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FOX ENTERTAINMENT GROUP INC
Form 10-K
September 20, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended June 30, 2002
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-14595

FOX ENTERTAINMENT GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State or Other Jurisdiction of Incorporation or Organization) 95-4066193
(I.R.S. Employer Identification No.)

1211 Avenue of the Americas, New York, New York 10036
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (212) 852-7111

Securities registered pursuant to Section 12 (b) of the Act:

Title of Each Class -----	Name of Each Exchange on Which Registered -----
Class A Common Stock, \$.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to

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Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. { }

As of August 23, 2002, the aggregate market value of common stock held by non-affiliates of the registrant (based on the closing price on such date as reported on the New York Stock Exchange - Composite Transactions) was \$2,789,168,250.

As of August 23, 2002, 302,436,375 shares of Class A Common Stock, par value \$.01 per share, and 547,500,000 shares of Class B Common Stock, par value \$.01 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Fox Entertainment Group, Inc.'s Notice of 2002 Annual Meeting and Proxy Statement to be filed with the Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934 are incorporated by reference into Part III of this report.

2

PART I

ITEM 1. BUSINESS

Background

Fox Entertainment Group, Inc. (together with its direct and indirect subsidiaries, and their respective predecessors, unless the context otherwise requires, the "Company") is a multi-faceted entertainment company with operations in four business segments: (i) Filmed Entertainment; (ii) Television Stations; (iii) Television Broadcast Network; and (iv) Cable Network Programming. For financial information regarding the Company's segments and operations in geographic areas see "Item 8. Financial Statements and Supplementary Data - Fox Entertainment Group, Inc. - Note 16 to the Consolidated Financial Statements."

The News Corporation Limited ("News Corporation") is the beneficial owner of 177,636,375 shares of Class A Common Stock and 547,500,000 shares of Class B Common Stock, which in the aggregate represent approximately 85.32% of the equity and 97.84% of the voting power of the Company.

The address of the Company's principal executive offices is 1211 Avenue of the Americas, New York, New York 10036, and the telephone number is (212) 852-7111. The Company maintains a 52-53 week fiscal year ending on the Sunday nearest to June 30 in each year. At June 30, 2002, the Company had approximately 12,800 full-time and part-time employees.

Special Note Regarding Forward-Looking Statements

This document contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of

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1934, as amended, and Section 27A of the Securities Act of 1933, as amended. The words "expect," "estimate," "anticipate," "predict," "believe" and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company's financial condition or results of operations. The readers of this document are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Those risks and uncertainties are discussed under the heading "Risk Factors" in the Company's Registration Statement on Form S-3 (SEC file no. 333-85978) as declared effective by the Securities and Exchange Commission on May 3, 2002, as well as the information set forth below. The Company does not ordinarily make projections of its future operating results and undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review the risk factors referred to above and the other documents filed by the Company with the Securities and Exchange Commission. This section should be read in conjunction with the audited consolidated condensed financial statements of the Company and related notes set forth elsewhere herein.

3

Business

Filmed Entertainment

The Company engages in feature film and television production and distribution principally through the following businesses: Fox Filmed Entertainment ("FFE"), a producer and distributor of feature films; Twentieth Century Fox Television ("TCFTV"), a producer of network television programming; Twentieth Television, a producer and distributor of television programming; and Fox Television Studios ("FtvS"), a producer of broadcast and cable programming.

Fox Filmed Entertainment

One of the world's largest producers and distributors of motion pictures, FFE produces, acquires and distributes motion pictures throughout the world under a variety of arrangements. During fiscal 2000, 2001 and 2002, FFE placed 20, 20 and 22 films, respectively, in general release in the United States. Those motion pictures were produced or acquired by the following units of FFE: Twentieth Century Fox and Fox 2000, which produce motion pictures for mainstream audiences; Fox Searchlight Pictures, which produces and acquires specialized motion pictures; and Twentieth Century Fox Animation, which produces feature length animated motion pictures. Successful motion pictures produced and/or distributed by FFE in the United States and international territories since the beginning of fiscal 2000 include Big Momma's House, Me, Myself & Irene, X-Men, Cast Away (together with DreamWorks SKG), Moulin Rouge, Dr. Dolittle 2, Ice Age, Planet of the Apes, Star Wars Episode II: Attack of the Clones, Minority Report (together with DreamWorks SKG), and Road to Perdition (together with DreamWorks SKG). The Company currently plans to release approximately 25 films in the United States in fiscal 2003, including X-Men 2, League of Extraordinary Gentlemen, Solaris and Dare Devil.

In addition, pursuant to an agreement that became effective at the end of May 1998 with Monarchy Enterprises Holdings B.V. ("MEH"), the parent company of Regency Entertainment (USA), Inc. ("New Regency"), FFE will distribute

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certain New Regency films and all films co-financed by the Company and New Regency produced over a 15-year term in all media worldwide, excluding certain international territories with respect to theatrical and home video rights and most international territories with respect to television rights. Among its 2003 releases, the Company currently expects to release two New Regency films during fiscal 2003, both of which were co-financed by the Company and New Regency. The Company has also acquired a 20% interest in MEH. The parties also agreed to enter into certain motion picture financing arrangements and formed Regency Television, a 50/50 joint venture to produce television programming through a partnership with FtvS.

Due to increased competition and costs associated with film production, film studios and the Company constantly evaluate the risks and rewards of production. Various strategies are used to balance risk with capital needs, including, among other methods, co-production, contingent profit participations, acquisition of distribution rights only and insurance. In March 2001, the Company entered into a new series of film rights agreements whereby a controlled consolidated subsidiary of the Company, Cornwall Venture LLC ("NM2"), that holds certain library film rights, funds the production or acquisition costs of all eligible films, as defined, to be produced or acquired by Twentieth Century Fox Film Corporation ("TCF"), a subsidiary of the Company, between 2001 and 2004 (these film rights agreements are collectively referred to as the "New Millennium II Agreement"). NM2 is a separate legal entity from the Company and TCF and has separate assets and liabilities. NM2 issued a preferred limited liability membership interest ("Preferred Interest") to a third party to fund the film financing, which is presented on the consolidated balance sheets as Minority interest in

4

subsidiaries. The Preferred Interest has no fixed redemption rights but is entitled to an allocation of the gross receipts to be derived by NM2 from the distribution of each eligible film. This allocation, to the extent available based on the gross receipts from the distribution of the eligible films, consists of (i) a return on the Preferred Interest (the "Preferred Payments"), based on certain reference rates (generally based on commercial paper rates or LIBOR) prevailing on the respective dates of determination, and (ii) a redemption of the Preferred Interest, based on a contractually determined amortization schedule. The Preferred Interest has a preference in the event of a liquidation of NM2 equal to the unredeemed portion of the investment plus any accrued and unpaid Preferred Payments. As of June 30, 2002, there was \$850 million of Preferred Interests outstanding, which is included in the consolidated balance sheets as Minority interest in subsidiaries. For more detail regarding this agreement, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - New Millennium II."

Motion picture companies, such as FFE, typically seek to generate revenues from various distribution channels. FFE derives its worldwide motion picture revenues primarily from four basic sources (set forth in general chronology of exploitation): (i) distribution of motion pictures for theatrical exhibition in the United States and Canada and markets outside of the United States and Canada ("International" markets); (ii) distribution of motion pictures in various home media formats; (iii) distribution of motion pictures for exhibition on pay-per-view and premium pay television programming services; and (iv) distribution of motion pictures for exhibition on free television networks, other broadcast program services, independent television stations and basic cable programming services, including certain services which are

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affiliates of the Company and News Corporation. The Company does not always have rights in all media of exhibition to all motion pictures which it releases, and does not necessarily distribute a given motion picture in all of the foregoing media in all markets.

The Company distributes and markets its films worldwide principally through its own distribution and marketing companies. The Company believes that the pre-release marketing of a feature film is an integral part of its motion picture distribution strategy and generally begins marketing efforts three to six months in advance of a film's release date in any given territory.

Through Twentieth Century Fox Home Entertainment, Inc., the Company distributes motion pictures and other programming produced by units of FFE, its affiliates and other producers in the United States, Canada and International markets in all home media formats, including the sale and rental of videocassettes and DVDs. In fiscal 2002, the domestic home entertainment division released or re-released over 100 produced and acquired titles, including approximately 80 titles in DVD format. In International markets, the Company distributes produced and acquired titles both directly and through foreign distribution channels, with approximately 400 releases in fiscal 2002, including 30 new FFE releases, nearly 200 catalog titles and approximately 100 television and non-theatrical releases. In addition, the Company has an agreement with Metro-Goldwyn-Mayer ("MGM") to distribute its video product in most International markets in return for certain fees. The Company released over 200 MGM Home Entertainment theatrical, catalog and television programs internationally in fiscal 2002.

Units of FFE license motion pictures and other programs in the United States, Canada and International markets to various third parties and certain affiliated subscription pay television services and pay-per-view services. The license agreements reflecting the subscription pay television arrangements generally provide for a specified number of exhibitions of the program during a fixed term in exchange for a license fee which is based on a variety of factors, including the box office performance of each program and the number of subscribers to the service or system. The license

5

agreements reflecting the pay-per-view arrangements generally provide for a minimum number of scheduled exhibitions of the program during a fixed term, for a license fee based on a percentage of the licensee's gross receipts from the pay-per-view exhibition of the program and, in some cases, a guaranteed minimum fee. Among third-party license agreements that units of FFE have in place in the United States for subscription pay television exhibition of its motion pictures are exclusive agreements with Home Box Office ("HBO"), providing for the licensing of films initially released for theatrical exhibition through the year 2009, as well as arrangements with Encore and American Movie Classics. Units of FFE also license motion pictures in the United States to direct broadcast satellite ("DBS") pay-per-view services operated by DIRECTV, Inc. and EchoStar Communications Corporation, as well as cable pay-per-view and video-on-demand services such as In Demand. In addition, in International markets, units of FFE license motion pictures to leading third-party pay television services and pay-per-view services as well as to programming services operated by various affiliated entities.

Units of FFE also license motion pictures to broadcast television networks, including the Fox Broadcasting Company ("FOX"), independent broadcast television stations and basic cable networks, pursuant to agreements which

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generally allow a fixed number of telecasts of a motion picture over a stated period of time in exchange for a specified license fee.

Twentieth Century Fox Television

During the past three fiscal years, TCFTV produced television programs for the Fox, ABC, CBS, NBC, UPN and WB broadcast television networks. TCFTV currently produces or has orders to produce episodes of the following network television series: The Practice for ABC; Charlie Lawrence, Judging Amy, Still Standing and Yes, Dear (each co-produced with CBS Worldwide, Inc.) for CBS; 24, Andy Richter Controls the Universe (a co-production with Paramount Pictures Corporation), The Bernie Mac Show (a co-production with FtvS), Boston Public, Cedric the Entertainer Presents, Firefly, Futurama, Girls Club, The Grubbs (a co-production with Universal Studios), King of the Hill, Oliver Beene (a co-production with DreamWorks SKG), The Pitts, Septuplets, and The Simpsons for FOX; Buffy the Vampire Slayer for UPN; and Angel and Reba for WB. Generally, a network will license a specified number of episodes for exhibition on the network during the license period. All other distribution rights, including international and off-network syndication rights, are typically retained by TCFTV.

Generally, television programs are produced under contracts that provide for license fees which may cover only a portion of the anticipated production costs. As these costs have increased in recent years, the resulting deficit between production costs and license fees for domestic first-run programming has also increased. Successful network television series are licensed (i) for first-run exhibition in Canadian and International markets, (ii) for off-network exhibition in the United States (including in syndication or to cable programmers) and (iii) for syndication in International markets. Such additional licensing is often critical to the financial success of a series since the license fee paid by a network generally does not fully recover production costs. Generally, a series must be broadcast for at least three to four television seasons for there to be a sufficient number of episodes to offer the series in syndication in the United States or to cable and DBS programmers in the United States. The decision of a television network to continue a series through an entire television season or to renew a series for another television season depends largely on the series' audience ratings.

6

Twentieth Television

Twentieth Television licenses off-network television programming produced by the Company; develops and produces original reality and first-run television programming for the Fox Television Stations, national syndication, FOX and basic cable networks; and sells national advertising units retained by Twentieth Television in off-network and first-run syndicated television programming. Twentieth Television derives revenue from its licensing of off-network and first-run television programming in the form of cash license fees paid by licensees and the sale of national advertising units retained by Twentieth Television in the programs. Twentieth Television's current and future off-network shows include The Simpsons, The X-Files, Malcolm in the Middle, King of the Hill, Bernie Mac, M*A*S*H, The Practice and Buffy the Vampire Slayer. Reality and first-run original programming includes America's Most Wanted, COPS, Divorce Court, Good Day Live, Texas Justice and The Rob Nelson Show.

Fox Television Studios

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Fox Television Studios (FtvS) is a program supplier to the major U.S. broadcast and cable networks as well as a growing number of emerging and international networks. FtvS produces or has orders to produce several U.S. broadcast and cable series including Malcolm in the Middle (through Regency Television, a co-venture with New Regency Enterprises), John Doe and The Bernie Mac Show (a co-production with TCFTV) for FOX; The Shield (produced in association with Columbia TriStar Domestic Television) and Son of the Beach for FX and American Family for PBS. It also has or will produce a variety of made for television movies including Prince William and Home Alone 4 for ABC, and the miniseries Master Spy: The Life of Robert P. Hanssen for CBS. Its non-fictional shows include A&E's Biography and Animal Planet's The Most Extreme. Its international productions include 12 separate versions of Temptation Island as well as a new Spanish-language adaptation for Telemundo. FtvS also produces a variety of game shows and talk series, specials and other forms of programming for top U.S. and international telecasters.

Motion Picture and Television Libraries

The Company's motion picture and television library (the "Fox Library") consists of varying rights to over 3,250 previously released films, of which approximately 350 have been released since 1980, and many well-known television series. The motion pictures in the Fox Library include many successful and well-known titles, such as The Sound of Music and Miracle on 34th Street, and eight of the top 16 domestic box office grossing films of all time, which are Titanic (together with Paramount Pictures Corporation), Star Wars Episode I: The Phantom Menace, Independence Day, Star Wars, Return of the Jedi, The Empire Strikes Back, Home Alone, and Star Wars Episode II: Attack of the Clones. The Company earns significant revenues through the licensing of titles in the Fox Library in many media, including television and home entertainment formats, and through licensing and merchandising of films and characters in films.

In addition, the Fox Library contains varying rights to certain television series and made-for-television motion pictures. The television library contains such classic series as Batman, The Mary Tyler Moore Show, M*A*S*H, Hill Street Blues, Doogie Howser, M.D., L.A. Law, The Wonder Years, Picket Fences, Room 222, Trapper John, M.D., Daniel Boone and The X-Files, as well as such current hits as The Simpsons, NYPD Blue, The Practice, King of the Hill, Buffy the Vampire Slayer, Judging Amy (together with CBS Worldwide, Inc.), Malcolm in the Middle, The Bernie Mac Show, 24 and The Shield.

7

Licensing and Merchandising

Through its licensing and merchandising division, the Company exploits its motion picture and television properties and characters by entering into licensing agreements for merchandising, literary publishing and promotional tie-ins. Television series and films which have experienced success throughout the world in licensing and merchandising include The Simpsons, The X-Files, Buffy the Vampire Slayer, Dark Angel, the Alien series of motion pictures, Titanic, Planet of the Apes and Ice Age.

Fox Interactive

Fox Interactive produces entertainment computer software and video game titles. Fox Interactive leverages the name recognition and popularity of Fox Library films and television series such as The Simpsons, Buffy the Vampire Slayer, Die Hard, The X-Files and the Alien and Predator series of motion

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pictures through its line of interactive games.

Fox Music and Music Publishing

Fox Music produces and licenses for distribution through third parties soundtracks of the Company's film and television productions. The Company's successful film and television soundtracks include Cast Away, Moulin Rouge, Titanic, Waiting to Exhale, Romeo + Juliet, Hope Floats, Ally McBeal, The X-Files, Dr. Dolittle and Buffy the Vampire Slayer. In addition, Fox Music Publishing generally owns the publishing rights for songs and scores commissioned for the Company's film and television programming. Fox Music Publishing licenses these rights to third parties for many uses in different media.

Television Stations

Fox Television Stations currently owns and operates 35 full power stations located in nine of the top 10 largest designated market areas ("DMAs"). Fox Television Stations owns and operates two stations in nine DMAs, including New York, Los Angeles, and Chicago, the first, second, and third largest DMAs, respectively.

Fox Television Stations now owns and operates stations that are affiliated with the United Paramount Network ("UPN") in nine markets, including eight of the top 10 DMAs. The affiliation agreements with UPN generally extend through at least the 2003-04 season and may be extended at the option of the stations through the 2005-06 season. UPN provides approximately 23 hours of programming a week, including two hour prime time programming blocks five nights a week, to its affiliates. The remaining stations owned by Fox Television Stations are affiliates of FOX. For a description of FOX programming, see "--Television Broadcast Network".

8

The following table lists certain information as of August 23, 2002 about each Fox Television Station. Unless otherwise noted, all stations are primary affiliates of FOX.

	DMA/RANK -----	STATION -----	CHANNEL/TYPE -----	PERCENTAG HOUSEHOLD -----
New York, NY	1	WNYW	5	VHF
		WWOR (2)	9	VHF
Los Angeles, CA	2	KTTV	11	VHF
		KCOP (2)	13	VHF
Chicago, IL	3	WFLD	32	UHF
		WPWR (2)	50	UHF
Philadelphia, PA	4	WTFX	29	UHF
Boston, MA	6	WFXT	25	UHF
Dallas, TX	7	KDFW	4	VHF
		KDFI (3)	27	UHF
Washington, DC	8	WTTG	5	VHF
		WDCA (2)	20	UHF
Atlanta, GA	9	WAGA	5	VHF

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Detroit, MI	10	WJBK	2	VHF
Houston, TX	11	KRIV	26	UHF
		KTXH (2)	20	UHF
Minneapolis, MN	13	KMSP	9	VHF
		WFTC (2)	29	UHF
Tampa, FL	14	WTVT	13	VHF
Phoenix, AZ	16	KSAZ	10	VHF
		KUTP (2)	45	UHF
Cleveland, OH	17	WJW	8	VHF
Denver, CO (4)	18	KDVR	31	UHF
Orlando, FL	20	WOFL	35	UHF
		WRBW (2)	65	UHF
St. Louis, MO	22	KTVI	2	VHF
Baltimore, MD	24	WUTB (2)	24	VHF
Kansas City, MO	31	WDAF	4	VHF
Milwaukee, WI	33	WITI	6	VHF
Salt Lake City, UT	35	KSTU	13	VHF
Birmingham, AL	39	WBRC	6	VHF
Memphis, TN	41	WHBQ	13	VHF
Greensboro, NC	44	WGHP	8	VHF
Austin, TX(5)	54	KTBC	7	VHF
Gainesville	164	WOGX	51	UHF

Total:

Source: Nielsen Media Research, January 2002

(1) VHF stations transmit on Channels 2 through 13 and UHF stations on Channels 14 through 69. UHF television stations in many cases have a weaker signal and therefore do not achieve the same coverage as VHF stations. To address this disparity, the FCC ownership rule applies a UHF discount (the "UHF Discount") which attributes only 50% of the television households in a local television market to the audience reach of a UHF station for purposes of calculating whether that station's owner complies with the 35% national audience reach cap imposed by FCC regulations. In addition, the coverage of two commonly owned stations in the same market is only counted once. The percentages listed are rounded and do not take into account the UHF Discount. See "- Regulation - Television Stations and Television Broadcast Network."

(2) UPN affiliate.

(3) Independent station and secondary FOX affiliate, carrying Fox children's programming.

(4) The Company also owns and operates KFCT, Channel 22, Fort Collins, CO, as a satellite station of KDVR, Channel 31, Denver, CO.

(5) The Company also owns and operates K13VC, Channel 13, Austin, TX, a LPTV (low power television) station. K13VC is an independent station and secondary FOX affiliate, carrying Fox children's programming.

