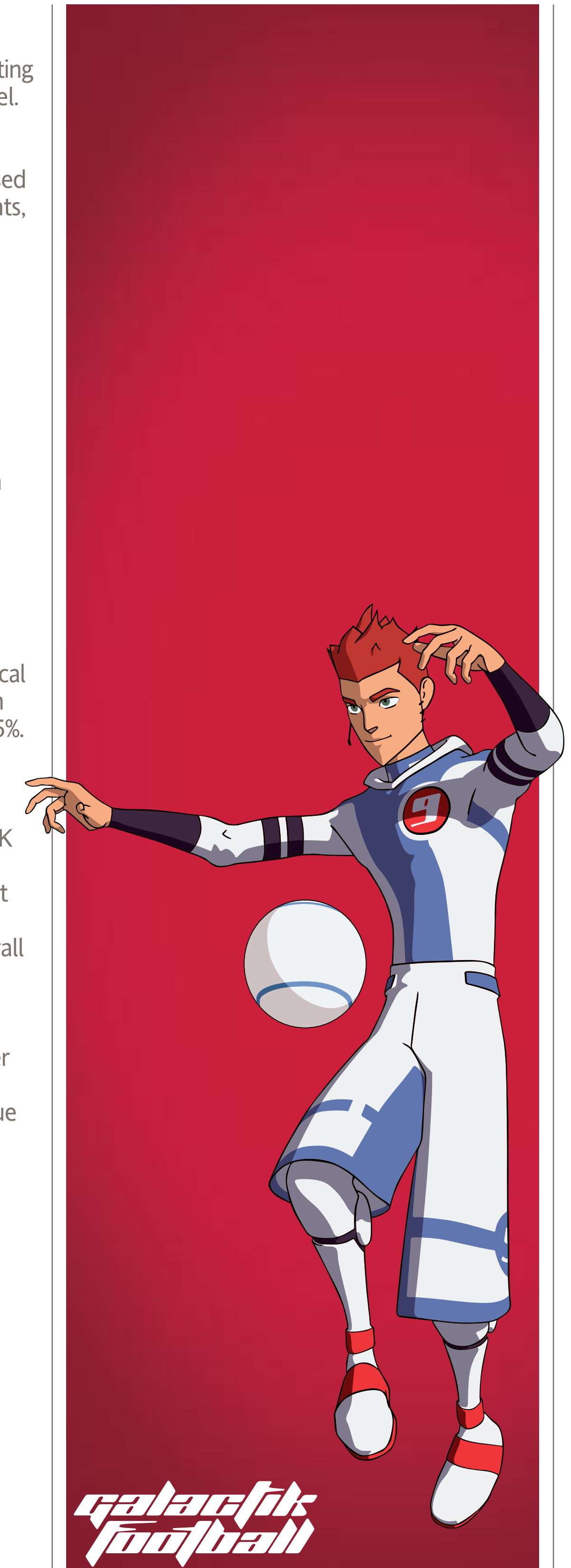
We are also anticipating that this revenue reduction will feed through to EBITDA, alongside specific cost increases from the end of a rent rebate period on one of our offices and an increased investment in developing our digital activities.

Dene Stratton
Chief Financial Officer
December 2007

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

2 Primarily the result of balances between group members denominated in dollars. The Euro to US dollar exchange rate has increased from 1.270 at September 30, 2006 to 1.415 at September 30, 2007.

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



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

Management Board

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, 2009

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 all of 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 he has held posts at various advertising agencies including JWT, McCanns, Lowe Howard-Spink and Geers Gross.

Dene Stratton

Chief Financial Officer

Date of birth: November 30, 1958

Nationality: American

Initial appointment date: January 5, 2005

Current term expiry date: n/a[1]

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.

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.

Oliver Fryer

General Counsel

Date of birth: November 2, 1963

Nationality: British

Initial appointment date: September 10, 2003

Current term expiry date: February 14, 2009[2]

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.

1 From February 2007 Mr Stratton is not on a fixed term contract.

2 The Company has an option in its favour for a further year.

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.

Chris Deering

Date of birth: January 15, 1945

Nationality: American

Initial appointment date: September 19, 2007

Current term expiry date: 2011

Chris Deering was appointed as a member of the Supervisory Board in September 2007. He was formerly President and CEO of Sony Computer Entertainment Europe between 1995 and 2005. Chris is Chairman of two companies – global computer game publisher, Codemasters Group Ltd, and Jalipo Ltd, a privately-held new media company that works with BBC World to stream its content around the world. He is also a Board Director for In Game Advertising Worldwide and Handheld Learning Ltd and on the Advisory Boards of Geometrics and Wayfinder.

Supervisory Board changes

Etienne de Villiers resigned from the Supervisory Board in September 2007. He was replaced by Chris Deering.

Reports

Report of the Supervisory Board

Introduction

The role of the Supervisory Board is to supervise 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 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 issued an unqualified audit opinion (see page 80). 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, 2007.

Supervisory Board changes

Etienne de Villiers resigned from the Board on September 19, 2007. At an Extraordinary General Meeting of the Company, also on September 19, 2007, Chris Deering was 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 111.2 (independence Supervisory Board) by virtue of 111.2.2 (f) the Board notes that three of the five members of the Supervisory Board are employees of Disney.

The Company's policy is to apply the principles and provisions of the Tabaksblat Dutch Corporate Governance Code (the "Code") in relation to actual or potential conflicts of interest. 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 28). No breaches of the Company's policy on conflicts came to the attention of either Board during the year.

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. Messrs Bird, Gramatke, Seymour and Spaulding attended all Supervisory Board meetings. Messrs Deering and De Villiers attended one each. 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 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 regularly discussed with the Management Board the corporate structure and significant strategic and operational risks. The Supervisory Board, through the Audit Committee, regularly examined compliance risks, financial reporting risks and control systems. These discussions continue on an ongoing and regular basis. 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 and pay rises.

Supervisory Board
Rotterdam, December 6, 2007

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, in so far as possible taking into account the specific international focus of the business, will be in line with "Best Practice" provisions of the Code.

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 originally 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. Messrs Taylor, Spiner and Fryer are employed on renewed two year fixed-terms. The provision of Mr Stratton's services to the Company is not subject to a minimum term. It is the intention of the Supervisory Board that, in case of termination by the Company, any compensation 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 7.8% were awarded in the financial year ended September 30, 2007. No other salary increases or payments of any nature were made to the members of the Management Board during the financial year ended September, 30 2007 and the full remuneration details for the Management Board are as set out in 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 ("LTIP") (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 15% to 50% of the target cash reward. Superior performance, however, may result in actual bonus payments in excess of target levels. Bonus levels in the last financial year reflect 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, 2007, 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 2008 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 senior management as a whole and for which the members of the Management Board are eligible. The current rules of The Share Option and Restricted Stock Schemes were approved by shareholders at the general meeting in September 2005. Please see the paragraph below on long-term incentives for details of the Company's new LTIP scheme. 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 members 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 does not participate in these arrangements.

The Company's Remuneration Policy was initially 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 and an amended version, including the new LTIP, was re-approved at the Annual General Meeting in January 2007.

Long-term incentives
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 Extraordinary General Meeting together with the rules of the Jetix Europe Discretionary Restricted Stock Scheme.

In December 2006 the Supervisory Board approved a new LTIP for senior management of the Company as a whole and including Management Board Members. The plan features grants on a regular annual basis linked to appointment and promotion. Awards will be based on a mixture of Jetix restricted stock (in accordance with the rules of the Restricted Stock Scheme) and an element of stock options in The Walt Disney Company (subject to the rules of the Disney Stock Incentive Plan). The LTIP was approved as part of the Company's remuneration Policy at the 2007 Annual General Meeting.

All permanent employees of Jetix Europe, not within two years of normal retirement, as well as members of the Management Board, 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 and of the Disney Stock Incentive Plan 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. At the moment, it is not the intention to make grants under the Jetix Option Scheme although the Supervisory Board retains the ability to do so. 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 LTIP's operated by the controlling shareholder in order to provide a consistent equitable approach to long-term incentives for all senior executives.

For more detailed information on remuneration received by Management Board members please refer to Note 25 of the financial statements.

Outlook and risk factors

For financial year 2008 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 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 for 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 revenues 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), may result in an increase in the number of competitors in the marketplace. 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 we 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 licensee for our *Power Rangers* property, Walt Disney Studios Home Entertainment (WDSHE), formally known as Buena Vista Home Entertainment (BVHE), acts as distributor on video and DVD formats for one of the titles within our library, and Disney-ABC International Television (DAIT), formally known as Buena Vista International Television (BVITV), services our programme distribution business.