In July 2001, News Corporation completed its acquisitions of Chris-Craft Industries, Inc. and its subsidiaries, BHC Communications, Inc. and United Television, Inc., (together, "Chris-Craft") for approximately \$2 billion in cash and approximately \$3 billion of News Corporation American Depositary Receipts ("ADRs") representing preferred limited voting ordinary shares. As part

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of this acquisition, News Corporation transferred all of the assets and liabilities of Chris-Craft, except for cash and certain non-television related assets and liabilities, to the Company in exchange for 122,244,272 shares of its Class A common stock. Simultaneously with the receipt of these assets and liabilities, the Company transferred title to the Federal Communications Commission ("FCC") licenses of the 10 newly acquired television stations to Fox Television Stations.

In October 2001, Fox Television Stations exchanged two television stations, KTVX (ABC) in Salt Lake City and KMOL (NBC) in San Antonio, with Clear Channel Communications Inc. for television station WFTC (FOX) in Minneapolis. In addition, in November 2001, Fox Television Stations exchanged television station KBHK (UPN) in San Francisco with Viacom Inc. for WDCA (UPN) in Washington, D.C. and KTXH (UPN) in Houston. On June 17, 2002, Fox Television Stations exchanged KPTV (UPN) in Portland for Meredith Corporation's WOFL (FOX) in Orlando and WOGX (FOX) in the Gainesville DMA. Also, on August 21, 2002, Fox Television Stations acquired WPWR (UPN), in the Chicago DMA, from Newsweb Corporation for \$425 million in cash.

Regulatory approval of the Chris-Craft acquisition required the Company to divest sufficient stations to come into compliance with the FCC's national station ownership cap. To comply with this requirement, Fox Television Stations is required to file with the FCC the license assignment applications necessary to come into compliance with the cap prior to August 7, 2003, unless there is further judicial review, or the FCC modifies the national station ownership cap. For more detail regarding the FCC's national ownership cap, see "- Regulation - Television Stations and Television Broadcast Network." Each of the Clear Channel, Viacom and Meredith transactions reduced the national audience reach of Fox Television Stations and, therefore, assisted the Company in complying with the FCC's national station ownership cap.

The Fox Television Stations derive substantially all of their revenues from national spot and local advertising. Advertising rates are determined by each Fox Television Station based on market conditions in the area which it serves. In addition to cash sales, the Fox Television Stations enter into customary barter agreements with syndicators, pursuant to which the Fox Television Stations acquire programming and the rights to sell a specified amount of advertising time for use in national spot and local advertising markets in exchange for allowing the syndicator to retain a specified amount of advertising time for sale in the national advertising market in lieu of cash consideration.

Television Broadcast Network

FOX has 188 affiliated stations, including 25 full power television stations that are owned by subsidiaries of the Company, which reach, along with Fox Net, a Company-owned cable service which reaches areas not served by an over-the-air Fox affiliate, approximately 98% of all U.S. television households. In general, each week FOX regularly delivers to its affiliates 15 hours of prime time programming, one hour of late-night programming on Saturday and one hour of Sunday morning news programming. FOX's prime time programming features such series as The Simpsons, King of the Hill, That 70's Show, Malcolm in the Middle, Boston Public, 24, Bernie Mac, Grounded for Life and various movies and specials. In addition, a significant component of FOX's programming consists of sports programming, with FOX providing to its affiliates live coverage (including post-season) of the National Football Conference of the National Football League ("NFL") and Major League Baseball ("MLB") and live coverage of the premiere racing series (the Winston Cup and the Busch series) of

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the National Association of Stock Car Auto Racing ("NASCAR"). In January 2002, FOX entered into an agreement allowing 4Kids Entertainment, a children's entertainment company, to program a four hour block of children's programming on Saturday mornings, starting in the 2002-2003 broadcast season and continuing for four years, with an option of 4Kids to extend for an additional two years. This replaces the children's programming which had been provided by Fox Family Worldwide, Inc., a former affiliate of the Company.

FOX derives its revenues from sales in the national advertising marketplace of commercial advertising time. FOX's programming line-up is intended to appeal primarily to target audiences of 18 to 49-year old adults, the demographic group that advertisers seek to reach most often. During the 2001-2002 broadcast season, FOX ranked second in prime time programming based on viewership of adults aged 18-49 (NBC had a 5.3 rating and 14 share, FOX had a 4.0 rating and a 11 share, CBS had a 3.9 rating and a 10 share and ABC had a 3.6 rating and 10 share). The median age of the FOX viewer is 35 years, as compared to 45 years for NBC, 45 years for ABC and 51 years for CBS.

The Company obtains programming for FOX from major television studios and independent television production companies pursuant to license agreements. The terms of such agreements generally provide the Company with the right to broadcast a television series for a minimum of four seasons. FOX licenses its film programming from major film studios and independent film production companies and licenses made-for-television films from a number of sources. National sports programming, such as NFL, MLB and NASCAR programming, is obtained under license agreements with professional sports leagues or organizations. The Company's current licenses with the NFL, MLB, and NASCAR extend until the 2005/2006 NFL season, the 2006 MLB season, and the 2008 NASCAR season, respectively, assuming no early terminations.

FOX provides programming to its television station affiliates in accordance with affiliation agreements of varying durations, which grant to each affiliate the right to broadcast network television programming on the affiliated station (the "Fox Affiliates"). Such agreements typically run three or more years and have staggered expiration dates. These affiliation agreements generally require FOX's full-time television station affiliates to carry FOX programming in all time periods in which FOX programming is offered to such affiliates, subject to certain exceptions stated in affiliation agreements. In 1999, FOX entered into an arrangement with most of its television station affiliates relating to the amount of commercial advertising time in FOX programming that FOX provides to each affiliate for the affiliate to sell to advertisers ("local commercial advertising time"). This arrangement expired in June 2002. New agreements, under which affiliates will continue to pay FOX for additional local commercial advertising time, are currently being re-negotiated, with agreements with most of the affiliates already completed.

Cable Network Programming

The Company holds interests in cable network programming businesses in the areas of news, sports, general entertainment and movies. The Fox Cable Networks Group includes all of the Company's cable network programming businesses other than the Fox News Channel.

Fox News Channel ("Fox News")

Fox News is a 24-hour all news cable channel which is currently available to approximately 80 million U.S. cable and DBS households.

Fox News also produces a weekend political commentary show, Fox News Sunday, for broadcast on FOX. Fox News, through its Fox News Edge service, licenses news feeds to Fox Affiliates and other subscribers to use as part of local news broadcasts.

Fox Sports Networks

Fox Sports Networks operates two principal business units: (i) sports programming operations and (ii) FX Network, a general entertainment network.

Sports programming operations. Fox Sports Net, Inc. ("FSN") is the largest regional sports network ("RSN") programmer in the United States, focusing on live professional and major collegiate home team sports events. FSN's sports programming business consists primarily of ownership interests in 21 RSNs (the "Fox Sports RSNs") and National Sports Partners, a 50/50 partnership between FSN and Rainbow Media Sports Holdings, Inc. ("Rainbow"), an indirect subsidiary of Cablevision Systems Corporation ("Cablevision"), which operates Fox Sports Net, a national sports programming service. Fox Sports Net provides its affiliated RSNs with 24-hour national sports programming featuring original and licensed sports-related programming and live and replay sporting events.

FSN owns an equity interest in, or through Fox Sports Net is affiliated with, 24 RSNs. These RSNs reach approximately 73 million households and, together with FSN, have rights to telecast live games of 70 professional sports teams in the MLB, National Basketball Association ("NBA") and National Hockey League ("NHL") (out of a total of 80 such teams in the United States) and numerous collegiate conferences and sports teams. FSN's strategy is to utilize its RSNs and Fox Sports Net to build a national cable sports network under the Fox brand name.

FSN owns a 40% interest in Regional Programming Partners ("RPP"), a partnership with Rainbow which owns various interests in RSNs (including two in which FSN owns 50% interests), the New York Knickerbockers NBA franchise, the New York Rangers NHL franchise, the Madison Square Garden entertainment complex, and Radio City Music Hall. For a discussion of purchase and sale rights related to the investment in RPP, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Contingencies - Regional Programming Partners."

In January 2002, the Company acquired an approximate 23.3% interest in the Sunshine Network ("Sunshine") for approximately \$23.3 million, increasing the Company's ownership percentage in Sunshine to approximately 83.3%. In February 2002, the Company acquired an additional approximate 0.4% interest in Sunshine, increasing the Company's ownership interest in Sunshine to approximately 83.7%.

FX Network. Launched in June 1994, FX Networks LLC ("FX") currently reaches approximately 77.8 million U.S. cable and DBS households. FX is a general entertainment network that combines original programming with acquired television series and feature films. In addition, FX carries sports programming with live coverage of certain NASCAR events. FX's line-up for the Fall 2002 season includes the following syndicated hits from TCFTV: Ally McBeal, The Practice, and Buffy the Vampire Slayer; and original programming, including the Emmy nominated drama, The Shield, a new half-hour comedy, Lucky, Son of the Beach, and The Toughman World Championship series.

Fox Cable Network Ventures

In July 2001, as a result of the exercise of rights by existing shareholders, the Company acquired an additional 53.44% of Speedvision Network LLC, relaunched as "Speed Channel" in January 2002, for approximately \$401 million, increasing the Company's ownership in Speed Channel to approximately 85.46%. In October 2001, the Company acquired the remaining 14.54% minority interest in Speed Channel for approximately \$111 million. The Speed Channel focuses exclusively on the world of racing, including cars, motorcycles, airplanes and boats. The Speed Channel currently reaches approximately 52.5 million U.S. cable and DBS households.

In July 2001, as a result of the exercise of rights by existing shareholders, the Company acquired 50.23% of Outdoor Life Network LLC for approximately \$309 million. The acquisition resulted in the Company owning approximately 83.18% of Outdoor Life. In October 2001, a shareholder of Outdoor Life acquired the Company's entire ownership interest in Outdoor Life for approximately \$512 million in cash.

Fox Cable Network Ventures owns a 40% interest in an entity that owns and operates the Staples Center, a sports and entertainment complex in downtown Los Angeles, California. The Staples Center is the home of the Los Angeles Kings NHL franchise and the Los Angeles Lakers and the Los Angeles Clippers NBA franchises.

Fox Sports International

On July 15, 2001, Liberty Media Corporation ("Liberty") exercised its right, under a pre-existing option, to cause its subsidiary to sell its 50% interest in International Sports Programming Partners ("Fox Sports International") to News Corporation in exchange for 3,673,183 ADRs of News Corporation. Under the terms of this transaction, in December 2001 News Corporation transferred the acquired interest in Fox Sports International to the Company for 3,632,269 shares of Class A common stock.

Fox Sports International holds an interest in Fox Sports World, a U.S. programming service in the English language devoted to international sports such as soccer, rugby and cricket, which service is available to 14.9 million cable and DBS subscribers, and Fox Sports World-Middle East, an English-language sports network which airs in the Middle East.

On February 5, 2002, the Company entered into a joint venture with Liberty and Hicks, Muse, Tate & Furst Incorporated ("HMTF") primarily for the purpose of developing and operating Spanish-language television services in the United States, Canada, Spain and Latin America that are comprised predominantly of sports programming. In exchange for an approximately 38% interest in a new entity called Fox Pan American Sports LLC ("FPAS"), the Company contributed its existing Spanish-language sports businesses, including the Fox Sports Latin America network (a Spanish language sports network distributed to subscribers in certain Central and South American nations outside of Brazil) and Fox Sports World Espanol (a Spanish-language sports network serving 4.6 million subscribers in the U.S.), and a cash investment. The Company also entered into agreements with FPAS to provide certain support services including advertising and affiliate sales, corporate, personnel and production and technical services, primarily in the United States.

Fox Family Worldwide

During fiscal 2001, Fox Family Worldwide, Inc. ("FFW"), a family and children's entertainment company, was owned 49.5% by FEG and 49.5% by Haim Saban and certain limited partnerships controlled by Mr. Saban. In October 2001, the Company, Haim Saban and the other stockholders of FFW sold FFW to The Walt Disney Company ("Disney") for total consideration of approximately \$5.2 billion (including the assumption of certain debt) of which approximately \$1.6 billion was in consideration of the Company's interest in FFW.

National Geographic Channels

The Company, NBC and National Geographic Television ("NGT") each own approximately 50%, 25% and 25% interests, respectively, in NGC Network International, LLC ("NGCI"), which produces the National Geographic Channel for distribution in various international markets, including certain countries in Europe, Asia and Latin America. The National Geographic Channel is currently shown in approximately 133 countries internationally, as well as the United States. National Geographic programming is provided in Australia, certain countries in Europe and Scandinavia by a partnership in which British Sky Broadcasting Limited, NBC and NGT are currently partners.

In January 2001, the Company and NGT launched the National Geographic Channel in the United States. The National Geographic Channel currently reaches approximately 33.2 million U.S. cable and DBS households. The Company holds a non-controlling 66.67% interest in NGC Network US, LLC, the producer of the U.S. channel, with NGT holding the remainder. The National Geographic Channel airs documentary programming on such topics as natural history, adventure, science, exploration and culture.

Fox Movie Channel

Launched in November 1994 and currently reaching approximately 16.1 million U.S. cable and DBS households, Fox Movie Channel ("FMC"), which is wholly-owned by the Company, is Hollywood's first and only studio-based movie network. FMC showcases commercial-free contemporary hits and classics from the Fox Library.

Los Angeles Dodgers

The Company owns substantially all of the Los Angeles Dodgers MLB franchise (the "Dodgers") and Dodger Stadium. The Company acquired its interest in the Los Angeles Dodgers, Inc. in April 1998. The Dodgers are currently in their 112th year in the National League and in each of the last five seasons have achieved attendance of over three million fans at Dodger Stadium.

Canal Fox

The Company, through its subsidiary Fox Latin American Channel, Inc., operates Canal Fox, a general entertainment cable and satellite service for Latin America covering Mexico, Central and South America. Canal Fox broadcasts in the Portuguese language in Brazil and in the Spanish language in the rest of the territory. The channel's programming line-up consists of movies, series and music specials.

LAPTV

Fox LAPTV, L.L.C., a subsidiary of the Company, owns a 20.2% equity interest in LAPTV, a partnership which distributes three premium pay television channels (Movie City East and West, Cinecanal East and West and its multiplex channel Cinecanal 2) and one basic television channel (The Film Zone East and West) in Latin America (excluding Brazil). Such channels primarily feature theatrical motion pictures of the Company and three other studio partners in the English language with Spanish subtitles.

Telecine

The Company, through its subsidiary Fox Latin America, Inc., owns a 12.5% equity interest in Telecine, LLC, which distributes five premium pay television channels (Telecine Premium, Telecine Action, Telecine Emotion, Telecine Happy and Telecine Classic) in Brazil. Such channels primarily feature theatrical motion pictures of the Company and three other studio partners in the English language with Portuguese subtitles.

Competition

The Company faces competition from companies within the motion picture and television industry and alternative forms of leisure and entertainment activities. The entertainment industry is also subject to rapid developments in technology and shifting consumer tastes.

Filmed Entertainment

Motion picture and television production and distribution are highly competitive businesses. The Company competes with other film studios, independent production companies and others for the acquisition of artistic properties, the services of creative and technical personnel, exhibition outlets and the public's interest in its products. The number of films released by the Company's competitors, particularly the other major film studios, in any given period may create an oversupply of product in the market, and that may reduce the Company's shares of gross box office admissions and may make it more difficult for the Company's films to succeed.

The commercial success of the motion pictures produced and/or distributed by the Company is substantially affected by the public's often unpredictable response to the motion pictures produced and distributed by it. In addition, television networks are now producing more programs internally and thus may reduce such networks' demand for programming from other parties.

Competitive risks affecting the Company's home entertainment business include competition among home video formats (e.g., DVD) and with other methods of distribution, such as video-on-demand, as well as risks associated with controlling copying and unauthorized distribution of the Company's programs.

Television Stations and Television Broadcast Network

The network television broadcasting business is highly competitive. FOX directly competes for programming and for viewers with ABC, NBC, CBS, and the WB and UPN networks. ABC, NBC and CBS each broadcasts a significantly greater number of hours of programming than FOX and accordingly, may be able to designate or change time periods in which programming is to be broadcast with

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greater flexibility than FOX. FOX also competes with other non-network sources of

15

television service, including cable television and DBS services. Other sources of competition may include home video exhibition, the Internet and home computer usage. In addition, future technological developments may affect competition within the television marketplace.

FOX competes for advertising revenues with the other broadcast networks, as well as with all other forms of advertising. Each of ABC, NBC and CBS has a greater number of affiliates with VHF signals, which are generally considered to have greater reach in their markets and, therefore, more appealing to advertisers.

In addition, each of the Fox Television Stations competes for audiences and advertising revenues with radio and television stations and cable systems in its market area and with other advertising media such as newspapers, magazines, outdoor advertising, direct mail and Internet websites. All of the Fox Television Stations are located in highly competitive markets. Additional elements which are material to the competitive position of television stations include management experience, authorized power and assigned frequency. Competition for sales of broadcast advertising time is based primarily on the anticipated and actually delivered size and demographic characteristics of audiences as determined by various rating services, price, the time of day when the advertising is to be broadcast, competition from the other broadcast networks, cable television systems, DBS services and other media and general economic conditions. Competition for audiences is based primarily on the selection of programming, the acceptance of which is dependent on the reaction of the viewing public which is often difficult to predict.

Cable Network Programming

General

The cable network programming business is another highly competitive field. Cable programming services compete for distribution and, when distribution is obtained, compete for viewers and advertisers with over-the-air broadcast television, radio, print media, motion picture theaters, videocassettes and other sources of information and entertainment. Important competitive factors are the prices charged for programming, the quantity, quality and variety of programming offered and the effectiveness of marketing efforts. More generally, the Company's cable networks compete with various other leisure-time activities such as home videos, movie theaters, personal computers and other alternative sources of entertainment and information.

Sports Programming

A number of basic and pay television programming services (such as ESPN) as well as free over-the-air stations and broadcast networks provide programming that targets the Fox Sports RSNs' audience. Fox Sports Net is currently the only programming service distributing a full range of sports programming on both a national and regional level. On a national level, Fox Sports Net's primary competitor is ESPN, and to a lesser extent, ESPN2. In regional markets, the Company's RSNs compete with other regional sports networks, including those operated by team owners and other sports programming providers and distributors.

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In addition, the Fox Sports RSNs and Fox Sports Net compete, to varying degrees, for sports programming rights. The Fox Sports RSNs compete for local and regional rights with local broadcast television stations, other local and regional sports networks and the owners of distribution outlets such as cable television systems. Fox Sport Net competes for national rights principally with the national broadcast television networks, a number of national cable services that specialize in or carry

16

sports programming, and television "superstations," which distribute sports and other programming to cable television systems by satellite, and with independent syndicators that acquire and resell such rights nationally, regionally and locally. The owners of distribution outlets such as cable television systems may also contract directly with the sports teams in their service area for the right to distribute a number of such teams' games on their systems. The owners of teams may also launch their own regional sports network and contract with cable television systems for carriage. In certain markets, the owners of distribution outlets, such as cable television systems, also own one or more of the professional teams in the region, increasing their ability to launch competing networks and thereby limiting the professional sports rights available for acquisition by the Company's RSNs.

FX

A number of basic and pay television programming services (such as USA Network and Turner Network Television) as well as free over-the-air broadcast networks provide programming that targets the same viewing audience as FX. FX faces competition in the acquisition of distribution rights to programming.

Fox News Channel

Fox News Channel's primary competition comes from cable networks CNN, MSNBC, CNBC and Headline News. Fox News also competes for viewers and advertisers within a broad spectrum of television networks, including other cable networks and over-the-air broadcast television.