If Disney is unable or unwilling 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 about 73.3% 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 licence for that channel or possible revocation of that licence.

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.

We depend on continuing demand from free-to-air broadcasters
A significant portion of our programme distribution revenue is generated by the sale of Jetix's programming to third party free-to-air broadcasters. There is no assurance that our current content will continue to be in demand from free-to-air broadcasters.

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.

Outlook and risk factors continued

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. 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 and its group companies comply 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 internal risk management and control systems are designed to identify significant strategic, operational, compliance and financial reporting risks. The Management Board reports on and accounts for internal risk management and control systems to the Supervisory Board and its Audit Committee. The Management Board is responsible for identifying, assessing, monitoring and mitigating the risks that Jetix Europe faces and for assuring that these risk management processes, including the related controls, are operating effectively.

At Jetix Europe, 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 and regulatory requirements and by safeguarding the integrity of the Company's financial reporting and related disclosures. Significant non-financial risks (including operational, strategic, legislative or regulatory) are identified in the Outlook section of this Annual Report. The internal risk management and control systems can not 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 strategic, financial and operational risks facing the Company and identifies areas where action is required to minimise any exposure. 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 Management Board discusses all strategic and operational risks with members of the Supervisory Board.

Risks associated with compliance and financial reporting are discussed with the Audit Committee. Management, including the CFO, reviews on a quarterly basis actual performance against the budget and forecast. Management and the internal auditor review the quarterly close process along with supporting documentation. The internal auditor is responsible for conducting 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, the Company's Accounting Policies and Procedures are published on the Company intranet.

The results of the above assessments are 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.

The Audit Committee was established during the financial year September 2006 (FY06). 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 financial year September 2007 (FY07) interim results and press release, the current year budget and in finalising and approving the full year FY07 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 management and the 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. The Audit Committee may also communicate directly with the internal auditor. It is intended that the Supervisory Board will follow any recommendations made by the Audit Committee.

During a portion of the second half of FY07 the role of the internal auditor was vacant. However, during this time, management continued to perform the required quarterly reviews of the minimum control standards. Management also visited local territories performing reviews of controls and procedures and addressed any issues noted by the previous internal auditor in the local audit reports. While the role of the internal auditor was vacant at year end, a replacement has been hired and is due to start in early January 2008.

The Company has a financial code of ethics that applies to all senior finance employees and members of management. In accordance with section II.1.6 of the Code, the Company has 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 have functioned properly in the year under review and there are no indications that they will not continue to do so.

Corporate governance

The Company is subject to 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.

Following changes and the implementations of policies to comply with the Code in the financial years to September 30, 2005 and 2006 this has been a year of further consolidation in which such policies and procedures have been operational. The Audit Committee has met regularly while the Remuneration and Selection sub-committees of the Supervisory Board have performed their allocated functions when required and in accordance with the applicable rules. Corporate policies relating to business, financial conduct and whistle-blowing can be found on the Company's corporate website along with further information about the Management and Supervisory Boards and the rules of those Boards. Oliver Fryer, a member of the Management Board, acts as the Corporate Secretary for the purposes of the Code.

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. In this financial year, a new LTIP for senior management in general (including the Management Board) was implemented following its approval by the Supervisory Board in the previous year. The Remuneration Policy including the new LTIP was approved by shareholders at the 2007 Annual General Meeting. As well as the potential award of share options and restricted stock in the Company's shares, the LTIP allowed for the grants of share options in The Walt Disney Company pursuant to the rules of the Disney Stock Incentive Plan. The rules of the Jetix option and restricted stock schemes reflect the equivalent Disney schemes (each being non-compliant in the ways set out above), and it has been considered desirable by the Supervisory Board to have generally consistent incentive arrangements for senior management throughout both companies.

– 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.

– In relation to provision V.3.1., although other members of the Company's management covered the internal auditor position, the role itself was vacant during a portion of the second half of fiscal 2007. A new appointment will start in January 2008.