Regulation

Filmed Entertainment

FFE is subject to the provisions of so-called "trade practice laws" in effect in 25 states relating to theatrical distribution of motion pictures. These laws substantially restrict the licensing of motion pictures unless theater owners are first invited to attend a screening of such motion pictures and, in certain instances, also prohibit payment of advances and guarantees to motion picture distributors by exhibitors. Further, pursuant to various consent judgments, FFE and certain other motion picture companies are subject to certain restrictions on their trade practices in the U.S., including a requirement to offer motion pictures for exhibition to theaters on a theater-by-theater basis and, in some cases, a prohibition against the ownership of theaters.

Television Stations and Television Broadcast Network

In general, the television broadcast industry in the U.S. is highly regulated by Federal laws and regulations issued and administered by various Federal agencies, including the FCC. The FCC regulates television broadcast

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stations pursuant to the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act permits the operation of television broadcast stations only in accordance with a license issued by the FCC upon a finding that grant of the license would serve the public interest, convenience and necessity. The FCC grants television broadcast station licenses for specific periods of time and, upon application, may renew the licenses for additional terms. Under the Communications Act, television broadcast licenses may be granted for a maximum permitted term of eight years. Generally, the FCC renews broadcast licenses upon finding that (i) the television station has served the public interest, convenience and necessity, (ii) there have been no serious violations by the licensee of the Communications Act or FCC rules and regulations; and (iii) there have been no other violations by the licensee of the Communications Act or FCC rules and regulations which, taken together, indicate a pattern of abuse. After considering these factors, the

17

FCC may grant the license renewal application with or without conditions, including renewal for a term shorter than the maximum otherwise permitted, or hold an evidentiary hearing.

In February 1998, the FCC adopted a final table of digital channel allotments and rules for the implementation of digital television ("DTV") service (including high-definition television) in the United States. The digital table of allotments provides each existing full power television station licensee or permittee, including the 35 Fox Television Stations, with a second broadcast channel in order to facilitate a transition from analog to digital transmission, conditioned upon the surrender of one of the channels at the end of the DTV transition period. Thirty-three of the Fox Television Stations have launched digital facilities. The FCC granted the remaining 2 Fox Television Stations an extension until May 1, 2003 to complete and launch their digital facilities. Under FCC rules, television stations may use their second channel to broadcast either one or two streams of "high definition" digital programming or to "multicast" several streams of standard definition digital programming or a mixture of both. Broadcasters may also deliver data over these channels, provided that such supplemental services do not derogate the mandated, free over-the-air program service. The Company is currently formulating plans for use of its digital channels. It is difficult to assess how digital television will affect the Company's broadcast business with respect to other broadcasters and video program providers.

Under the Communications Act, a broadcast license may not be granted to or held by any corporation that has more than one-fifth of its capital stock owned or voted by non-U.S. citizens or entities or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. The Communications Act further provides that no FCC broadcast license may be granted to any corporation directly or indirectly controlled by any other corporation of which more than one-fourth of its capital stock is owned of record or voted by non-U.S. citizens if the FCC finds the public interest will be served by the refusal of such license. In 1995, the FCC acknowledged that News Corporation owns the vast preponderance of equity of the corporate parent of the Fox Television Stations. The FCC also concluded that Mr. K. Rupert Murdoch, Chairman and Chief Executive of News Corporation, a U.S. citizen, controls the corporate licensee and thus found the level of alien equity to be consistent with the public interest. Mr. Murdoch has 76% voting control of Fox Television Holdings, Inc., the corporate parent of the Fox Television Stations, and News Corporation will continue to hold indirectly stock representing the majority of equity of the corporate licensee. The Restated Certificate of Incorporation of Fox

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Television Holdings, Inc. provides that the voting capital stock of the company shall only be owned by persons who are citizens of, or incorporated entities formed in, the United States, or would not otherwise disqualify such company or any subsidiary of such company from being issued a television broadcast license by the FCC.

In 1999 the FCC relaxed the rules that govern the ownership of two television stations, or a television station and a radio station, located in the same market (the "Local Restriction") to (i) permit the ownership of two television stations with overlapping coverage areas if the stations are in separate DMAs; (ii) permit common ownership of two stations in the same DMA if their Grade B coverage areas do not overlap or if eight independently owned full power television stations will remain after the stations which had been independently owned become commonly owned (which is referred to by the FCC as a "merger"), and one of the merged stations is not among the top four-ranked stations in the market, based on audience share. The FCC also relaxed the Local Restriction to permit some degree of same-market radio and television joint ownership. These changes in the FCC ownership restrictions permitted Fox Television Stations to acquire second television stations in nine markets, including in New York, Los Angeles and Chicago.

FCC rules permit a party to have an attributable ownership interest in an unlimited number of television stations nationally so long as the audience reach of such stations does not exceed, in the

18

aggregate and after application of the UHF Discount, 35% of U.S. television households (the "National Restriction"). Pursuant to Congressional directive, the FCC conducted a formal review of all its broadcast ownership rules and on June 20, 2000, released a decision in which it refused to modify the National Restriction and retained the UHF Discount. Fox Television Stations successfully appealed the FCC's decision to retain the National Restriction and the Court remanded the rule to the FCC for further review. The FCC has announced it will reevaluate the National Restriction, as well as the Local Restriction, the dual network rule and the newspaper/broadcast cross-ownership rule, as part of an omnibus FCC review of all its media ownership restrictions that is scheduled to commence in September 2002. It is not possible to predict the timing or outcome of the omnibus proceeding or effect of other changes in FCC rules or policies pursuant to the 1996 Telecom Act or pending FCC proceedings.

On July 21, 2000, the FCC adopted a rule requiring broadcasters and multichannel video programming distributors ("MVPDs") to supply "video descriptions" of their programming. The rule became effective on April 1, 2002. Video descriptions, which are transmitted on a separate audio channel and are accessible through a decoding device attached to TV sets, are narrative descriptions of a program's visual aspects and are intended for the visually impaired. The FCC's rules require stations located in the top 25 DMAs and affiliated with one of the major television networks, including Fox, to provide video descriptions for at least 50 hours of prime time and/or children's programming per calendar quarter. The rules also require MVPDs with 50,000 or more subscribers to provide 50 hours per calendar quarter of prime time and/or children's programming with video descriptions on each of the top five national non-broadcast networks they carry. Every two years beginning in 2000, FCC regulations also require increased amounts of closed captioning.

FCC regulations implementing the 1992 Cable Act require each television broadcaster to elect, at three-year intervals, either to (i) require carriage of

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its signal by cable systems in the station's market ("must carry") or (ii) negotiate the terms on which such broadcast station would permit transmission of its signal by the cable systems within its market ("retransmission consent"). The FCC has initiated a rulemaking proceeding to determine carriage requirements for digital broadcast television signals on cable systems, including carriage during the period of transition from analog to digital transmission. The Satellite Home Viewer Improvement Act of 1999 ("SHVIA") requires satellite carriers, by January 1, 2002, to carry upon request all television stations located in markets in which the satellite carrier retransmits at least one local station pursuant to the statutory copyright license provided by SHVIA. FCC regulations implementing this statutory provision require affected stations to either elect mandatory carriage at the same three year intervals applicable to cable must carry or to negotiate carriage terms with satellite operators.

Federal legislation enacted in 1990 limits the amount of commercial matter that may be broadcast during programming designed for children 12 years of age and younger. In addition, under FCC license renewal processing guidelines, television stations are generally required to broadcast a minimum of three hours per week of programming, which, among other requirements, must have, as a "significant purpose," the educational and informational needs of children 16 years of age and under. A television station found not to have complied with the programming requirements or commercial limitations could face sanctions, including monetary fines and the possible non-renewal of its license. The FCC has indicated its intent to enforce its children's television rules strictly.

The FCC continues to enforce strictly its regulations concerning "indecent" programming, political advertising, environmental concerns, technical operating matters and antenna tower maintenance. In addition, FCC regulations governing network affiliation agreements mandate that television broadcast station licensees retain the right to reject or refuse network programming in certain circumstances or to substitute programming that the licensee reasonably believes to be of

19

greater local or national importance. Violation of FCC regulations can result in substantial monetary forfeitures, periodic reporting conditions, short-term license renewals and, in egregious cases, denial of license renewal or revocation of license.

Cable Network Programming

FCC regulations adopted pursuant to the 1992 Cable Act prevent a cable operator that has an attributable interest (including voting or non-voting stock ownership of 5% or more or limited partnership equity interests of 5% or more) in a programming vendor from exercising undue or improper influence over the vendor in its dealings with competitors to cable. The regulations also prohibit a cable programmer in which a cable operator has an attributable interest from entering into exclusive contracts with any cable operator or from discriminating among competing multichannel program distributors in the price, terms and conditions of sale or delivery of programming. With respect to cable systems having channel capacity of less than 76 channels, the FCC's regulations limit to 40% the number of programming channels that may be occupied by video programming services in which the cable operator has an attributable interest. As a result of Liberty's ownership interest in News Corporation, cable networks operated by the Fox Cable Networks Group and Fox News Channel are subject to these requirements. Similarly, Cablevision is deemed to have an attributable interest in RPP. The FCC's program access and non-discrimination regulations therefore restrict the ability of these cable programming services to enter into exclusive

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contracts. The rules also permit multichannel video programming distributors (such as multi-channel multi-point distribution services ("MMDS"), satellite master antenna televisions ("SMATV"), DBS and direct-to-home operators) to bring complaints against the Company to the FCC charging they are unable to obtain the affected programming networks on nondiscriminatory terms. While cable systems are expanding their capacity, there may be instances in which a Cablevision cable system with 75 channels or less will not be able to carry an RPP channel or will have to remove another affiliated channel.

The FCC's regulations concerning the commercial limits in children's programs and political advertising also apply to certain cable television programming services carried by cable system operators. The Company must provide program ratings information and increased closed captioning of its cable programming services to comply with FCC regulations, which could increase its operating expenses.

Internet

The Children's Online Privacy Protection Act of 1998 ("COPPA") prohibits web sites from collecting personally identifiable information online from children under age 13 without prior parental consent. Online services provided by the Company may be subject to COPPA requirements. Congress and individual states may also consider online privacy legislation that would apply to personal information collected from teens and adults.

ITEM 2. PROPERTIES

The Company maintains executive offices and certain of its operations in each of its business segments, at 1211 Avenue of the Americas, New York, New York. These offices cover approximately 284,000 square feet and are provided by News Corporation, which maintains executive offices at such location.

The Company owns the Fox Studios Lot at 10201 West Pico Boulevard, Los Angeles, California, which consists of approximately 54 acres containing 15 sound stages, production facilities,

20

administrative, technical and dressing room structures, screening theaters and machinery equipment facilities and three restaurants. The Company also leases approximately 320,000 square feet of office space at Fox Plaza, located adjacent to the Fox Studios Lot. Each of the Company's business segments, other than the Television Stations segment, utilizes space at the Fox Studios Lot and Fox Plaza. The Company owns a studio facility in Rosarito, Mexico, which consists of approximately 37 acres containing office space, production facilities and the largest fresh and saltwater tanks used in motion picture production in the world. Fox Studios Australia has a lease expiring in 2036, with an option to renew for 10 years, over a 35 acre film and television production facility with industry related commercial office space in Sydney, Australia. Adjacent to that facility is a cinema and retail complex of approximately 25 acres which is leased by a 50/50 joint venture between the Company and Lend Lease Corporation for the same term.

The Company owns Dodger Stadium, which is situated on approximately 275 acres in Los Angeles. The Company is a party to a sale-leaseback arrangement with civic authorities for Dodgertown, the Dodgers' 64 acre spring training facility, and has entered into agreements to sell most of the adjacent 400 acre property in Vero Beach, Florida.

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The Company also owns and leases office space, broadcast and production facilities and other ancillary support properties in various cities in the United States and several countries around the world for its businesses. The Company considers its properties adequate for its present needs.

ITEM 3. LEGAL PROCEEDINGS

The Company experiences routine litigation in the normal course of its business. The Company believes that none of its pending litigation will have a material adverse effect on its consolidated financial condition, future results of operations or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

21

Directors and Executive Officers of the Company

Set forth below is certain information concerning the directors and executive officers of the Company as of September 18, 2002, which information is hereby included in Part I of this report.

The Directors and Executive Officers of the Company are as follows:

Name ----	Age ---	Position -----
K. Rupert Murdoch	71	Director, Chairman and Chief Executive Officer
Peter Chernin	51	Director, President, Chief Operating Officer
David F. DeVoe	55	Director, Senior Executive Vice President, Chief Financial Officer
Lachlan K. Murdoch	30	Director
Arthur M. Siskind	63	Director, Senior Executive Vice President, General Counsel
Christos M. Cotsakos	54	Director
Thomas W. Jones	53	Director

All of the Executive Officers of the Company are also executive officers of News Corporation. As executive officers of News Corporation, the Executive Officers of the Company continue to render services to News Corporation.

There is no family relationship between any Director or Executive Officer of the Company and any other Director or Executive Officer of the Company except that Lachlan K. Murdoch is a son of K. Rupert Murdoch.

The Senior Executives of the Company (in addition to persons identified as Executive Officers above) are as follows:

Name ----	Age ---	Position -----
Roger Ailes	62	Chairman and Chief Executive Officer of Fox News Channel
James N. Gianopulos	50	Chairman of Fox Filmed Entertainment
Sandy Grushow	42	Chairman of the Fox Television Entertainment Group
David Hill	56	Chairman and Chief Executive Officer of Fox

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Sports Television Group

Thomas E. Rothman	47	Chairman of Fox Filmed Entertainment
Mitchell Stern	48	Chairman and Chief Executive Officer of Fox Television Stations
Anthony J. Vinciguerra	48	President and Chief Executive Officer of the Fox Networks Group

Backgrounds of Directors, Executive Officers and Senior Executives

K. Rupert Murdoch has been a Director of the Company since 1985, Chairman since 1992 and Chief Executive Officer of the Company since 1995. Mr. Murdoch has been Chairman of the Board of Directors of News Corporation since 1991, and Director and Chief Executive of News Corporation

22

since its formation in 1979. Mr. Murdoch has served as a Director of News Limited, News Corporation's principal subsidiary in Australia, since 1953, a Director of News International plc, News Corporation's principal subsidiary in the United Kingdom, since 1969, and a Director of News America Incorporated, News Corporation's principal subsidiary in the United States ("NAI"), since 1973. Mr. Murdoch has served as a Director of STAR since 1993 and as Chairman from 1993 to 1998, as a Director of British Sky Broadcasting Group plc ("BSkyB") since 1990 and Chairman since June 1999. Mr. Murdoch is also a member of the board of directors of Gemstar-TV Guide International, Inc. ("Gemstar") and China Netcom Corporation (Hong Kong) Limited.

Peter Chernin has been a Director and President and Chief Operating Officer of the Company since 1998. Mr. Chernin has been a Director, President and Chief Operating Officer of News Corporation and a Director, Chairman and Chief Executive Officer of NAI, since 1996. Mr. Chernin was Chairman and Chief Executive Officer of FFE from 1994 until 1996, Chairman of Twentieth Century Fox Film Corporation from 1992 until 1994 and President of FOX from 1989 until 1992. Mr. Chernin served as a Director of TV Guide, Inc. from 1999 until July 2000 and has served as a director of Gemstar since April 2002. Mr. Chernin has served on the Advisory Board of PUMA AG since 1999, and as a Director of E*TRADE Group, Inc. since 1999.

David F. DeVoe has been a Director of the Company since 1991 and Senior Executive Vice President and Chief Financial Officer of the Company since 1998. Mr. DeVoe has been a Director, Chief Financial Officer and Finance Director of News Corporation since 1990 and Senior Executive Vice President of News Corporation since 1996. Mr. DeVoe was an Executive Vice President of News Corporation from 1990 until 1996. Mr. DeVoe has been a Director of NAI since 1991 and a Senior Executive Vice President since January 1998. Mr. DeVoe served as Executive Vice President of NAI from 1991 to 1998. Mr. DeVoe has been a Director of Gemstar since 2001, NDS Group plc since 1996, STAR since 1993 and BSkyB since 1994.

Lachlan K. Murdoch has been a Director of the Company since February 2002. Mr. Murdoch has been an Executive Director of News Corporation since 1996 and Deputy Chief Operating Officer since 2000. Mr. Murdoch served as a Senior Executive Vice President of News Corporation from 1999 until 2000. Mr. Murdoch has been a Director of News Limited since 1995, Chairman since 1997 and served as Chief Executive from 1997 to 2000, Managing Director from 1996 until 1997 and Deputy Chief Executive from 1995 to 1996. Mr. Murdoch has served as Chairman of Queensland Press Limited since 1996 and a Director since 1994. Mr. Murdoch has

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been Deputy Chairman of STAR since 1995. Mr. Murdoch has been a Director of NDS Group since February 2002, a Director of Gemstar since 2001, a Director of Beijing PDN Xiren Information Technology Co. Ltd. since 1996 and a Director of FOXTEL Management since 1998.

Arthur M. Siskind has been a Director and Senior Executive Vice President and General Counsel of the Company since 1998. Mr. Siskind has been a Director and Group General Counsel of News Corporation since 1991 and a Senior Executive Vice President of News Corporation since 1996. Mr. Siskind served as Executive Vice President of News Corporation from 1991 until 1996. Mr. Siskind has been a Director of NAI since 1991 and a Senior Executive Vice President since 1998. Mr. Siskind served as an Executive Vice President of NAI from 1991 to 1998. Mr. Siskind has been a Director of NDS Group plc since 1996, STAR since 1993 and BSkyB since 1992. Mr. Siskind has been a member of the Bar of the State of New York since 1962.

Christos M. Cotsakos has been a Director of the Company since 1999. Dr. Cotsakos has been President, Chief Executive Officer and a Director of E*TRADE Group, Inc. since 1996 and Chairman of its Board of Directors since 1998. Prior to joining E*TRADE Group, Inc., he served as President,

23

Co-Chief Executive Officer, Chief Operating Officer and a Director of A.C Nielsen, Inc. from 1995 to 1996, as President and Chief Executive Officer of Nielsen International from 1993 to 1995, and as President and Chief Operating Officer of Nielsen Europe, Middle East and Africa from 1992 to 1993.

Thomas W. Jones has served as a Director of the Company since 2001. Mr. Jones has been the Chairman and Chief Executive Officer of Citigroup Global Investment Management since 1999. He is also Chairman and Chief Executive Officer of Citigroup Asset Management. Mr. Jones served as Executive Vice President of Finance and Planning, and Chief Financial Officer for TIAA-CREF between 1989 and 1993, President and Chief Operating Officer from 1993 to 1997 and Vice Chairman and Director from 1995 to 1997, when he joined Travelers Group as Vice Chairman and Director. He is also a Director of Federal Home Loan Mortgage Corporation, Philip Morris Companies Inc. and a Trustee of Cornell University.

Roger Ailes has served as Chairman and Chief Executive Officer of Fox News Channel since 1996. Prior to joining Fox News in 1996, Mr. Ailes was President of CNBC since 1993 and also served as President of America's Talking, an information talk channel that later became MSNBC.

James N. Gianopoulos has been Chairman of FFE since July 2000. He shares the position with Thomas E. Rothman. Mr. Gianopoulos was President of Twentieth Century Fox International from 1994 until July 2000 overseeing both the Theatrical and the Home Entertainment units. Mr. Gianopoulos was President of International and Pay Television for Twentieth Century Fox from 1992 to 1994. Mr. Gianopoulos serves on the boards of the USC Entertainment Technology Committee and KCRW for National Public Radio.

Sandy Grushow has served as Chairman of the Fox Television Entertainment Group, overseeing both the FOX broadcast network and Twentieth Century Fox Television since 1999. Mr. Grushow served as President of Twentieth Century Fox Television from 1997 until 1999. From 1995 to 1997, Mr. Grushow was President of TELE-TV, an interactive television and broadband programming service. Prior to joining TELE-TV, Mr. Grushow was President of the Fox

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Television Network Entertainment Group from 1992 until 1994.

David Hill has served as Chairman and Chief Executive Officer of Fox Sports Television Group since 1999. Mr. Hill served as Chairman and Chief Executive Officer of FOX from 1997 until 1999 and served as President of Fox Sports, a division of Fox Television, from 1993 to 1999. From 1996 until 1997, Mr. Hill has served as Chief Operating Officer of Fox Television. In addition, Mr. Hill has served as Chairman of Fox Sports Networks since 1996. From 1996 through 1997, Mr. Hill also served as the Chief Executive Officer of Fox Sports Networks.

Thomas E. Rothman has been Chairman of FFE since July 2000. He shares the position with James N. Gianopulos. Mr. Rothman previously served as President of Twentieth Century Fox Film Group from January to August 2000, and was President of Twentieth Century Fox Production from 1995 to 2000. In 1994, he was the founder and first President of Fox Searchlight Pictures. Mr. Rothman also serves as a member of the board of directors of the Sundance Institute.

Mitchell Stern has been Chairman and Chief Executive Officer of Fox Television Stations since 1998. Mr. Stern was President and Chief Operating Officer of Fox Television Stations, Inc. from 1993 to 1998.

Anthony J. Vinciquerra has served as President and Chief Executive Officer of the Fox Networks Group since June 2002. Mr. Vinciquerra joined the Company in December 2001 as

24

President of the FOX Television Network. Prior to joining the Company, Mr. Vinciquerra served as Executive Vice President and Chief Operating Officer of Hearst-Argyle Television since 1999. Mr. Vinciquerra joined Hearst Corporation's broadcasting group as Group Executive in 1997 and became Executive Vice President of Hearst-Argyle later that year.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Class A Common Stock is listed and traded on the New York Stock Exchange under the symbol "FOX". As of August 23, 2002, there were approximately 877 holders of record of the Company's Class A Common Stock.

The following table sets forth, for the periods indicated, the high and low closing sale prices per share of the Company's Class A Common Stock.

Fiscal 2001	High	Low
-----	----	---
First Quarter	\$ 34.00	\$ 25.88
Second Quarter	\$ 25.25	\$ 15.81
Third Quarter	\$ 24.15	\$ 17.88
Fourth Quarter	\$ 29.28	\$ 19.20
Fiscal 2002	High	Low
-----	----	---
First Quarter	\$ 27.95	\$ 18.00
Second Quarter	\$ 27.25	\$ 18.73
Third Quarter	\$ 26.70	\$ 20.10
Fourth Quarter	\$ 26.97	\$ 20.27

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Fiscal 2003 -----	High ----	Low ---
First Quarter (through August 23, 2002)	\$ 23.05	\$ 17.10

The Company has never declared or paid cash dividends on its Class A Common Stock and it is the Company's present intention to retain earnings to finance the expansion of its business.

25

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and the related Notes thereto and the other financial information included elsewhere herein.

	FOR THE YEAR ENDED		
	2002 (2)	2001 (3)	2000 (4)
STATEMENT OF OPERATIONS DATA:			
	(in millions, except per		
Revenues /1/	\$ 9,725	\$ 8,414	\$ 8,517
Operating (loss) income	(103)	652	656
Income before cumulative effect of accounting change	607	206	145
Net income (loss)	581	(288)	145
Basic and diluted earnings per share before cumulative effect of accounting change	\$ 0.72	\$ 0.28	\$ 0.20
Basic and diluted earnings (loss) per share	\$ 0.69	\$ (0.40)	\$ 0.20
AS OF JUNE 30			
	2002	2001	2000
BALANCE SHEET DATA:			
	(in millions)		
Cash and cash equivalents	\$ 56	\$ 66	\$ 114
Total assets	22,876	17,856	17,930
Due to affiliates of News Corporation	1,413	2,866	2,739
Borrowings	942	1,032	974
Shareholders' equity	12,095	7,968	8,246

FOOTNOTES:

(1) In January 2002, the Company adopted Emerging Issues Task Force No.

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01-09, "Accounting for the Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products," which was effective for the Company as of January 1, 2002. As required, the Company has reclassified the amortization of cable distribution investments against revenues for all periods presented. The amortization of cable distribution investments had previously been included in Depreciation and amortization. Operating income, Net income and Earnings per share are not affected by this reclassification. This reclassification affects the Company's and the Cable Network Programming segment's revenues. The effect of the reclassification on the Company's revenues is as follows:

	For the year ended Jun			
	2002	2001	2000	1999
	(in millions)			
Gross Revenues	\$ 9,841	\$ 8,504	\$ 8,589	\$ 8,050
Amortization of cable distribution investments	(116)	(90)	(72)	(4)
Revenues	\$ 9,725	\$ 8,414	\$ 8,517	\$ 8,010

- (2) Fiscal 2002 includes the operating results of Chris-Craft Industries, Inc., which was acquired in July 2001, and the \$909 million write-down on the Company's national sports contracts. Also included in Fiscal 2002 Net income (loss) and Basic and diluted earnings (loss) per share is the pre-tax gain of \$1.4 billion on the sale of the Company's interest in Fox Family Worldwide, Inc. ("FFW") and the Company's \$26 million share of FFW's after-tax cumulative effect of accounting change relating to the adoption of Statement of Position No. ("SOP") 00-2.
- (3) Fiscal 2001 Net income (loss) and Basic and diluted earnings (loss) per share include the impact of the after-tax charge of \$494 million for the cumulative effect of accounting change relating to the Company's adoption of SOP 00-2.
- 26
- (4) Fiscal 2000 includes the operating results of Fox Sports Networks, LLC, which was fully acquired in July 1999.
- (5) The financial statements prior to November 11, 1998 were presented on a combined basis. The financial statements presented subsequent to November 11, 1998 are consolidated to reflect the Reorganization (as defined in Note 1 of the Notes to the Consolidated Financial Statements). For reporting purposes, the financial statements for all periods are collectively referred to as Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following discussion and analysis of the Fox Entertainment Group, Inc.'s

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(the "Company") financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and the related Notes thereto included elsewhere herein.

The Company manages and reports its businesses in four segments: Filmed Entertainment, which principally consists of the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media worldwide and the production of original television programming; Television Stations, which principally consist of the operation of broadcast television stations; Television Broadcast Network, which principally consists of the broadcasting of network programming; and Cable Network Programming, which principally consists of the production and licensing of programming distributed through cable television systems and direct broadcast satellite ("DBS") operators and professional sports team ownership.

In the first quarter of fiscal 2002, management redefined its Filmed Entertainment segment to reflect a change in how the business is analyzed and evaluated. The redefined segment includes all activities previously included in the Filmed Entertainment segment along with the activity of the former Other Television Businesses segment, primarily comprised of divisions, which produce and distribute television programming and also distribute feature motion pictures. Prior year segments have been reclassified to conform to the current year presentation.

Sources of Revenue

Filmed Entertainment. The Filmed Entertainment segment derives revenue from theatrical distribution, home video and DVD sales and distribution through pay-per-view, pay television services and broadcast television. The revenues and operating results of the Filmed Entertainment segment are significantly affected by the timing of the Company's theatrical, home video and DVD releases, the number of its original and returning television series that are aired by television networks and the number of its television series on off-network syndication. Theatrical release dates are determined by several factors, including timing of vacation and holiday periods and competition in the marketplace. Each motion picture is a separate and distinct product, and its financial success depends upon many factors, including public acceptance.

Television Stations and Television Broadcast Network. The two reportable television segments derive their revenues principally from the sale of advertising time. Generally, advertising time is sold to national advertisers by the Fox Broadcasting Company ("FOX") and to national "spot" and local advertisers by the Company's group of 34 owned and operated full power television broadcast stations ("O&Os"), as of June 30, 2002, in their respective markets. The sale of advertising time is affected by viewer demographics, program ratings and general market conditions. Adverse changes in the general market conditions for advertising may affect revenues.

Cable Network Programming. The Cable Network Programming segment derives revenues from monthly affiliate fees based on the number of subscribers, net of the amortization of cable distribution investments, as well as from the sale of advertising time. Monthly affiliate fees are dependent on maintenance of carriage arrangements with cable television systems and DBS operators. The sale of advertising time is affected by viewer demographics, program ratings and general market conditions.

Adverse changes in general market conditions for advertising may affect revenues.

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In November 2001, the Financial Accounting Standards Board ("FASB") issued Emerging Issues Task Force No. ("EITF") 01-09, "Accounting for the Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products," which was effective for the Company as of January 1, 2002. This EITF, among other things, codified the issues and examples of EITF No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF No. 00-25 states that customer incentives which consist of the amortization of cable distribution investments (capitalized fees paid to a cable or DBS operator to facilitate the launch of a cable network), should be presented as a reduction in revenue. As required, the Company has reclassified the amortization of cable distribution investments against revenues for all periods presented. The amortization of cable distribution investments had previously been included in Depreciation and amortization. Operating income, Net income and Earnings per share are not affected by this reclassification. This reclassification affects the Company's and the Cable Network Programming segment's revenues. The effect of the reclassification on the Company's revenues is as follows:

	For the year ended June 30,		
	2002	2001	2000
	(in millions)		
Gross Revenues	\$ 9,841	\$ 8,504	\$ 8,589
Amortization of cable distribution investments	(116)	(90)	(72)
Revenues	\$ 9,725	\$ 8,414	\$ 8,517

Components of Expenses

Filmed Entertainment. Operating costs incurred by the Filmed Entertainment segment include exploitation costs, primarily prints and advertising; the amortization of capitalized production, overhead and interest costs; and participations and talent residuals. Selling, general and administrative expenses include salaries, employee benefits, rent and other routine overhead.

Television Stations, Television Broadcast Network and Cable Network Programming. Operating expenses of the two reportable television segments and the Cable Network Programming segment include expenses related to acquiring programming and rights to programming. Operating expenses also typically include production and technical expenses related to operating the technical facilities of the broadcaster or cable network. Selling, general and administrative expenses include all promotional expenses related to improving the market visibility and awareness of the broadcaster or cable network and sales commissions paid to the in-house sales force involved in the sale of advertising as well as salaries, employee benefits, rent and other routine overhead. Depreciation and amortization expense includes the amortization of acquired intangible assets.

Other Operating Charge. The Company has several multi-year sports rights agreements, including a contract with the National Football League ("NFL") through fiscal year 2006, contracts with the National Association of Stock Car Auto Racing ("NASCAR") through fiscal year 2013 and a contract with Major League Baseball ("MLB") through fiscal year 2007. These contracts provide the Company with the broadcast rights to certain national sporting events during their respective terms. The NFL and NASCAR contracts contain certain early termination clauses that are exercisable by the NFL and NASCAR.

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The Company continually evaluates the recoverability of the rights costs against the revenues directly associated with the program material and related direct expenses over the expected contract lives. At December 31, 2001, the Company recorded an Other operating charge of \$909 million. This charge related to a change in accounting estimate on the Company's national sports rights agreements caused by the downturn in the advertising market, which caused the Company to write off programming costs inventory and to provide for estimated losses on these contracts over their estimated terms. This evaluation considered the severe downturn in sports-related advertising, the lack of any sustained

28

advertising rebound subsequent to September 11th and the industry-wide reduction of projected long-term advertising growth rates, all of which resulted in the Company's estimate of future directly attributable revenues associated with these contracts being lower than previously anticipated. Because the vast majority of costs incurred under these contracts are fixed, such as the rights costs and production costs, the results of these lower revenue estimates indicated that the Company would generate a loss over the estimated remaining term of the sports contracts.

In accordance with Accounting Principles Board ("APB") Opinion No. 20, "Accounting Changes," the Company has determined that the impact of the charge on Basic and diluted earnings (loss) per share, net of tax benefit of \$346 million, for the year ended June 30, 2002 is \$0.67 loss per share.

The costs of these sports contracts are charged to expense based on the ratio of each period's operating profits to estimated total operating profit of the contract. Considering the provision of \$909 million for estimated losses and absent a difference between the actual future revenues and costs as compared to the estimated future revenues and costs, no operating profit or loss will be recognized by the Company over the estimated remaining term of the sports contracts.

The profitability of these long-term national sports contracts as discussed above is based on the Company's best estimates at June 30, 2002, of directly attributable revenues and costs; such estimates may change in the future, and such changes may be significant. Should revenues decline from estimates applied at June 30, 2002, an additional loss will be recorded. Should revenues improve as compared to estimated revenues, then none of the recorded loss will be restored, but the Company will have a positive operating profit, which will be recognized over the estimated remaining contract term.

As of June 30, 2002, there have been no significant changes in the Company's estimates from those employed as of December 31, 2001.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosures of commitments and contingencies. On an ongoing basis, the Company evaluates its estimates which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenue and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under

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different assumptions. The following accounting policies require significant management judgments and estimates.

Filmed entertainment and television programming costs. Accounting for the production and distribution of motion pictures and television programming is in accordance with SOP 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"), which requires management's judgment as it relates to total revenues to be received and costs to be incurred throughout the life of each program or its license period. These judgments are used to determine the amortization of capitalized filmed entertainment and television programming costs associated with revenues earned and any fair value adjustments.

Filmed Entertainment and television programming costs are amortized in the statement of operations in the direct proportion that revenues currently recognized bears to management's estimate of total revenues to be received throughout the life of each motion picture or television program. Estimates of revenues are reviewed and reassessed periodically on a title-by-title basis.

The Television Broadcast segment amortizes the costs of multi-year sports contracts based on the ratio of each period's operating profit earned on the contract to the estimated total operating profit expected to be

29

earned over the life of the contract from all segments. Estimates of total operating profit to be earned over the life of the contract are reviewed periodically and amortization is adjusted as necessary. Management's estimates of total operating profit over the life of the contract are primarily dependent upon their projections of the revenue to be derived from selling advertising spots in the games and other directly attributed revenue sources as well as direct selling costs and the direct costs associated with broadcasting the games or events. At the inception of these contracts and periodically thereafter, the Company evaluates the recoverability of the costs associated therewith against the revenues directly associated with the program material and related expenses.

Sales Returns. At the time of sale, the Company records as a reduction of revenue, the estimated impact of returns, rebates and other incentives. In determining the estimate of home entertainment product sales that will be returned, management analyzes historical returns, current economic trends and changes in customer demand and acceptance of the Company's product. Based on this information, management reserves a percentage of each dollar of product sales that provide the customer with the right of return.

Accounts Receivable. The Company continuously monitors its customers' payment profile and maintains a provision for estimated losses based on its historical experience and any specific customer issues that have been identified.

Intangible Assets. The Company has a significant amount of intangible assets, including goodwill, FCC licenses, sports franchises, and other copyright products and trademarks. Intangible assets acquired in business combinations are recorded at their estimated fair market value at the date of acquisition. Goodwill is recorded as the difference between the cost of acquiring an entity as compared to estimated amounts assigned to their tangible and identifiable intangible net assets. The judgments made in determining the estimated fair value assigned to each class of intangible assets acquired as well as their useful lives can significantly impact net income.

The Company accounts for its business acquisitions under the purchase method of accounting. The total cost of acquisitions is allocated to the underlying net assets, based on their respective estimated fair values. The excess of the

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purchase price over the estimated fair values of the tangible net assets acquired is recorded as intangibles. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples, among other items.

The Company assesses potential impairment of long-lived assets and identifiable intangibles under the guidance of Statement of Financial Accounting Standard ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The Company will adopt SFAS No. 142, "Goodwill and other Intangible Assets", in the first quarter of fiscal year 2003 and does not expect a transitional impairment that will be material to its consolidated statement of operations.

Income Taxes. The Company has not recorded a valuation allowance to reduce the amount of our deferred tax assets, as the Company believes that it is more likely than not that such assets will be realized. In making this estimate, management has considered future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance. In the event that management determines that it would not be able to realize all or part of the net deferred tax asset in the future, a valuation allowance would be recorded against the deferred tax asset with a corresponding charge to income recognized in the period such determination was made.

Employee Costs. Pension and other postretirement benefits costs and obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, health care cost trend rates, benefits earned, interest cost, expected return on plan assets, mortality rates and other factors. In accordance with accounting principles generally accepted in the United States, differences between actual results and assumptions are accumulated and amortized as part of net periodic pension costs over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While management believes that the assumptions used are appropriate, differences in

30

actual experience or changes in assumptions may affect the Company's pension and other postretirement obligations and future expense.

Industry Accounting Practices

Revenue Recognition. Revenues from theatrical distribution of feature films are recognized on the dates of exhibition. Revenues from home video and DVD distribution, net of a reserve for estimated returns, together with related costs, are recognized in the period in which the product is made widely available for sale by retailers. Revenues from television distribution are recognized when the motion picture or television program is made available to the licensee for broadcast. Television advertising revenue is recognized as the commercials are aired, net of agency commissions. Subscriber fees received from cable systems and DBS operators are recognized as revenue in the period that services are provided, net of amortization of cable distribution investments. Revenues from professional team ownership are recognized on a game-by-game basis.

Operating Expenses. In accordance with generally accepted accounting principles ("GAAP"), the Company amortizes filmed entertainment and television programming costs using the individual-film-forecast method. Under the individual-film-forecast method, such programming costs are amortized for each film or television program in the ratio that revenue earned in the current

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period for such title bears to management's estimate of the total revenues to be earned over a six year period or operating profits to be realized from all media and markets for such title. The costs of multi-year national sports contracts for the Television Broadcast Network segment are charged to expense based on the ratio of each period's operating profit to estimated total operating profit of the contract. The costs of sports contracts for the Cable Network Programming segment and program rights for entertainment programs for the Television Stations segment are amortized primarily on a straight-line basis, generally based on the usage of the program or term of the license. Original cable programming is amortized on an accelerated basis. Management regularly reviews, and revises when necessary, its total revenue estimates on a title-by-title and contract basis, which may result in a change in the rate of amortization and/or a writedown of the film or television asset to fair value.

At the beginning of fiscal 2001, the Company adopted SOP 00-2, which established new accounting standards for producers and distributors of films and supersedes SFAS No. 53. SOP 00-2 establishes new accounting standards for, among other things, marketing and development costs. The Company recorded a one-time, non-cash charge of \$494 million, net of \$302 million tax, as a cumulative effect of accounting change as of July 1, 2000. This charge primarily reflects the elimination of marketing and certain development costs, which were previously capitalized under SFAS No. 53 and are no longer capitalizable under SOP 00-2. Subsequent to the adoption of SOP 00-2, the Company's accounting policy is to expense marketing and certain development costs as incurred.

Use of Operating Income Before Depreciation and Amortization

Management believes that an appropriate measure for evaluating the operating performance of the Company's business segments is Operating Income Before Depreciation and Amortization. Operating Income Before Depreciation and Amortization provides a basis to measure liquidity and operating performance of each business segment. Although historical results, including Operating Income Before Depreciation and Amortization, may not be indicative of future results (as operating performance is highly contingent on many factors including customer tastes and preferences), Operating Income Before Depreciation and Amortization provides management a measure to analyze operating performance against historical and competitors' data. Operating Income Before Depreciation and Amortization eliminates the uneven effect across business segments of considerable amounts of depreciation and amortization primarily resulting from the value of intangible assets acquired in business combinations accounted for by the purchase method of accounting. Operating Income Before Depreciation and Amortization is defined as operating income (loss) plus depreciation and amortization and the amortization of cable distribution investments. Depreciation and amortization expense includes the

31

depreciation of property, plant and equipment, as well as amortization of acquired intangible assets. Amortization of cable distribution investments represents a reduction against revenues over the term of a carriage arrangement and as such it is excluded from Operating Income Before Depreciation and Amortization. The following comparative discussion of the results of operations of the Company includes, among other factors, an analysis of changes in business segment Operating Income Before Depreciation and Amortization. However, Operating Income Before Depreciation and Amortization should be considered in addition to, not as a substitute for, operating income (loss), net income (loss), cash flow and other measures of financial performance reported in accordance with GAAP. Operating Income Before Depreciation and Amortization does not reflect cash available to fund requirements, and the items excluded from Operating Income Before Depreciation and Amortization, such as depreciation and

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amortization, are significant components in assessing the Company's financial performance.