Financial statements

Consolidated income statements

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

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

Consolidated balance sheets

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

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

Consolidated balance sheets continued

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

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

Consolidated statements of changes in equity

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

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

Consolidated cash flow statements

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

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

Notes to the consolidated financial statements

1 General information

Description of business

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

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

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

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

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

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

Organisation

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

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

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

2 Basis of preparation

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

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

New accounting standards and interpretations

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

Notes to the consolidated financial statements continued

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

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies

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

A Nature of the consolidated financial statements

(1) Subsidiaries

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

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

(2) Joint ventures

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

B Revenue recognition

(1) Channels and online

Subscriber fees receivable from cable operators and Direct-to-home (DTH) broadcasters are generally recognised as revenue over the period for which the channels are provided and to which the fees relate. Subscriber revenue is recognised as contracted; generally based upon the level of subscribers. Television advertising revenue is recognised as the commercials are aired. In certain countries, the Group commits to provide advertisers with certain rating levels in connection with their advertising. Revenue is recorded net of estimated shortfalls, which are usually settled by providing the advertiser additional advertising time. The revenue related to the shortfall, calculated based on the additional advertising to be provided, is deferred and released when the additional advertising has been fulfilled. Barter revenues represent the receipt of advertising services in exchange for either advertising time on a Jetix television station or advertising on a Jetix website. The revenues are recognised on delivery of advertising by Jetix. The fair value of the advertising surrendered is determinable based on the Group's own historical practice of receiving cash or other consideration that is readily convertible to a known cash amount for similar advertising from buyers unrelated to the counterparty in the barter transaction.

(2) Programme distribution

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

(3) Consumer products

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

C Leases

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

D Advertising costs

Advertising costs are expensed as incurred.

E Earnings per share

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

Notes to the consolidated financial statements continued

F Property and equipment

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

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

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

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

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

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

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

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

G Intangible assets

(1) Goodwill

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

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

(2) Programme rights

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

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

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

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

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

(3) Computer software

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

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

(4) Other intangible assets

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

(5) Impairment of intangible assets

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

H Measurement of impairment of assets

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

I Share capital

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

J Taxation

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

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

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

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

K Employee benefits

(1) Pension obligations

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

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

(2) Share-based compensation

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

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

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

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

(3) Termination benefits

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

L Provisions

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

M Financial instruments

(1) Receivables

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

(2) Cash and cash equivalents

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

(3) Accounts payable

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

N Foreign currency translation

(1) Presentation currency

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

(2) Functional currency

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

(3) Transactions and balances

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

(4) Consolidation

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

O Segment reporting

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

P Use of estimates

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

Q Comparative figures

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

4 Financial risk management

(1) Financial risk factors

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

(a) Market risk

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

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

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

(b) Credit risk

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

(c) Liquidity risk

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

(d) Cash flow and fair value interest rate risk

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

5 Key accounting estimates and judgements

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

A Provisions and accruals

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

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

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

B Revenue recognition

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

C Amortisation of programme library

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

D Estimated impairment of goodwill and programme library

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

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

E Income taxes

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

F Share-based compensation

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

G Functional currency

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

6 Segment information

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

– *Channels and online* – operation and broadcast of television channels and the provision of children's entertainment via the Internet and other interactive media.

– *Programme distribution* – sale of programming to third parties.

– *Consumer products* – licensing and merchandising operations including home entertainment.

Primary reporting format – business segments

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

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

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

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

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

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

Primary reporting format – business segments (continued)

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

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

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

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

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

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

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

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

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

Secondary reporting format – geographical segments

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

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

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

7 Depreciation and amortisation

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

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

8 Finance income, expense and gain on foreign exchange

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

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

9 Employment benefit expenses

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

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

Jetix Europe Limited, a Group company, operates a defined contribution group personal pension plan (the 'Plan') for United Kingdom employees. The Plan is effectively a collection of individual personal pension plans. The pension costs are determined based on the premiums payable in respect of the financial period.

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

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

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

10 Tax expense

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

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

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

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

11 Earnings per share

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

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

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

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

12 Intangible assets

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

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

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

(3) Comprised of customer acquisition costs.

Goodwill

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

Impairment tests for goodwill

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

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

Israel – Channel and Online

Operating margin	41.1%
Growth rate	2.0%
Discount rate	10.8%

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

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

Software

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

Programme rights

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

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

13 Property and equipment

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

14 Investment in joint ventures

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

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

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

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

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

15 Deferred income tax

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

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

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

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

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

Deferred tax assets:

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

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

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

16 Trade, other and related party receivables

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

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

17 Cash and cash equivalents

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

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

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

18 Share capital

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

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

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

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

The members of the board of directors of BVSEI are Griffith Foxley, Marsha Reed and Joseph Santaniello. The members of the board of directors of ABCW are Marsha Reed, David Thompson and Anne Sweeney. The directors of BVSEI and ABCW are responsible for the management of their respective companies. None of the priority shares are held by a member of the Board of Management of the Group.