Pro Forma Results

In order to enhance comparability, the following discussion of the Company's results of operations is supplemented by pro forma financial information that assumes the acquisition of the Acquired Stations (as defined below) and Midwest Sports Channel ("RSN North") and the acquisition of the controlling interest in Speed Channel, Inc., formerly Speedvision Networks, LLC, ("Speed Channel"), Fox Sports International and the Sunshine Network ("Sunshine") had occurred July 1, 2000. The pro forma results are presented for informational purposes only and are not indicative of the operating results that would have occurred had the transactions actually occurred at July 1, 2000, nor are they necessarily indicative of future operating results.

32

Results of Operations - Fiscal 2002 versus Fiscal 2001

The following table sets forth the Company's operating results, by segment, for fiscal 2002 as compared to fiscal 2001.

	For the year ended June 30			
	2002	2001	Change	%

	(in millions)			
Revenues / (1) /:				
Filmed Entertainment	\$ 4,048	\$ 3,676	\$ 372	
Television Stations	1,875	1,550	325	
Television Broadcast Network	2,048	1,823	225	
Cable Network Programming	1,754	1,365	389	
	-----	-----	-----	
Total revenues	\$ 9,725	\$ 8,414	\$ 1,311	
	=====	=====	=====	
Operating (loss) income:				
Filmed Entertainment	\$ 485	\$ 277	\$ 208	
Television Stations	598	499	99	
Television Broadcast Network	(283)	(65)	(218)	
Cable Network Programming	6	(59)	65	
Other operating charge	(909)	-	(909)	
	-----	-----	-----	
Total operating (loss) income	(103)	652	(755)	
	-----	-----	-----	
Interest expense, net	(241)	(345)	104	
Equity losses of affiliates	(144)	(92)	(52)	
Minority interest in subsidiaries	(37)	(14)	(23)	
Other, net	1,540	190	1,350	
	-----	-----	-----	
Income before provision for income taxes and cumulative effect of accounting change	1,015	391	624	
Provision for income tax expense on a stand-alone basis	(408)	(185)	(223)	
	-----	-----	-----	
Income before cumulative effect of accounting change	607	206	401	
Cumulative effect of accounting change, net of tax	(26)	(494)	468	
	-----	-----	-----	
Net income (loss)	\$ 581	\$ (288)	\$ 869	
	=====	=====	=====	

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Other data:

Operating Income Before Depreciation and Amortization /2)/				
Filmed Entertainment	\$	544	\$ 342	\$ 202
Television Stations		798	683	115
Television Broadcast Network		(263)	(45)	(218)
Cable Network Programming		243	149	94
Other operating charge		(909)	-	(909)
		-----	-----	-----
Total Operating Income Before Depreciation and Amortization	\$	413	\$ 1,129	\$ (716)
		=====	=====	=====
Depreciation and amortization:				
Filmed Entertainment	\$	59	\$ 65	\$ (6)
Television Stations		200	184	16
Television Broadcast Network		20	20	-
Cable Network Programming		121	118	3
		-----	-----	-----
Total Depreciation and amortization	\$	400	\$ 387	\$ 13
		=====	=====	=====

33

FOOTNOTE:

- (1) In January 2002, the Company adopted EITF 01-09, "Accounting for the Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products," which was effective for the Company as of January 1, 2002. As required, the Company has reclassified the amortization of cable distribution investments against revenues for all periods presented. The amortization of cable distribution investments had previously been included in Depreciation and amortization. Operating income, Net income and Earnings per share are not affected by this reclassification. This reclassification affects the Company's and the Cable Network Programming segment's revenues. The effect of the reclassification on the Company's revenues is as follows:

	For the year ended June 30,	
	2002	2001
	-----	-----
	(in millions)	
Gross Revenues	\$9,841	\$8,504
Amortization of cable distribution investments	(116)	(90)
	-----	-----
Revenues	\$9,725	\$8,414
	=====	=====

- (2) Operating Income Before Depreciation and Amortization is defined as operating income (loss) plus depreciation and amortization and the amortization of cable distribution investments. Depreciation and amortization expense includes the amortization of acquired intangible

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assets. Amortization of cable distribution investments represents a reduction against revenues over the term of a carriage arrangement and as such it is excluded from Operating Income Before Depreciation and Amortization. While Operating Income Before Depreciation and Amortization is considered to be an appropriate measure for evaluating operating performance by management, it should be considered in addition to, not as a substitute for, operating income (loss), net income (loss), cash flow and other measures of financial performance prepared in accordance with GAAP and presented in the audited consolidated financial statements included elsewhere in this filing.

Overview of Company Results. For the year ended June 30, 2002, Revenues increased approximately 16% from \$8,414 million to \$9,725 million. Increased revenues at the Filmed Entertainment and Cable Network Programming segments principally contributed to this increase. In aggregate, Operating, Selling, general and administrative and Depreciation and amortization expenses increased approximately 15% from the prior year. Operating expenses increased approximately 15% for the year ended June 30, 2002 due primarily to increased programming rights costs at the Television Broadcast Network primarily due to the telecast of the Super Bowl, the new MLB contract, and license fees for Star Wars Episode I: Phantom Menace. Selling, general and administrative expenses increased approximately 18% due to the \$30 million write-off of Adelphia Communications Corporation ("Adelphia") receivables at the Cable Network Programming segment as well as the acquisition of RSN North and the consolidation of Speed Channel and Sunshine at the Cable Network Programming segment. During fiscal year 2002, Depreciation and amortization increased approximately 3% due to the acquisition of the Acquired Stations (as defined below) at the Television Stations segment. For the year ended June 30, 2002, the Company reported an operating loss of \$103 million declining from income of \$652 million in the prior year. Operating Income Before Depreciation and Amortization decreased to \$413 million from \$1,129 million for the year ended June 30, 2001. These decreases were primarily due to the Other operating charge of \$909 million related to losses on the Company's sports contracts caused by changes in accounting estimates primarily with respect to reductions of projected advertising revenue on national sports rights agreements with the NFL, MLB and NASCAR. Partially offsetting the Other operating charge were improved results at the Filmed Entertainment and Television Stations segments.

Equity losses of affiliates of \$144 million increased \$52 million from \$92 million in the preceding fiscal year. These increased losses relate primarily to a non-cash compensation charge of which the Company's share is \$30 million recorded at Fox Family Worldwide, Inc. ("FFW") prior to the sale of the Company's interests in FFW to The Walt Disney Company ("Disney"). In addition, the absence of earnings from The Golf Channel (sold in June 2001) and increased losses at Regional Programming Partners ("RPP") and National Geographic Channel-Domestic, after its launch in January 2001 contributed to increased losses.

34

For the year ended June 30, 2002, the Company recognized its share of FFW's one-time, non-cash charge for a cumulative effect of accounting change in the amount of \$26 million for the change in FFW's film accounting in accordance with SOP 00-2. This is compared to the Company's adoption of SOP 00-2 beginning July 1, 2000. The Company's non-cash charge of \$494 million, net of tax benefit of \$302 million, was recorded during the year ended June 30, 2001.

Net income for the year ended June 30, 2002 was \$581 million (\$0.69 per share), an improvement from losses of \$288 million (\$0.40 loss per share) for the year ended June 30, 2001. This improvement was primarily the result of the Company's

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gains on the sales of FFW and Outdoor Life, which were partially offset by the charge for the change in accounting estimate on the Company's national sports rights agreements.

Filmed Entertainment. Revenues at the Filmed Entertainment segment increased from \$3,676 million for the year ended June 30, 2001 to \$4,048 million for the year ended June 30, 2002. This increase is due to the worldwide theatrical, worldwide home entertainment and domestic pay-television performance of Planet of The Apes, domestic theatrical and home entertainment performance of Kiss of the Dragon, the worldwide theatrical performance of Ice Age, the worldwide home entertainment performances of Moulin Rouge and Dr. Dolittle 2 and library titles on DVD. Prior year results included the worldwide theatrical, worldwide home entertainment and domestic pay-television performance of X-Men, the international television sales of Titanic and the worldwide home entertainment performance of library titles. Additionally, at Twentieth Century Fox Television ("TCFTV"), increased syndication revenues for NYPD Blue and King of the Hill, higher license fees for Buffy the Vampire Slayer, Dharma and Greg and The Practice and increased worldwide home entertainment and international free-television revenues for The Simpsons contributed to the increase in revenues. The Filmed Entertainment segment's operating income for the year ended June 30, 2002 increased 75% or \$208 million to \$485 million from \$277 million for the year ended June 30, 2001. Operating Income Before Depreciation and Amortization increased \$202 million to \$544 million for the year ended June 30, 2002 from \$342 million in the prior year. These increases are due to the revenue increases noted above, compared to prior year results which were partially offset by the disappointing results of Monkeybone, Say It Isn't So and Legend of Bagger Vance.

Television Stations. On July 31, 2001, the Company acquired the television broadcasting business of Chris-Craft (as defined below), consisting of ten television stations and subsequently exchanged three former Chris-Craft stations with Viacom, Inc., Clear Channel Communications, Inc. and Meredith Corporation for five other television stations (after giving effect to these transactions the acquired television stations are referred to as the "Acquired Stations"). This acquisition increased the number of the Company's O&Os to 34 full power stations.

The table below reflects the unaudited pro forma combined results of the Television Stations segment as if the acquisition of the Acquired Stations had taken place as of July 1, 2000.

	For the year ended June 30,		
	2002	2001	Change
	(in millions)		
Revenues	\$1,913	\$2,018	\$(105)
Operating income	618	600	18
Operating Income Before Depreciation and Amortization	821	809	12

On a pro forma basis, for the year ended June 30, 2002, Revenues at the Television Stations segment decreased \$105 million to \$1,913 million from \$2,018 million for the year ended June 30, 2001. This decrease is primarily due to the adverse impact of the September 11th terrorist attacks, which further weakened the advertising markets, partially offset by an estimated 1.4 percentage point gain in market share over the prior year. This market share gain resulted from the positive impact of non-returning political advertising and the 2000 Summer Olympics (broadcast during fiscal 2001), syndicated

programming of Seinfeld, the replacement of Fox Kids programming with better rated programming and the telecast of major sporting events including the post-season MLB, especially the seven game MLB World Series, and the Super Bowl. For the year ended June 30, 2002, Operating income at the Television Stations segment increased by \$18 million to \$618 million from \$600 million in the prior year. This increase is due to savings from the use of an in-house advertising sales representative, the non-renewal of local rights to broadcast the New York Yankees games for the 2002 season, and improved performance at the Acquired Stations. For the year ended June 30, 2002, Operating Income Before Depreciation and Amortization for the Television Stations segment increased \$12 million to \$821 million for fiscal year 2002 compared to \$809 million in fiscal year 2001 due to the reasons noted above.

Television Broadcast Network. For the year ended June 30, 2002, the Television Broadcast Network's Revenues increased \$225 million to \$2,048 million from \$1,823 million in the prior year. This 12% increase is due primarily to advertising revenues from the Super Bowl, which was not telecast on FOX in the prior year, \$85 million of revenue recognized from the sale of MLB divisional series rights to ABC Family, and increased advertising revenue for MLB due to additional postseason games compared to the prior year. These results were partially offset by lower prime time advertising revenue resulting from a ratings decline in entertainment programming and lower NFL advertising revenue due to a decrease in regular season pricing and ratings. For fiscal year 2002, operating losses for the Television Broadcast Network segment increased \$218 million to a loss of \$283 million and Operating Income Before Depreciation and Amortization decreased \$218 million to a loss of \$263 million compared to the preceding year. Increased MLB programming rights associated with more games shown than in the prior year, the Super Bowl, not telecast on FOX in the prior year, license fees for Star Wars Episode I: Phantom Menace and higher prime time license fees for returning series contributed to the increased losses.

Cable Network Programming. On a reported basis, Revenues for the Cable Network Programming segment increased by \$389 million from \$1,365 million to \$1,754 million for the year ended June 30, 2002. Improved ratings and increased subscribers at the Fox News Channel ("Fox News") and the FX Channel ("FX") contributed to this 28% increase in revenues. Operating income improved \$65 million from a loss of \$59 million for the year ended June 30, 2001 to income of \$6 million for the year ended June 30, 2002, primarily due to improved results across all channels and the inclusion of results from the acquisitions, most notably Speed Channel which contributed \$17 million of operating income since its acquisition in fiscal 2002. These improvements were partially offset by the \$30 million write-off of Adelphia receivables. Operating Income Before Depreciation and Amortization increased \$94 million to \$243 million from \$149 million for the prior year.

Fox Cable Networks Group consists of the results of FX, the majority-owned regional sports networks ("RSNs"), Speed Channel and Fox Sports International. In February 2001, Fox Cable Networks Group acquired RSN North and in January 2002, a controlling interest in Sunshine was acquired. Both RSN North and Sunshine are consolidated in the results of the RSNs. During fiscal year 2002, Fox Cable Networks Group acquired the remaining ownership interest in Speed Channel and has consolidated its results since July 25, 2001. In December 2001, Fox Cable Networks Group acquired the remaining 50% interest in Fox Sports International and has consolidated its results since the date of acquisition.

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The table below reflects the unaudited pro forma combined results of the Cable Network Programming segment as if the acquisitions discussed above had taken place as of July 1, 2000.

	For the year ended June 30,		
	2002	2001	Change
	(in millions)		
Revenues	\$ 1,814	\$ 1,566	\$ 248
Operating income (loss)	15	(91)	106
Operating Income Before Depreciation and Amortization	253	132	121

On a pro forma basis, for the year ended June 30, 2002, Fox Cable Networks Group's Revenues increased 16% from the prior year. Revenues at FX and the RSNs grew 18% and 9%, respectively. FX affiliate revenues increased 22%, reflecting a 20% increase in average subscribers over the prior year. As of June 30, 2002, FX reached over 78 million households, an increase of 13 million over the prior year. Despite the difficult advertising sales market, FX advertising revenues increased 26% over the prior year, as the result of an increase in average audience and higher ratings, primarily due to the success of The Shield, partially offset by declines in pricing. Affiliate revenues increased 13% at the RSNs primarily from increased average cable rates per subscriber, as well as increases in total subscribers. Advertising revenues for the RSNs were even with the prior year, primarily resulting from the weak advertising market. Revenues at Speed Channel increased 56% from the prior year primarily due to increased average audience and new programming. As of June 30, 2002, Speed Channel reached nearly 52 million households. Fox Cable Networks Group's operating income increased \$77 million or 213% for the twelve months ended June 30, 2002. Revenue increases noted above primarily drove Fox Cable Networks Group's operating profit, partially offset by higher average rights fees associated with new professional sports rights agreements and an increase in the number of professional events telecast at the RSNs, and increased programming and marketing costs associated with FX's Fall prime-time lineup and its new original series, The Shield. Operating Income Before Depreciation and Amortization improved approximately 55% from the year ended June 30, 2001 due to the reasons noted above.

For the year ended June 30, 2002, Fox News' Revenues increased 46% from the prior year. A 72% increase in advertising revenue was driven by improved ratings, partially offset by lower national sell-out and pre-emptions. Affiliate revenues increase of 31% was attributable to an 18% increase in subscribers from approximately 68 million subscribers as of June 30, 2001 to 80 million as of June 30, 2002. These increases were partially offset by a 16% increase in amortization of cable distribution investments due to subscriber acquisitions. Operating losses improved 67% for the year ended June 30, 2002 compared to the prior year. This improvement resulted from the revenue increase of 46% noted above, which was only partially offset by higher costs associated with breaking news events and programming expenses. These higher costs were mitigated by cost savings due to the absence of election coverage in the current year. Operating Income Before Depreciation and Amortization improved \$47 million from the prior year due to the reasons noted above.

Other operating charge. The Company continually evaluates the recoverability of the rights costs against the revenues directly associated with the program material and related direct expenses over the expected contract lives. At December 31, 2002, the Company recorded an Other operating charge of \$909 million in its consolidated statement of operations. This charge related to a

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change in accounting estimate on the Company's national sports rights agreements caused by the downturn in the advertising market, which caused the Company to write off programming costs inventory and to provide for estimated losses on these contracts. This evaluation considered the severe downturn in sports-related advertising, the lack of any sustained advertising rebound subsequent to September 11th and the industry-wide reduction of projected long-term advertising growth rates, all of which resulted in the Company's estimate of future directly attributable revenues associated with these contracts being lower than previously anticipated. Because the vast majority of costs incurred under these contracts are fixed, such as the rights costs and production costs, the results of these lower revenue estimates indicated that the

37

Company would generate a loss over the remaining term of the sports contracts. The charge, by contract is as follows: NFL for \$387 million, MLB for \$225 million and NASCAR for \$297 million.

Interest expense, net. Interest expense, net decreased \$104 million for fiscal year 2002 from \$345 million to \$241 million due to a decrease in amounts Due to affiliates of News Corporation, the expiration of the New Millennium film financing agreement in March 2001 and the classification of the expenses related to the New Millennium II film financing as minority interest in subsidiaries and lower amounts outstanding under single picture film financing.

Equity losses of affiliates. Equity losses of affiliates for the year ended June 30, 2002 increased \$52 million to \$144 million from \$92 million in the prior year. The primary reasons for the increase in Equity losses of affiliates are a non-cash compensation charge of which the Company's share is \$30 million recorded before the sale of the Company's interests in FFW. In addition, the absence of earnings from The Golf Channel, which was sold in June 2001, and decreased results at RPP and National Geographic Channel - Domestic, after its launch in January 2001, contributed to increased losses.

Affiliate:	Ownership Percentage	For the year ended June 30,		
		2002	2001	Change

(in millions)				
Fox Family Worldwide (a)	49.5%	\$ (51)	\$ (37)	\$ (14)
Fox Sports International (b)	50%	(9)	(22)	13
Fox Sports Networks Domestic:				
National Sports Partners	50%	(25)	(22)	(3)
Regional Programming Partners	40%	(9)	2	(11)
Other	Various	18	11	7
National Geographic Channel - Domestic	66.7%	(42)	(22)	(20)
The Golf Channel (c)	31%	-	14	(14)
Other	Various	(26)	(16)	(10)
Total equity losses of affiliates		\$ (144)	\$ (92)	\$ (52)
		=====	=====	=====

(a) The Company sold its interests in FFW in October 2001.

(b) Subsequent to the acquisition of the remaining 50% interest in December 2001, the results of Fox Sports International have been consolidated in

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the Cable Network Programming segment.

(c) The Company sold its interests in The Golf Channel in June 2001.

The Company's share of National Geographic Channel-Domestic's losses were \$42 million for the year ended June 30, 2002, as compared to \$22 million in losses in the prior year. As the channel launched in January 2001, the growth in programming and advertising revenues was offset by the increase in the amortization of cable distribution investments in fiscal year 2002. Also contributing to the losses was the increase in production and marketing expenses associated with a full year of operations. As of June 30, 2002, National Geographic Channel - Domestic reached 28 million households as compared to 12 million households as of June 30, 2001.

The Company's share of RPP's losses was \$9 million for the year ended June 30, 2002, as compared to income of \$2 million for the year ended June 30, 2001. This decrease is primarily due to charges from the Madison Square Garden ("MSG") division associated with the termination of two professional player contracts, the negative impact of losing the telecast rights of the New York Yankees at MSG Network, lower revenues from the Radio City Music Hall Christmas Spectacular as well as lower advertising revenues at its RSNs. These losses were partially offset by the favorable impact of cost savings at the Metro Channels and lower amortization of intangible assets resulting from RPP's implementation of SFAS No. 142 effective January 1, 2002.

38

Minority interest in subsidiaries. Minority interest in subsidiaries increased \$23 million to \$37 million for the year ended June 30, 2002 due to the establishment of preferred interests in New Millennium II relating to the Company's film financing arrangement, under which outstanding amounts are reflected as Minority interest in subsidiaries in the accompanying consolidated balance sheets.

Other, net. Other, net was \$1,540 million for the year ended June 30, 2002 as compared to \$190 million in the prior year. The current year's income includes the gains recognized on the sales of FFW in the amount of \$1,439 million and Outdoor Life in the amount of \$147 million and a loss of \$42 million on the early redemption of the Fox Sports Networks, LLC bonds. The prior year reflected the gain on the sale of the Company's interest in The Golf Channel in the amount of \$311 million, a loss on the restructuring of the Company's relationship with Healthon/WebMD Corporation ("WebMD") in the amount of \$143 million, a \$40 million gain on the sale of Home Team Sports and a \$15 million loss on the sale of The Health Network ("THN").

Provision for income taxes on a stand-alone basis. Provision for income tax expense for the year ended June 30, 2002 increased to \$408 million from \$185 million in the corresponding period of the prior year. The effective tax rate for the period decreased to 40% compared to 47% in the corresponding period of the preceding year. The decrease in the effective rate resulted from an increase in the relationship of pre-tax income to non-deductible items as compared to the corresponding period of the prior year.

39

Results of Operations - Fiscal 2001 versus Fiscal 2000

The following table sets forth the Company's operating results, by segment, for

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fiscal 2001 as compared to fiscal 2000.

	For the year ended Jun		
	2001	2000	Change
	(in millions)		
Revenues / (1) /:			
Filmed Entertainment	\$ 3,676	\$ 3,953	\$ (277)
Television Stations	1,550	1,635	(85)
Television Broadcast Network	1,823	1,751	72
Cable Network Programming	1,365	1,178	187
Total revenues	\$ 8,414	\$ 8,517	\$ (103)
Operating income (loss):			
Filmed Entertainment	\$ 277	\$ 117	\$ 160
Television Stations	499	585	(86)
Television Broadcast Network	(65)	29	(94)
Cable Network Programming	(59)	(75)	16
Total operating income	652	656	(4)
Interest expense, net	(345)	(297)	(48)
Equity losses of affiliates	(92)	(90)	(2)
Minority interest in subsidiaries	(14)	(4)	(10)
Other, net	190	-	190
Income before provision for income taxes and cumulative effect of accounting change	391	265	126
Provision for income tax expense on a stand-alone basis	(185)	(120)	(65)
Income before cumulative effect of accounting change	206	145	61
Cumulative effect of accounting change, net of tax	(494)	-	(494)
Net (loss) income	\$ (288)	\$ 145	\$ (433)
Other data:			
Operating Income Before Depreciation and Amortization / (2) /:			
Filmed Entertainment	\$ 342	\$ 168	\$ 174
Television Stations	683	774	(91)
Television Broadcast Network	(45)	47	(92)
Cable Network Programming	149	107	42
Total Operating Income Before Depreciation and Amortization	\$ 1,129	\$ 1,096	\$ 33
Depreciation and amortization:			
Filmed Entertainment	\$ 65	\$ 51	\$ 14
Television Stations	184	189	(5)
Television Broadcast Network	20	18	2
Cable Network Programming	118	110	8
Total Depreciation and amortization	\$ 387	\$ 368	\$ 19

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FOOTNOTE:

- (1) In January 2002, the Company adopted Emerging Issues Task Force No. 01-09, "Accounting for the Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products," which was effective for the Company as of January 1, 2002. As required, the Company has reclassified the amortization of cable distribution investments against revenues for all periods presented. The amortization of cable distribution investments had previously been included in Depreciation and amortization. Operating income, Net income and Earnings per share are not affected by this reclassification. This reclassification affects the Company's and the Cable Network Programming segment's revenues. The effect of the reclassification on the Company's revenues is as follows:

	For the year ended June 30,	
	2001	2000
	(in millions)	
Gross Revenues	\$ 8,504	\$ 8,589
Amortization of cable distribution investments	(90)	(72)
Revenues	\$8,414	\$ 8,517

- (2) Operating Income Before Depreciation and Amortization is defined as operating income (loss) plus depreciation and amortization and the amortization of cable distribution investments. Depreciation and amortization expense includes the amortization of acquired intangible assets. Amortization of cable distribution investments represents a reduction against revenues over the term of a carriage arrangement and as such it is excluded from Operating Income Before Depreciation and Amortization. While Operating Income Before Depreciation and Amortization is considered to be an appropriate measure for evaluating operating performance by management, it should be considered in addition to, not as a substitute for, operating income (loss), net income (loss), cash flow and other measures of financial performance prepared in accordance with GAAP and presented in the audited consolidated financial statements included elsewhere in this filing.

Overview of Company Results. For the fiscal year ended June 30, 2001, revenues of \$8,414 million declined slightly compared to the \$8,517 million reported for the prior year. Decreased revenues from the Filmed Entertainment and Television Stations segments were partially offset by a 16% increase in revenue at the Cable Network Programming segment. In aggregate, Operating, Selling, general and administrative, and Depreciation and amortization expenses were flat compared to the prior year. Operating expenses decreased approximately 3% compared to fiscal 2000 due to savings resulting from the production of fewer new series as compared to the prior year. Selling, general and administrative expenses increased approximately 9% from the prior year mainly due to an increase in bad debt reserve and overhead expenses. Depreciation and amortization increased approximately 5% due to increased amortization at the Filmed Entertainment segment. The Company reported operating income of \$652 million for the year ended June 30, 2001, as compared to \$656 million reported in fiscal 2000. Operating Income Before Depreciation and Amortization of \$1,129 million increased approximately 3% over the \$1,096 million reported in fiscal year 2000. These increases relate to the improved operating results at the Filmed Entertainment and Cable Network Programming segments.

Equity losses of affiliates of \$92 million increased \$2 million from fiscal 2000

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due to decreased contributions from FFW resulting from the prior year's one-time gain related to the Fox Kids Europe N.V.'s ("FKE") initial public offering ("IPO") and the January 2001 launch of the National Geographic Channel in the US, which offset improved results at the Fox Cable Networks Group's domestic equity affiliates due to subscriber growth.

At the beginning of fiscal 2001, the Company adopted SOP 00-2, which established new accounting standards for producers and distributors of films and supersedes SFAS No. 53. SOP 00-2 establishes new accounting standards for, among other things, marketing and development costs. The Company recorded a one-time, non-cash charge of \$494 million, net of \$302 million tax, as a cumulative effect of accounting change as of July 1, 2000. This charge primarily reflects the write-off of marketing and certain development costs, which were previously capitalized under SFAS No. 53 and are no longer capitalizable under SOP 00-2. Subsequent to the adoption of SOP 00-2, the Company's accounting policy is to expense marketing and certain development costs as incurred.

Net loss for the year ended June 30, 2001 was \$288 million (\$0.40 loss per share) as compared to net

41

income of \$145 million (\$0.20 per share) for the prior year. This decrease primarily relates to the \$494 million after-tax charge for the adoption of SOP 00-2 and a non-recurring charge related to the restructuring of the Company's relationship with WebMD. These charges were partially offset by gains related to the sales of the Company's interest in The Golf Channel and Home Team Sports.

Filmed Entertainment. For the twelve months ended June 30, 2001, Filmed Entertainment's revenues decreased 7% compared to the prior year. Decreased revenues from international theatrical releases were partially offset by increased revenues from domestic theatrical releases, international free television revenues, and network revenues. Operating income and Operating Income Before Depreciation and Amortization increased by 137% to \$277 million and by 104% to \$342 million, respectively, for fiscal year 2001. In fiscal 2001, theatrical and catalog releases overall performed better than releases in the prior year. The fiscal 2001's results included the strong worldwide theatrical and video performance of X-Men, strong growth in video catalog sales primarily due to growth in the DVD market, the broadcast network release of Titanic and the solid performance of releases in international free television markets. These results were partially offset by losses from Monkeybone, The Legend of Bagger Vance and Say It Isn't So. At the beginning of fiscal 2001, the Company adopted SOP 00-2 changing its film accounting policies; accordingly operating income and Operating Income Before Depreciation and Amortization were further offset by the releasing costs for Moulin Rouge, Dr. Dolittle 2, Planet of the Apes and Kiss of the Dragon, which are now, under SOP 00-2, expensed as incurred. These results are compared to fiscal 2000 results, which included the poor performances of Brokedown Palace, Anna and the King, Light It Up, Bartok and Titan AE.

At TCFTV, for the twelve months ended June 30, 2001, revenues increased approximately 2% primarily due to higher network revenue from the license fee renegotiations for The Practice and increased license fees for three additional returning series as compared to the prior year. Operating results in fiscal 2001 increased approximately 116% over the prior year primarily due to greater gross profit from The Practice due to the renegotiated license fees, increased gross profit from Buffy the Vampire Slayer due to increased international home video and domestic syndication revenues and savings resulting from the production of fewer new series as compared to the prior year. Partially offsetting the increases were higher development expenses and production expenses from a

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greater number of pilots in the current year.

Television. For the year ended June 30, 2001, combined revenues from all television-related segments declined slightly to \$3,373 million as compared to the preceding fiscal year of \$3,386 million. Operating income decreased by 29% and Operating Income Before Depreciation and Amortization decreased by 22% for the year ended June 30, 2001. Operating results were greatly affected by the negative impact of the weak advertising market and increased programming, broadcasting and news costs at the Television Stations, as well as a \$71 million loss at FOX resulting from the short duration and lower ratings of the MLB post-season divisional playoffs and World Series in October 2000.

For fiscal year 2001, the Television Broadcast Network segment's revenues increased 4% over the prior year primarily related to NASCAR events, which is in its first year of contract, and an increase in NFL advertising sales resulting from higher pricing. Operating income in fiscal 2001 decreased \$94 million to a loss of \$65 million and Operating Income Before Depreciation and Amortization decreased \$92 million from the prior fiscal year. These losses were primarily driven by the \$71 million loss associated with the World Series that was not telecast in the prior year and a ratings shortfall coupled with lower sell-out for the MLB Divisional and Championship play-off series, all in October 2000. This loss was increased by higher NFL program rights costs and higher advertising and promotional costs of off-air media awareness spending for the Fall launch. These decreases were partially offset by lower prime time programming costs due to the replacement of Party of Five and Beverly Hills 90210 with new less expensive programming. In fiscal 2001, FOX primetime delivered a 2.5% adults 18 - 49 ratings increase over the prior year due primarily to the successful launch of series such as Boston Public, Dark Angel and Grounded for Life.

For fiscal year 2001, the Fox Television Stations' revenues decreased to \$1,550 million from \$1,635 million in fiscal year 2000. This 5% revenue decline primarily related to the weak advertising market.

42

Also contributing to the decreased revenues were the competition from NBC's broadcast of the Olympics, the delayed Fall launch and lower FOX primetime ratings in the first half of the year. For the twelve months ended June 30, 2001, Fox Television Stations produced operating income and Operating Income Before Depreciation and Amortization of \$499 million and \$683 million, respectively, decreasing \$86 million and \$91 million, respectively, versus the prior year. Increases in program amortization for new shows, including Drew Carey and 3rd Rock From The Sun, local broadcast rights amortization for the Boston Red Sox and the Texas Rangers and costs related to the local news launch at KDVR in Denver contributed to the decreases in operating income and Operating Income Before Depreciation and Amortization.

Cable Network Programming. The revenues of the Cable Network Programming segment for the year ended June 30, 2001 as compared to the prior year increased \$187 million, operating losses of \$59 million improved by \$16 million and Operating Income Before Depreciation and Amortization improved by \$42 million to \$149 million. Revenue increases were due to a combination of subscriber growth and advertising revenue increases primarily at FX and Fox News. Costs increased due to higher rights and production costs related to NASCAR on FX and the increased number of National Basketball Association ("NBA") and National Hockey League ("NHL") games at the RSNs.

For the year ended June 30, 2001, revenues at FX and the RSNs grew 32% and 8%, respectively. At FX, cable and DTH affiliate revenue increased 41%, reflecting a

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36% increase in average subscribers over the prior year and a 4% increase in average rates per subscriber. As of June 30, 2001, FX reached over 66 million households, an increase of 18 million over the prior year. Despite the difficult advertising sales market, FX advertising revenue increased 23%, due to an increase in pricing and an increase in average audience. The RSNs' revenue increases reflect an 11% increase in combined cable and DTH affiliate revenue, excluding the impact of the newly acquired RSN North, resulting from recently completed affiliation agreements, whereby the RSNs increased their average rate per subscriber and an increase in total subscribers. While the number of professional sports events increased over the prior year, the RSNs experienced a 5% decline in advertising revenues on regional sports programming, excluding the impact of RSN North, primarily resulting from the weak advertising market. Despite increased programming and marketing costs supporting its original programming and the rights fees and production costs associated with the inaugural season of NASCAR, FX's operating income increased 54% from fiscal year 2000. Operating income for fiscal year 2001 decreased 141% at the RSNs primarily due to significant increases in operating expenses resulting from an increased number of professional sports events and higher average rights fees associated with new professional sports rights agreements. Also contributing to the decreased operating income were first year broadcast costs associated with the recently completed MLB cable deal.

For the year ended June 30, 2001, revenues at Fox News increased 30% versus fiscal 2000. This increase primarily resulted from a 30% increase in cable affiliate revenue and a 48% increase in cable advertising sales. The increase in cable affiliate revenue was attributable to an increase of 33% in Fox News subscribers from 50.8 million to 67.7 million. Advertising revenue was driven by higher pricing and improved ratings. Operating losses decreased 38% over the prior year primarily resulting from the revenue increase, the shutdown of the Fox Files Magazine Unit, partially offset by increased programming expenses associated with political coverage on the channel and additional costs associated with the re-launch of FoxNews.com.

43

Equity losses of affiliates. For the year ended June 30, 2001, Equity losses of affiliates increased by \$2 million to \$92 million.

Affiliate:	Ownership Percentage	For the year ended June 30,		
		2001	2000	Change
			(in millions)	
Fox Family Worldwide (FFW)	49.5%	\$ (37)	\$ 23	\$ (60)
Fox Sports International	50%	(22)	(28)	6
Fox Sports Networks Domestic:				
National Sports Partners (NSP)	50%	(22)	(17)	(5)
Regional Programming Partners (RPP)	40%	2	(1)	3
Other	Various	11	6	5
National Geographic Channel - Domestic	66.7%	(22)	(1)	(21)
The Golf Channel	31%	14	-	14
Other	Various	(16)	(72)	\$ 56
Total equity losses of affiliates		\$ (92)	\$ (90)	\$ (2)

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For the twelve months ended June 30, 2001, the Company's share of FFW's net losses were flat as compared to the prior year, excluding the approximate \$60 million one-time gain in fiscal 2000 resulting from the FKE IPO. Revenue at FFW increased 3% resulting from higher affiliate revenues at Fox Family Channel and FKE and Digimon toy royalties. These revenue increases were partially offset by lower advertising revenue at Fox Family Channel and Fox Kids Network, higher marketing expenses due to rebranding of the Fox Family Channel and higher general and administrative expenses due to expansion of Internet activities and FKE.

The Company's share of Fox Sports International's net losses decreased \$6 million to \$22 million for fiscal 2001. Fox Sports World and Fox Sports World Espanol experienced higher affiliate revenues due to increased subscribers. In addition, LMC International's revenues increased due to the English Premier League and Argentine Football. Partially offsetting these revenue increases were decreased operating results at Fox Sports Latin America, particularly in Argentina, due to the weak economic environment.

The Company's share of Fox Cable Networks Group's domestic equity affiliates' net losses improved to \$9 million during the year ended June 30, 2001. RPP generated higher affiliate revenues across all of its RSNs from increased subscribers and rates, which was partially offset by losses associated with the continued investment in the Metro Channels. CTV Sports Net experienced higher affiliate and advertising revenues, resulting from continued distribution growth as well as a slight decrease in professional sports rights, production and marketing expenses. NSP experienced decreased revenues due to the soft advertising market and higher programming and production expenses, while NAP had increased commission revenues. Deferred compensation expenses associated with a management equity appreciation rights plan at Speedvision and Outdoor Life more than offset the increased affiliate revenues generated at each network resulting from distribution gains over the prior year.

The year ended June 30, 2001 included \$22 million of equity losses related to the January 2001 launch of The National Geographic Channel in the US. National Geographic, which had 12 million subscribers as of June 30, 2001, incurred considerable studio, programming and marketing costs during fiscal year 2001, in addition to significant amortization charges related to long-term cable distribution investments with major multi system operators.

Interest expense, net. Net interest expense increased \$48 million in fiscal 2001 as compared to the prior year. This increase relates to the higher intercompany balances with affiliates as a result of cash advances and external balances associated with film production financing.

Minority interest in subsidiaries. Minority interest in subsidiaries increased \$10 million to \$14 million in fiscal 2001. This increase is related to distributions paid on preferred interests issued in relation to the

New Millennium transaction entered into in the third quarter of fiscal 2001. (See "New Millennium" in Liquidity and Capital Resources.)

Other, net. In January 2000, the Company completed a series of integrated transactions with WebMD to exchange, among other things, media services and its interest in THN for a cost based Preferred Stock interest in WebMD. No gain or loss was recorded by the Company in connection with this original integrated

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transaction. On December 29, 2000, the Company, The News Corporation Limited ("News Corporation") and WebMD entered into an agreement to restructure the initial integrated transactions, which resulted in the Company agreeing to exchange its entire Preferred stock investment with a carrying value of \$505 million, for an approximate \$126 million reduction in the Company's obligation to provide future media services, an approximate \$37 million elimination of future funding commitments to THN, and the acquisition of WebMD's interest in THN. The acquisition of THN has been recorded at its fair market value of approximately \$200 million, as determined by an independent appraisal. The Company will continue to provide future domestic media services over 10 years and will remain obligated for cash payments to WebMD of \$27.5 million over 4 years. The carrying value of the deferred revenue for future media services was approximately \$152 million as of June 30, 2001, with a market value of approximately \$192 million. Such deferred revenue will be recognized over the remaining nine-year term as such media services are delivered under an agreed annual commitment schedule. The restructuring transaction has resulted in the Company recording a non-cash charge of approximately \$143 million, which is reflected within Other, net in the consolidated statement of operations.

In February 2001, Fox Sports Networks sold its approximate 34% limited partnership interest in Home Team Sports to Comcast Corporation ("Comcast"), in a non-cash exchange for Comcast entering into new or amended cable carriage arrangements valued at approximately \$46 million related to the distribution of the Company's programming services on Comcast's cable systems. The Company recognized a gain of approximately \$40 million, which is reflected within Other, net in the consolidated statement of operations.

In June 2001, the Company sold its approximate 31% interest in The Golf Channel to Comcast for total consideration of approximately \$375 million, of which \$365 million was received in cash during fiscal 2001. The Company recorded a gain of approximately \$311 million related to this transaction, which is reflected in Other, net in the consolidated statement of operations.

In June 2001, the Company completed the previously announced sale of its entire interest in THN for cash of approximately \$155 million, of which \$100 million was paid at closing and \$55 million is due one year from Closing, and a 10% carried interest in the equity of the acquirer with a minimum guarantee value of \$100 million in December 2003. In accordance with SFAS No. 94, "Consolidation of All Majority-Owned Subsidiaries," and EITF 87-11, "Allocation of Purchase Price to Assets to be Sold," for the period from the acquisition of THN (December 29, 2000) until the Closing Date of the sale, control of THN was deemed to be temporary and therefore, its results of operations have not been consolidated in the Company's statement of operations for the six months ended June 30, 2001. The Company recorded a loss of approximately \$15 million from the sale, which is reflected in Other, net in the consolidated statement of operations.

Provision for income tax expense on a stand-alone basis. Provision for income tax expense for the year ended June 30, 2001 increased to \$185 million from \$120 million in the preceding year. The effective tax rate for the period increased to 47% compared to 45% in the preceding year. The increase in the effective rate resulted from an increase in nondeductible items from the prior year.

45

Liquidity and Capital Resources

The Company's principal sources of cash flow are internally generated funds, various film financing alternatives and borrowings from News Corporation and its subsidiaries. As of June 30, 2002, News Corporation had consolidated cash and cash equivalents of \$3.6 billion, excluding the cash of the Company, and unused credit facilities of \$2.1 billion. We believe that funds available from News

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Corporation and cash flows from operations will be adequate for the Company to conduct its operations. The Company's internally generated funds are highly dependent upon the state of the advertising market and public acceptance of film products. Any significant decline in the advertising market or the performance of its films could adversely impact its cash flows from operations.