19 Equity

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

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

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

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

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

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

20 Other liabilities

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

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

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

21 Trade, other and related party payables

	2007 €'000	2006 €'000
Trade payables	**4,140**	14,678
Participation and royalty costs	**10,922**	10,505
Accrued programming costs	**9,775**	7,387
Payroll liabilities	**5,510**	8,325
Deferred income	**3,057**	2,446
Other accruals	**11,509**	11,428
Trade and other payables	**44,913**	54,769
Amounts due to related parties (Note 28)	**3,227**	13,518
	48.140	68,287

22 Provision for other liabilities

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

All provisions are current provisions.

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

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

23 Share-based payments

Under the Jetix Discretionary Stock Option Scheme, the Group may grant options to acquire shares to personnel at exercise prices equal to or exceeding the market price at the date of grant. Options vest equally over a four-year period from the date of grant and expire ten years after the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Movements in the number of Jetix share options outstanding and their related weighted average exercise prices are as follow:

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

Notes to the consolidated financial statements continued

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

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

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

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

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

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

Details of the restricted shares activity is as follows:

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

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

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

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

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

Under the Disney Stock Incentive Plan, certain employees of the Group may be granted options to acquire shares of stock in Disney, at exercise prices equal to or exceeding the market price at the date of grant. Options vest equally over a four-year period from the date of grant and expire seven to ten years after the date of grant. The options are settled using the equity instruments of Disney. Movements in the number of Disney share options outstanding and their related weighted average exercise prices are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 Expenses by nature

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

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

25 Directors' remuneration

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

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

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

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

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

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

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

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

	Short-term employee benefits €	Post-employment benefits €	Share-based compensation charge €	Other(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(2)	317,066	–	155,290	237,664	710,020
	1,413,681	60,807	488,732	808,624	2,771,844

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

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

Shares and share options granted to Directors
The aggregate number of Jetix and Disney share options granted to the Directors of the Group during 2007 was 46,150 (2006: nil). The share options are given on the same terms and conditions as those offered to other employees of the Group (Note 23). The outstanding number of Jetix and Disney share options granted to the Directors of the Group at the end of the year was 106,650 (2006: 210,019).

The Directors have the following interest in Jetix stock options:

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

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

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

The Directors have the following interest in Jetix restricted shares:

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

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

The Directors have the following interest in Disney stock options:

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

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

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

The Directors have the following interest in Disney restricted shares:

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

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

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

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

26 Commitments

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

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

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

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

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

27 Change in working capital

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

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

28 Related party transactions

The following transactions were carried out with related parties:

(i) Sales of goods and services

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

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

(ii) Purchases of goods and services

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

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

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

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

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

a) ABC Family Worldwide, Inc.

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

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

b) Logistical Services

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

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

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

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

Notes to the consolidated financial statements continued

d) Arrangements with United Pan-Europe Communications N.V. (UPC)
The minority shareholder in Jetix Poland Limited, a subsidiary of UPC, provided certain transmission, programming and marketing services to the Jetix channels in Poland and Central and Eastern Europe during the year. The amount charged in the income statement, included in marketing, selling and distribution costs, in relation to these services for the year ended September 30, 2007 was €0.1 million (2006: €0.5 million). There were no amounts payable to UPC for these services at September 30, 2007 (2006: €nil).

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

f) Walt Disney Studios Home Entertainment Inc. (WDSHE), formerly known as Buena Vista Home Entertainment (BVHE)
On May 5, 2006, the Group entered into an agreement with WDSHE, a subsidiary of Disney; to grant WDSHE the sole and exclusive right to exploit on VHS and DVD formats all home entertainment distribution and exhibition rights for *Power Rangers* in the UK and Ireland. In the year ended September 30, 2007 €0.5 million was recognised by the Group for these deals (2006: €0.9 million). The receivable amount outstanding for the year ended September 30, 2007 was €0.3 million (2006: €0.3 million).