The principal uses of cash flow that affect the Company's liquidity position include the following: investments in the production and distribution of new feature films and television programs, the acquisition of and payments under programming rights for entertainment programming and sporting events operational expenditures, interest expense and income tax payments.

Net cash flows provided by operating activities during the year ended June 30, 2002 were \$987 million as compared to uses of \$153 million in the preceding fiscal year. During the current period, payables and accrued expenses were higher due to increased participations and residuals from film and television titles and timing of payments for NFL, NASCAR and MLB. Offsetting these sources of cash, receivables increased from the sale of home entertainment and theatrical products, the syndication of certain programs and the payment of taxes related to the gain on the sale of FFW.

Net cash flows provided by investing activities were \$678 million for the year ended June 30, 2002 as compared to cash uses of \$176 million in the preceding fiscal year. The current year included the proceeds of the sales of FFW and Outdoor Life, partially offset by cash used for the acquisition of a controlling interest in the Speed Channel, investments in the National Geographic Channels and Fox Studios Australia and increased cable distribution investments for Fox News, FX and Speed Channel.

Net cash flows used in financing activities were \$1,675 million during fiscal year ended June 30, 2002 as compared to cash provided by financing activities of \$281 million in the preceding fiscal year. The increase in cash used by financing activities is primarily attributable to higher repayments to affiliates of News Corporation.

In June 2002, the Company and its subsidiary, Fox Sports Networks, LLC, irrevocably called for redemption all of the outstanding 9 3/4% Senior Discount Notes due 2007 and all of the outstanding 8 7/8% Senior Notes due 2007. The redemption was completed in August 2002 and was financed through borrowings from News Corporation and its subsidiaries. The Company has recorded a pre-tax loss of \$42 million on the early redemption of these notes in Other, net in the consolidated statement of operations for the year ended June 30, 2002 in accordance with SFAS No. 145.

Intercompany Financing

The Company is funded primarily by cash generated from operations and by loans from other affiliates of News Corporation. Interest on outstanding intercompany balances has been charged at commercial market rates not to exceed News Corporation's average cost of borrowing as set forth in the Master Intercompany Agreement between the Company and News Corporation. For the year ended June 30, 2002, the intercompany interest rate was 8%. The Company anticipates that cash from foreseeable future operations and borrowings from News Corporation will be sufficient to meet its working capital requirements.

Ratings of News Corporation Public Debt

As of June 30, 2002, News Corporation's debt ratings from Moody's (Ba1 for subordinated notes and Baa3 for senior unsecured notes) and Standard & Poors (BBB-) for the debt guaranteed by the Company and others were within the investment grade scale.

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46

The Company has commitments under certain firm contractual arrangements ("firm commitments") to make future payments for goods and services. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The following table summarizes the Company's material firm commitments and borrowings as of June 30, 2002 and the timing and effect that such obligations are expected to have on the Company's liquidity and cash flow in future periods. The Company expects to fund these commitments primarily with operating cash flow generated in the normal course of business.

Contractual Obligations and Commitments	As of June 30, 2002				
	Payments Due by Period				
	Total	1 year	2-3 years	4-5 years	After
	(in millions)				
Borrowings / (a) /	\$ 942	\$ 942	\$ -	\$ -	
Due to affiliates of News Corporation / (b) /	1,413	-	-	-	
New Millennium II preferred interest / (c) /	850	576	239	35	
Major League Baseball / (d) /	1,995	334	765	896	
National Football League / (e) /	2,880	575	1,490	815	
National Association of Stock Car Auto Racing / (f) /	1,621	201	495	536	
Commitment for purchase of TV station / (g) /	425	425	-	-	
Capital expenditures	30	29	1	-	
Operating leases / (h) /	502	80	128	93	
Other programming commitments and obligations / (i) /	4,488	1,068	1,160	707	
Total Contractual Obligations and Commitments	\$15,146	\$4,230	\$4,278	\$3,082	

The Company also has certain contractual arrangements that would require the Company to make payments or provide funding if certain circumstances occur ("contingent guarantees"). The Company does not expect that these contingent guarantees will result in any amounts being paid by the Company in the foreseeable future. The timing of the amounts presented in the table reflect when the maximum contingent guarantees will expire and does not indicate that the Company expects to incur an obligation to make payments during that timeframe.

47

As of June 30, 2002

Amount of Guarantees Expiration Per Period

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Contingent Guarantees	Total Amounts Committed	1 year	2-3 years	4-5 years	After
			(in millions)		
Guarantees /(j)/	\$8,655	\$73	\$502	\$ -	
Guarantees of equity affiliates /(k)/	\$1,050	43	93	\$105	

FOOTNOTES:

- (a) In June 2002, the Company and its subsidiary, Fox Sports Networks, LLC, irrevocably called for redemption all of the outstanding 9 3/4% Senior Discount Notes due 2007 and all of the outstanding 8 7/8% Senior Notes due 2007. The redemption was completed in August 2002. The Company has recorded a pre-tax loss of \$42 million on the early redemption of these notes in Other, net in the consolidated statement of operations for the year ended June 30, 2002 in accordance with SFAS No. 145.
- (b) The Company is funded primarily by cash from operations and by loans from other subsidiaries and affiliates of News Corporation. The Company had approximately \$1.4 billion of indebtedness to affiliates of News Corporation as of June 30, 2002, which extend through June 30, 2008.
- (c) See discussion of New Millennium II, which appears on subsequent pages. As noted therein, this interest has no fixed redemption rights but is entitled to an allocation of gross receipts from the distribution of eligible films.
- (d) The Company's six-year contract with MLB grants the Company rights to telecast certain regular season and all post-season MLB games. The contract began with the 2001 MLB season and ends with the 2006 MLB season. The remaining future scheduled payments for telecast rights to such MLB games aggregated approximately \$2.0 billion as of June 30, 2002, before sublicense fees are considered. For the duration of the term of its contract with MLB, the Company has sublicensed telecast rights to certain MLB post-season games to The Walt Disney Company, and is entitled to be paid a sublicense fee aggregating \$590 million over the remaining term. The amounts reflected on this schedule have not been reduced by the sublicense.
- (e) Under the Company's eight-year contract with the NFL through 2006, which contains certain termination clauses, remaining future minimum payments for program rights to broadcast certain football games aggregated approximately \$2.9 billion as of June 30, 2002, and are payable over the remaining five year term of the contract assuming no early terminations.
- (f) The Company's contracts with the NASCAR, which contain certain termination clauses, give the Company rights to broadcast certain NASCAR races through fiscal year 2009 and exclusive NASCAR content rights, as well as the NASCAR brand to be exploited with a new NASCAR cable channel or the existing Speed Channel through fiscal year 2013. The remaining future minimum payments aggregated approximately \$1.6 billion as of June 30, 2002, and are payable over the remaining terms assuming no early terminations.
- (g) In June 2002, the Company entered into an agreement to acquire WPWR-TV in Chicago from Newsweb Corporation for approximately \$425 million. This acquisition closed in August 2002.
- (h) The Company leases transponders, office facilities, equipment and microwave transmitters used to carry its broadcast signals. These leases, which are

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classified as operating leases, expire at various dates through 2016.

- (i) The Company's minimum commitments and guarantees under certain other programming, local sports broadcast rights, players and other agreements aggregated approximately \$4.5 billion as of June 30, 2002 and are payable principally over a five year period.
- (j) The Company, News Corporation and certain of News Corporation's subsidiaries are guarantors of various debt obligations of News Corporation and certain of its subsidiaries. During fiscal year 2001, certain of the Company's

48

subsidiaries were released as guarantors of these debt obligations. The principal amount of indebtedness outstanding under such debt instruments as of June 30, 2002 and 2001 was approximately \$8.7 billion and \$9.3 billion, respectively. The debt instruments limit the ability of guarantors, including the Company, to subject their properties to liens and certain of the debt instruments impose limitations on the ability of News Corporation and certain of its subsidiaries, including the Company, to incur indebtedness in certain circumstances. Such debt instruments mature at various times between 2004 and 2096, with a weighted average maturity of over 20 years. In the case of any event of default under such debt obligations, the Company will be directly liable to the creditors or debtholders. News Corporation has agreed to indemnify the Company from and against any obligations it may incur by reason of its guarantees of such debt obligations. As of June 30, 2002, News Corporation was in compliance with all of its debt covenants and had satisfied all financial ratios and tests and expects to remain in compliance and satisfy all such ratios and tests.

- (k) The Company guarantees various sports rights agreements for certain associated companies. The aggregate of these guarantees is approximately \$1,050 million and extends through 2019.

Except as otherwise discussed above, the Company does not guarantee the debt of any of its affiliates accounted for using the equity method of accounting.

New Millennium II

Due to increased competition and costs associated with film production, film studios and the Company constantly evaluate the risks and rewards of production. Various strategies are used to balance risk with capital needs, including, among other methods, co-production, contingent profit participations, acquisition of distribution rights only and insurance.

In March 2001, the Company entered into a new series of film rights agreements whereby a controlled consolidated subsidiary of the Company, Cornwall Venture LLC ("NM2"), that holds certain library film rights, funds the production or acquisition costs of all eligible films, as defined, to be produced or acquired by Twentieth Century Fox Film Corporation ("TCF"), a subsidiary of the Company, between 2001 and 2004 (these film rights agreements are collectively referred to as the "New Millennium II Agreement"). NM2 is a separate legal entity from the Company and TCF and has separate assets and liabilities. NM2 issued a preferred limited liability membership interest ("Preferred Interest") to a third party to fund the film financing, which is presented on the consolidated balance sheets as Minority interest in subsidiaries. The Preferred Interest has no fixed redemption rights but is entitled to an allocation of the gross receipts to be

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derived by NM2 from the distribution of each eligible film. Such allocation to the extent available based on the gross receipts from the distribution of the eligible films consists of (i) a return on the Preferred Interest (the "Preferred Payments"), based on certain reference rates (generally based on commercial paper rates or LIBOR) prevailing on the respective dates of determination, and (ii) a redemption of the Preferred Interest, based on a contractually determined amortization schedule. The Preferred Interest has a preference in the event of a liquidation of NM2 equal to the unredeemed portion of the investment plus any accrued and unpaid Preferred Payments.

The net change in Preferred Interests outstanding was \$8 million and \$841 million for the years ended June 30, 2002 and 2001, respectively. These amounts were comprised of issuances by the Company of additional Preferred Interests under New Millennium II in the amount of \$657 million and \$131 million and redemptions by the Company of Preferred Interests of \$649 million and \$42 million during fiscal year 2002 and 2001, respectively. The original issuance of Preferred Interests was \$752 million in fiscal year 2001.

As of June 30, 2002 and 2001, there was approximately \$850 million and \$842 million, respectively, of Preferred Interests outstanding, which are included in the consolidated balance sheets as Minority interest in subsidiaries. The Preferred Payments are recorded as an expense in Minority interest in subsidiaries on the consolidated statements of operations.

49

A Ratings Trigger Event for the New Millennium II Agreement would occur if News Corporation's debt rating:

(i) (a) falls below BB+ and below Ba1, or (b) falls below BB, or (c) falls below Ba2, or (d) it is not rated by both rating agencies, and, in each case, neither News Corporation nor the Company shall, within ten business days after the occurrence of such event, have provided credit enhancement so that the resulting New Millennium II Agreement is rated at least BB+ and Ba1, or

(ii) (a) falls below BBB- and Baa3, or (b) it is not rated by both rating agencies, and, in each case, more than \$25 million in capital payments redeemable at that time from film gross receipts remain unredeemed for at least one quarter.

If a Ratings Trigger Event were to occur, then (a) no new films will be transferred, (b) rights against certain film assets may be enforced, and (c) the Preferred Interest may become redeemable.

During fiscal 2002, no Ratings Trigger Event had occurred. If a Ratings Trigger Event were to occur, then \$425 million (or approximately 50% of the outstanding balance as of June 30, 2002) may be payable immediately. The balance of the redemption would be payable to the extent of future gross receipts from films that had been transferred to NM2.

Acquisitions and dispositions

WebMD

In January 2000, the Company completed a series of integrated transactions with WebMD to exchange, among other things, media services and its interest in THN for a cost based Preferred stock interest in WebMD. No gain or loss was recorded by the Company in connection with this original integrated transaction. On December 29, 2000, the Company, News Corporation and WebMD entered into an

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agreement to restructure the initial integrated transaction, which resulted in the Company agreeing to exchange its entire Preferred stock investment with a carrying value of \$505 million, for an approximate \$126 million reduction in the Company's obligation to provide future media services, an approximate \$37 million elimination of future funding commitments to THN, and the acquisition of WebMD's interest in THN. The acquisition of THN was recorded at its fair market value of approximately \$200 million, as determined by an independent appraisal. The Company will continue to provide future domestic media services over the remaining eight years and will remain obligated for cash payments to WebMD of \$10.7 million over the remaining two years. The carrying value of the deferred revenue for future media services is approximately \$135 million as of June 30, 2002, with a market value of approximately \$171 million. Such deferred revenue will be recognized over the remaining eight-year term as such media services are delivered under an agreed annual commitment schedule based upon market rates prevailing in each future period. The restructuring transaction resulted in the Company recording a non-cash charge of approximately \$143 million, which is reflected within Other, net in the consolidated statement of operations for the year ended June 30, 2001.

In June 2001, the Company completed the previously announced sale of its entire interest in THN for cash of approximately \$155 million, of which \$100 million was paid at closing and \$55 million was due one year from closing (which was satisfied during fiscal year 2002), and a 10% carried interest in the equity of the acquirer with a minimum guarantee value of \$100 million in December 2003. In accordance with SFAS No. 94, "Consolidation of All Majority-Owned Subsidiaries," and EITF 87-11, "Allocation of Purchase Price to Assets to be Sold," for the period from the acquisition of THN (December 29, 2000) until the Closing Date of the sale, control of THN was deemed to be temporary and therefore, its results of operations had not been consolidated in the Company's statement of operations for the six months ended June 30, 2001. The Company recorded a loss of approximately \$15 million from the sale, which is reflected in Other, net in the consolidated statement of operations for the year ended June 30, 2001.

50

RSN North

In February 2001, Fox Sports Networks, a subsidiary of the Company, acquired certain assets and liabilities constituting the business of Midwest Sports Channel, a regional sports network serving the Minneapolis, Minnesota and Milwaukee, Wisconsin metropolitan areas, pursuant to an Assignment and Assumption Agreement among Fox Sports Networks, Viacom, Inc. and Comcast Corporation and a Purchase Agreement between Viacom and Comcast for approximately \$40 million. The excess of the net purchase price over the net assets acquired, of approximately \$33 million is reflected within Intangible assets, net on the consolidated balance sheets.

Home Team Sports

In February 2001, Fox Sports Networks sold its approximate 34% limited partnership interest in Home Team Sports, in a non-cash exchange for new or amended cable carriage arrangements valued at approximately \$46 million related to the distribution of the Company's programming services on cable systems. The Company has recognized a gain of approximately \$40 million related to this transaction, which is reflected within Other, net in the consolidated statement of operations for the year ended June 30, 2001.

The Golf Channel

In June 2001, the Company sold its approximate 31% interest in The Golf Channel for total consideration of approximately \$375 million, of which \$365 million was

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received in cash during fiscal 2001. The Company has recorded a gain of approximately \$311 million related to this transaction, which is reflected in Other, net in the consolidated statement of operations for the year ended June 30, 2001.

Chris-Craft

On July 31, 2001, News Corporation, through a wholly-owned subsidiary, acquired all of the outstanding common stock of Chris-Craft Industries, Inc. and its subsidiaries, BHC Communications, Inc. and United Television, Inc., (collectively, "Chris-Craft"). The consideration for the acquisition was approximately \$2 billion in cash and approximately \$3 billion in News Corporation American Depositary Receipts representing preferred limited voting ordinary shares ("ADRs"). Simultaneously with the closing of the acquisition, News Corporation transferred \$3,432 million of net assets, constituting Chris-Craft's ten television stations (the "Acquired Stations") to the Company in exchange for 122,244,272 shares of the Company's Class A Common Stock and net indebtedness of \$48 million (the "Exchange"), thereby increasing News Corporation's ownership in the Company from 82.76% to 85.25%. The Company assigned the licenses issued by the Federal Communications Commission ("FCC") for the Acquired Stations to its indirect subsidiary, Fox Television Stations, Inc., which became the licensee and controls the operations of the Acquired Stations. News Corporation acquired Chris-Craft and transferred to the Company the Acquired Stations in order to strengthen the Company's existing television station business. This transaction has been treated as a purchase in accordance with SFAS Nos. 141 and 142.

The Company has consolidated the results of operations of the Acquired Stations as of the date of Exchange, July 31, 2001, with the exception of KTVX-TV in Salt Lake City, whose operations were not consolidated as of the exchange due to regulatory requirements which precluded the Company from controlling the station and required its disposal (see description of Clear Channel swap below). For financial reporting purposes, in accordance with EITF 90-5, "Exchanges of Ownership Interests between Entities under Common Control," the Company has recognized the assets and liabilities of Chris-Craft based upon their acquired basis in the News Corporation merger and issued equity to News Corporation at that value.

In October 2001, the Company exchanged KTVX-TV in Salt Lake City and KMOL-TV in San Antonio with Clear Channel Communications, Inc. for WFTC-TV in Minneapolis (the "Clear Channel swap"). In addition, on November 1, 2001, the Company exchanged KBHK-TV in San Francisco with Viacom Inc. for WDCA-TV in Washington, DC and KTXH-TV in Houston (the "Viacom swap"). In June 2002, the

51

Company exchanged KPTV-TV in Portland, an Acquired Station, for Meredith Corporation's WOFL-TV in Orlando and WOGX-TV in Ocala (the "Meredith swap", and together with the Viacom and Clear Channel swaps, the "Station Swaps"). All of the stations exchanged in the Station Swaps were Acquired Stations. No gain or loss was recognized by the Company as a result of the Station Swaps.

Speed Channel

In July 2001, as a result of the exercise of rights by existing shareholders of Speed Channel, the Company acquired an additional 53.44% of Speed Channel, for approximately \$401 million, increasing the Company's ownership in Speed Channel to approximately 85.46%. As a result, the Company consolidated the results of Speed Channel beginning in July 2001. In October 2001, the Company acquired the remaining 14.54% minority interest in Speed Channel for approximately \$111 million bringing the Company's ownership to 100%. These transactions have been

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treated as a purchase in accordance with SFAS Nos. 141 and 142.

Outdoor Life

In July 2001, as a result of the exercise of rights by existing shareholders of Outdoor Life, the Company acquired 50.23% of Outdoor Life for approximately \$309 million. This acquisition resulted in the Company owning approximately 83.18% of Outdoor Life. In October 2001, a shareholder of Outdoor Life acquired the Company's ownership interest in Outdoor Life for approximately \$512 million in cash. During the period from July 2001 until the closing of the sale of Outdoor Life in October 2001, the ownership interest in Outdoor Life was held for sale and control of Outdoor Life was deemed temporary. Therefore, in accordance with SFAS No. 94, "Consolidation of All Majority-Owned Subsidiaries," and EITF 87-11, "Allocation of Purchase Price to Assets to be Sold," the results of Outdoor Life were not consolidated in the Company's statement of operations for this period. Upon the closing of the sale of the Company's ownership interest in Outdoor Life, the Company recognized a gain of \$147 million, which is reflected in Other, net in the accompanying consolidated statements of operations for the year ended June 30, 2002.

FFW

In October 2001, the Company, Haim Saban and the other stockholders of FFW, sold FFW to Disney for total consideration of approximately \$5.2 billion (including the assumption of certain debt) of which approximately \$1.6 billion was in consideration of the Company's interest in FFW, which was rebranded ABC Family. As a result of this transaction, the Company recognized a pre-tax gain of approximately \$1.4 billion, which is reflected in Other, net in the accompanying consolidated statements of operations for the year ended June 30, 2002. The proceeds from this transaction were used to reduce obligations to affiliates of News Corporation. In addition, the Company sublicensed certain post-season MLB games for the 2001 to 2006 MLB seasons to Disney for aggregate consideration of approximately \$675 million, payable over the period of the sublicense.