g) Disney Consumer Products (DCP)
On October 1, 2006, the Group granted DCP, a division of Disney, certain merchandising rights within Europe and the Middle East in respect of the property, *Power Rangers*. Further rights were granted on January 1, 2007. The Group receives a royalty of 70% of earned revenue, subject to a minimum guarantee provided by DCP, during the term of the agreement, which, initially, is until September 30, 2009. Under the previous agreements, expired September 30, 2006 and December 31, 2006, the Group appointed DCP to act as its licensing agent and received a minimum guarantee against certain royalties and DCP received a commission of 30% of earned revenue in return for its services. The minimum guarantee and excess royalties received during the year ended September 30, 2007 was €10.7 million (2006: €12.0 million). The DCP commission earned during same period was €0.7 million (2006: €3.7 million). The amount receivable from DCP at September 30, 2007 was €7.5 million (2006: €0.2 million and no amount was payable to DCP at this date (2006: €1.1 million).

h) Super RTL
On September 30, 2003, the Group entered into a co-production agreement with Super RTL, a Disney affiliate. Under the terms of the deal the Group co-produced two series, namely *W.I.T.C.H.* and *Ōban Star-Racers*, with Super RTL and third parties and also licensed them other programming. Revenue relating to the deal in the year ended September 30, 2007 was €2.1 million (2006: €3.2 million).

i) Premises and facilities
During the year ended September 30, 2004, the Group entered into arrangements with The Walt Disney Company Limited and The Walt Disney Company (France) SAS with respect to the lease of office and broadcast operations facilities and the provision of certain accounting functions in the UK and France. Under these arrangements, the amount payable for services received during the year ended September 30, 2007 was €7.2 million (2006: €7.9 million). The amount payable to The Walt Disney Company Limited and The Walt Disney Company (France) SAS at September 30, 2007 was €2.3 million (2006: €2.0 million).

The relocation costs incurred and the amount recharged to Disney are disclosed in Note 22.

As part of these arrangements, the Group received a rebate of €2.4 million during the year ended September 30, 2007 (2006: €2.3 million). The amount receivable from Disney at September 30, 2007 was €nil (2006: €nil). The Group also recharged to Disney €1.0 million (2006: €1.1 million) during the year ended September 30, 2007 and there was no receivable as at September 30, 2007 (2006: €1.0 million).

j) Receivables
ABCW collects certain receivables on behalf of the Group. The amount owed to the Group at September 30, 2007 was €nil (2006: €1.0 million).

k) TV10 B.V.
Any material costs of TV10 B.V. in which the Group has an interest, are recharged to the Group. The costs recharged from TV10 B.V. for the year ended September 30, 2007 was €1.4 million (2006: €1.6 million). The amount payable to TV10 B.V. at September 30, 2007 was €nil (2006: €nil).

l) Programme rights
The Group acquires certain programme rights relating to its territories from ABCW and other certain Disney affiliates. The acquisitions made during the year ended September 30, 2007 were €6.2 million (2006: €5.1 million). The amount payable to ABCW and certain other Disney affiliates at September 30, 2007 was €10,000 (2006: €8.0 million). The current year has seen the co-production with ABCW of *Power Rangers Operation Overdrive* and *Yin Yang Yo*.

m) SIP Animation
During the year ended September 30, 2005, the Group entered into a loan with SIP Animation, a Disney affiliate, for the co-production of the property, *A.T.O.M. Alpha Teens on Machines*. The receivable amount outstanding for the year ended September 30, 2007 was €1.2 million (2006: €1.9 million).

iv) Loans to Directors
No loans have been made to any Directors during the year ended September 30, 2007 (2006: €nil).

v) Directors' remuneration
Refer to Note 25 for details of Directors' remuneration.

29 Principal subsidiaries

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

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

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

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

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

Company financial statements of Jetix Europe N.V.

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

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

Jetix Europe N.V. Company income statements

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

Notes to the Company balance sheets and income statements

1 General

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

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

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

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

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

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

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

A Financial fixed assets

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

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

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

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

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

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

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

C Cash at bank and in hand

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

D Shareholders' equity

The movement in shareholders' equity is as follows:

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

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

(2) After appropriation of result.

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

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

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

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

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

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

Notes to the Company balance sheets and income statements continued

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

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

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

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

E Current liabilities (due within one year)

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

F Commitments not included in the balance sheets
Jetix Europe N.V. has accepted joint and several liability for any liabilities arising from the legal acts of Jetix Europe Channels B.V. and Jetix Europe Music B.V., Hilversum (the Netherlands), within the meaning of Article 403, Paragraph 1, Sub f, Book 2 of the Netherlands Civil Code.

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

Rotterdam, December 6, 2007

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

Other information

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

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

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

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

Auditor's Report

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

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

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

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

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

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

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

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

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

drs. J. van der Hilst RA

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