Fox Sports International

In December 2001, News Corporation acquired from Liberty Media Corporation ("Liberty") its 50% interest in Fox Sports International, in exchange for 3,673,183 ADRs valued at \$115 million. Under the terms of the transaction, the Company purchased News Corporation's acquired interest in Fox Sports International, which increased the Company's ownership interest from 50% to 100%, in exchange for the issuance of 3,632,269 shares of the Company's Class A Common Stock. As a result of this transaction, News Corporation's equity ownership interest in the Company increased from 85.25% to 85.32%. For financial reporting purposes, in accordance with EITF 90-5, the Company has recognized the assets and liabilities of Fox Sports International based upon their acquired basis in the News Corporation acquisition and issued 3,632,269 shares of the Company's Class A Common Stock to News Corporation at that value. This transaction has been treated as a purchase in accordance with SFAS Nos. 141 and 142.

52

Sunshine

In January 2002, the Company acquired an approximate 23.3% interest in Sunshine for approximately \$23.3 million. This resulted in the acquisition of a controlling interest in Sunshine and increased the Company's ownership percentage in Sunshine to approximately 83.3%. In February 2002, the Company acquired an additional approximate 0.4% interest in Sunshine, increasing the Company's ownership interest to approximately 83.7%. Since the acquisition in

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January 2002, Sunshine has been consolidated into the Cable Network Programming segment of the Company as it is now under the control of the Company. This transaction has been treated as a purchase in accordance with SFAS Nos. 141 and 142.

WPWR-TV

In August 2002, the Company acquired WPWR-TV in Chicago from Newsweb Corporation for approximately \$425 million.

Contingencies

Regional Programming Partners

In December 1997, Rainbow Media Sports Holdings, Inc. ("Rainbow") (a subsidiary of Cablevision Systems Corporation ("Cablevision")) and Fox Sports Net, Inc. ("Fox Sports Net") (a subsidiary of the Company) formed RPP to hold various programming interests in connection with the operation of certain RSNs. Rainbow contributed various interests in RSNs, the Madison Square Garden Entertainment Complex, Radio City Music Hall, the New York Rangers NHL franchise, and the New York Knickerbockers NBA franchise, to RPP in exchange for a 60% partnership interest in RPP, and Fox Sports Net contributed \$850 million in cash for a 40% partnership interest in RPP.

Pursuant to the RPP partnership agreement upon certain actions being taken by Fox Sports Net, Rainbow has the right to purchase all of Fox Sports Net's interests in RPP. The buyout price will be the greater of (i) (a) \$2.125 billion, increased by capital contributions and decreased by capital distributions, times Fox Sports Net's interest in RPP plus (b) an 8% rate of return on the amount in (a) and (ii) the fair market value of Fox Sports Net's interest in RPP. Consideration will be, at Rainbow's option, in the form of cash or a three-year note with an interest rate of prime plus 1/2%.

In addition, for 30 days following December 18, 2002 and during certain periods thereafter, so long as RPP has not commenced an initial public offering of its securities, Fox Sports Net has the right to cause Rainbow to, at Rainbow's option, either (i) purchase all of its interests in RPP or (ii) consummate an initial public offering of RPP's securities. The purchase price will be the fair market value of Fox Sports Net's interest in RPP and the consideration will be, at Rainbow's option, in the form of marketable securities of certain affiliated companies of Rainbow or a three year note with an interest rate of prime plus 1/2%.

In connection with the Rainbow Transaction, Rainbow and Fox Sports Net formed NSP in which each of Rainbow and Fox Sports Net were issued a 50% partnership interest to operate Fox Sports Net ("FSN"), a national sports programming service that provides its affiliated RSNs with 24 hour per day national sports programming. In addition, Rainbow and Fox Sports Net formed NAP, in which each of Fox Sports Net and Rainbow were issued a 50% partnership interest, to act as the national advertising sales representative for the Fox Sports Net-owned RSNs and the RPP-owned and managed RSNs. Independent of the arrangements discussed above relating to RPP, for 30 days following December 18, 2002 and during certain periods thereafter, so long as NSP and NAP have not commenced an initial public offering of its securities, Rainbow has the right to cause Fox Sports to, at Fox Sports' option, either (i) purchase all of Rainbow's interests in NSP and NAP, or (ii) consummate an initial public offering of NSP's and NAP's securities. The purchase price will be the fair market value of Rainbow's interest in NSP and NAP and the consideration will be, at Fox Sports Net's option, in the form of marketable securities of certain affiliated entities of Fox Sports Net or a three-year note with an interest rate of prime plus 1/2%.

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Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations to be accounted for by the purchase method and that acquired intangible assets be recognized apart from goodwill if they meet specific criteria. SFAS No. 141 supersedes APB Opinion No. 16 and is effective for all business combinations initiated after June 30, 2001. SFAS No. 142 eliminates the requirement to amortize goodwill, identifiable intangible assets that have indefinite useful lives and the excess cost of equity investments attributable to such intangibles. However, it requires that goodwill and identifiable intangibles with indefinite lives be tested for impairment at least annually using the guidance specifically provided in the statement. SFAS No. 142 supersedes APB Opinion No. 17 and will be adopted by the Company on July 1, 2002. While the Company is still in the process of evaluating the overall impact of adopting the provisions of SFAS No. 142, the Company expects that all of its goodwill, a substantial amount of its identifiable intangibles, primarily FCC Licenses, and the excess cost of equity investments attributable to indefinite-lived intangibles will no longer be amortized beginning in the first quarter of fiscal 2003. In addition, the Company's share of net income (loss) of certain of its equity affiliates that have adopted SFAS No. 142 will no longer reflect the amortization of such affiliates' goodwill and indefinite-lived intangibles. This will result in an annual reduction in amortization expense of approximately \$200 million and an increase in equity earnings of approximately \$30 million, all on a pre-tax basis. In addition, the Company does not currently expect that adoption of SFAS No. 142 will result in a transitional impairment loss that will be material to its consolidated statement of operations.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 establishes an accounting model for the impairment or disposal of long-lived assets to be (i) held and used and (ii) disposed of by sale. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The Company will adopt SFAS No. 144 on July 1, 2002 and does not expect it to have a material impact on its consolidated statement of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," required that gains and losses from extinguishment of debt be classified as an extraordinary item, net of the related income tax effect. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion No. 30 for classification as an extraordinary item shall be reclassified. SFAS No. 13, "Accounting for Leases," has been amended to require sale-leaseback accounting for certain lease modifications that are similar to sale-leaseback transactions. The rescission of SFAS No. 4 and the amendment to SFAS No. 13 shall be effective for fiscal years and transactions, respectively, occurring after May 15, 2002. The Company has adopted the provisions of SFAS No. 145.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to the impact of foreign currency fluctuations and utilizes derivative instruments in a limited manner to modify its exposure to foreign exchange rate movements. The Company's policy is to enter into

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derivative and other financial instruments only to the extent considered necessary to meet its business objectives. The Company does not enter into these transactions for speculative purposes.

Foreign Exchange Rate Risk

The Company uses foreign exchange forward contracts to minimize its limited exposure to exchange rate movements. The foreign exchange contracts have principally been used to hedge the costs of producing

54

films abroad and are principally denominated in the Czech Koruna, the Euro, the Mexican Peso and the New Zealand Dollar. The Company designates forward contracts used to hedge future production costs as cash flow hedges.

At June 30, 2002, the net fair value asset of financial instruments with exposure to foreign currency risk was approximately \$1.3 million. The potential loss in fair value for such financial instruments from a 10% adverse change in quoted foreign currency exchange rates would be approximately \$2 million. Consistent with the nature of the economic hedge provided by such foreign exchange contracts, such gains or losses largely would be offset by corresponding decreases or increases, respectively, in the U.S. Dollar value of future foreign currency obligations.

55

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	PAGE
FOX ENTERTAINMENT GROUP, INC.	
2002 Report of Independent Public Accountants	57
Copy of 2001 Report of Independent Public Accountants	58
Consolidated Balance Sheets as of June 30, 2002 and 2001	59
Consolidated Statements of Operations for the years ended June 30, 2002, 2001, and 2000	60
Consolidated Statements of Cash Flows for the years ended June 30, 2002, 2001, and 2000	61
Consolidated Statements of Shareholders' Equity for the years ended June 30, 2002, 2001, and 2000	62
Notes to the Consolidated Financial Statements	63
FOX FAMILY WORLDWIDE, INC.	
Copy of 2001 Report of Independent Public Accountants	98
Consolidated Balance Sheets as of June 30, 2000 and 2001	99
Consolidated Statements of Operations for each of the three years in the period ended June 30, 2001	100
Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Income (Loss) for each of the three years in the period ended June 30, 2001	101
Consolidated Statements of Cash Flows for each of the three years in the period ended June 30, 2001	102
Notes to the Consolidated Financial Statements	104

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Financial Statement Schedules:

Copy of 2001 Report of Independent Public Accountants127
Schedule I: Condensed Financial Information of the Registrant128
Schedule II: Valuation and Qualifying Accounts and Reserves132

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Fox Entertainment Group, Inc.

We have audited the accompanying consolidated balance sheet of Fox Entertainment Group, Inc., a Delaware corporation, and Subsidiaries (the "Company"), as of June 30, 2002 and the related consolidated statements of operations, cash flows and shareholders' equity for the year then ended. The consolidated financial statements of the Company as of June 30, 2001 and for the two years then ended were audited by other auditors whose report dated August 16, 2001 expressed an unqualified opinion on those statements. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fox Entertainment Group, Inc. and Subsidiaries as of June 30, 2002, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Los Angeles, California
August 14, 2002
except for Note 20, as to
which the date is August 21, 2002

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10-K.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Fox Entertainment Group, Inc.

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We have audited the accompanying consolidated balance sheets of Fox Entertainment Group, Inc., a Delaware corporation, and Subsidiaries (the "Company"), as of June 30, 2001 and 2000, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the three years in the period ended June 30, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fox Entertainment Group, Inc. and Subsidiaries as of June 30, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 2 to the consolidated financial statements, effective July 1, 2000, the Company changed its method of accounting for filmed entertainment costs.

ARTHUR ANDERSEN LLP

Los Angeles, California
August 16, 2001
except for Note 19 b, as to
which the date is August 23, 2001

FOX ENTERTAINMENT GROUP, INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30,
(in millions except share and per share amounts)

Assets:

Cash and cash equivalents
Accounts receivable, net

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Filmed entertainment and television programming costs, net
Investments in equity affiliates
Property and equipment, net
Intangible assets, net
Other assets and investments

Total assets

Liabilities and Shareholders' Equity

Liabilities:

Accounts payable and accrued liabilities
Participations, residuals and royalties payable
Television programming rights payable
Deferred revenue
Borrowings
Deferred income taxes
Other liabilities

Due to affiliates of News Corporation

Total liabilities

Minority interest in subsidiaries (Note 10)

Commitments and contingencies

Shareholders' Equity:

Preferred stock, \$.01 par value per share; 100,000,000 shares authorized; 0
shares issued and outstanding as of June 30, 2002 and 2001
Class A Common stock, \$.01 par value per share; 1,000,000,000 authorized;
302,436,375 and 176,559,834 issued and outstanding as of June 30, 2002 and
2001, respectively
Class B Common stock, \$.01 par value per share; 650,000,000 authorized;
547,500,000 issued and outstanding as of June 30, 2002 and 2001
Additional paid-in capital
Retained earnings (deficit) and accumulated other comprehensive income

Total shareholders' equity

Total liabilities and shareholders' equity

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

FOX ENTERTAINMENT GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30,
(in millions except per share amounts)

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	2002

Revenues	\$ 9,725
Expenses:	
Operating	7,226
Selling, general and administrative	1,293
Depreciation and amortization	400
Other operating charge	909

Operating (loss) income	(103)
Other (Expense) Income:	
Interest expense, net	(241)
Equity losses of affiliates	(144)
Minority interest in subsidiaries	(37)
Other, net	1,540

Income before provision for income taxes and cumulative effect of accounting change	1,015
Provision for income tax expense on a stand-alone basis	(408)

Income before cumulative effect of accounting change	607
Cumulative effect of accounting change, net of tax	(26)

Net income (loss)	\$ 581
	=====
Basic and diluted earnings per share before cumulative effect of accounting change	\$ 0.72
Basic and diluted cumulative effect of accounting change, net of tax, per share	(0.03)

Basic and diluted earnings (loss) per share	\$ 0.69
	=====
Basic and diluted weighted average number of common equivalent shares outstanding	838
	=====

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

60

FOX ENTERTAINMENT GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,
(in millions)

	2002

Operating activities:	
Net income (loss)	\$
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	

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Amortization of cable distribution investments	
Other operating charge	
Cumulative effect of accounting change, net of tax	
Equity losses of affiliates and distributions	
Other, net	(1)
Minority interest in subsidiaries	
Change in operating assets and liabilities, net of acquisitions:	
Accounts receivable and other assets	
Filmed entertainment and television programming costs, net	
Accounts payable and accrued liabilities	
Participations, residuals and royalties payable and other liabilities	
Net cash provided by (used in) operating activities	
Investing activities:	
Acquisitions, net of cash acquired	
Proceeds from sale of investments in equity affiliates	1
Investments in equity affiliates	
Other investments	
Purchases of property and equipment, net of acquisitions	
Net cash provided by (used in) investing activities	
Financing activities:	
Borrowings	
Repayment of borrowings	
Increase in minority interest in subsidiaries	
Increase (decrease) in Preferred Interests	
Advances from (repayments to) affiliates of News Corporation, net	(1)
Net cash (used in) provided by financing activities	(1)
Net (decrease) in cash and cash equivalents	
Cash and cash equivalents, beginning of year	
Cash and cash equivalents, end of year	\$
Supplemental information on businesses acquired:	
Fair value of assets acquired	\$ 5
Cash acquired	1
Less: liabilities assumed	
cash paid	
Fair value of stock consideration	\$ 3

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

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	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
	-----	-----	-----	-----	-----
BALANCE AS OF JUNE 30, 1999	\$ --	\$ 7	\$ 6,599	\$ 69	\$
Issuance of Class A Common Stock	--	1	1,424	--	
Comprehensive income (loss):					
Net income (loss)	--	--	--	145	
Foreign currency translation adjustments	--	--	--	--	
	-----	-----	-----	-----	-----
Total comprehensive income (loss)	--	--	--	145	
	-----	-----	-----	-----	-----
BALANCE AS OF JUNE 30, 2000	--	8	8,023	214	
Comprehensive income (loss):					
Net income (loss)	--	--	--	(288)	
Foreign currency translation adjustments	--	--	--	--	
	-----	-----	-----	-----	-----
Total comprehensive income (loss)	--	--	--	(288)	
	-----	-----	-----	-----	-----
BALANCE AS OF JUNE 30, 2001	--	8	8,023	(74)	
Issuance of Class A Common Stock	--	1	3,546	--	
Comprehensive income (loss):					
Net income (loss)	--	--	--	581	
Minimum pension liability	--	--	--	--	
Foreign currency translation adjustments	--	--	--	--	
	-----	-----	-----	-----	-----
Total comprehensive income (loss)	--	--	--	581	
	-----	-----	-----	-----	-----
BALANCE AS OF JUNE 30, 2002	\$ --	\$ 9	\$ 11,569	\$ 507	\$
	=====	=====	=====	=====	=====

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

62

FOX ENTERTAINMENT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Fox Entertainment Group, Inc. and its subsidiaries (the "Company") is a diversified entertainment company with operations in four business segments. These business segments are: Filmed Entertainment, which principally consists of the production and acquisition of live-action and animated motion pictures for

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distribution and licensing in all formats in all entertainment media worldwide and the production of original television programming; Television Stations, which principally consist of the operation of broadcast television stations; Television Broadcast Network, which principally consists of the broadcasting of network programming; and Cable Network Programming, which principally consists of the production and licensing of programming distributed through cable television systems and direct broadcast satellite ("DBS") operators and professional sports team ownership.

Prior to the Company's initial public offering in November 1998, The News Corporation Limited and its subsidiaries ("News Corporation") effected a reorganization (the "Reorganization") by contributing to the Company, at book value, certain of its assets and subsidiaries engaged in the production and distribution of feature films and television programming. Included in this contribution were Twentieth Century Fox Film Corporation ("TCF"), which was acquired by News Corporation in 1985, and News Corporation's interests in Fox Family Worldwide, Inc. ("FFW"), Fox Sports Networks, LLC, International Sports Programming LLC ("Fox Sports International"), Fox Cable Networks Ventures, Inc. and other cable network programming and related interests.

In connection with the Reorganization in fiscal 1999, the outstanding voting preferred stock of the Company was acquired from an executive of the Company for its par value of \$760,000 plus accrued dividends. Contemporaneous with this transaction, the executive acquired the voting preferred stock of a subsidiary of the Company, Fox Television Holdings, Inc. ("FTH") for the identical par value and dividend rate (See Note 2). The voting preferred stock of the Company had been acquired by the executive in accordance with a 1985 order of the Federal Communications Commission ("FCC") in connection with the Company's acquisition of television stations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company consolidated with the accounts of its majority-owned and controlled subsidiaries. For financial reporting purposes, control generally means ownership of a majority interest in an entity but may, in certain instances, result from other considerations, including the Company's capacity to dominate decision making in relation to the financial and operating policies of the consolidated entity. FTH, a subsidiary of the Company, has 7,600 shares of voting preferred stock issued and outstanding with a liquidation value of \$760,000 and cumulative dividends at the rate of 12% per annum. Such shares are held by an executive of the Company and represent 76% of the voting power of FTH.

FTH is included in these consolidated financial statements because the Company is deemed to control FTH for financial reporting purposes. Among the reasons why the Company has a controlling financial interest in FTH are (i) the Company has the ability to redeem the voting preferred stock, at any time, at the liquidation value of \$760,000 plus accrued dividends, (ii) the dividends on, and amounts to be paid on redemption of, the voting preferred stock are fixed, and not related to the performance of FTH, and, (iii) senior management of FTH, including its Board of Directors, consists solely of persons employed by the Company. As a result, the controlling financial interest in FTH rests with the Company through its common stock ownership of FTH.

All material intercompany accounts and transactions have been eliminated in the consolidated financial statements of the Company.

The Company maintains a 52-53 week fiscal year ending on the Sunday nearest to June 30. Fiscal years 2001 and 2002 comprised 52-week periods, while fiscal year

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2000 comprised a 53-week period.

63

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

BALANCE SHEET PRESENTATION

As permitted by Statement of Position No. ("SOP") 00-2, "Accounting by Producers or Distributors of Films," the Company presents an unclassified balance sheet.

CASH AND CASH EQUIVALENTS

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

REVENUE RECOGNITION

Filmed Entertainment:

In accordance with SOP 00-2, revenues from the theatrical distribution of motion pictures are recognized as they are exhibited. Revenues from home video and DVD sales, net of a reserve for returns, are recognized on the date that video and DVD units are made widely available for sale by retailers. Revenues from the licensing of feature films and television programming are recorded when the material is available for telecasting by the licensee and when certain other conditions are met.

License agreements for the telecast of theatrical and television product in the broadcast network, syndicated television and cable television markets are routinely entered into in advance of their available date for telecast. Cash received and amounts billed in connection with such contractual rights for which revenue is not yet recognizable is classified as deferred revenue. Because deferred revenue generally relates to contracts for the licensing of theatrical and television product which have already been produced, the recognition of revenue for such completed product is principally only dependent upon the commencement of the availability period for telecast under the terms of the related licensing agreement.

Television Stations, Television Broadcast Network and Cable Network Programming:

Advertising revenue is recognized as the commercials are aired. Subscriber fees received from cable systems and DBS operators for cable network programming are recognized as revenue in the period services are provided. Revenues from professional team ownership are recognized on a game-by-game basis.

In November 2001, the Financial Accounting Standards Board ("FASB") issued Emerging Issues Task Force No. ("EITF") 01-09, "Accounting for the Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products," which was effective for the Company as of January 1, 2002. This EITF, among other things, codified the issues and examples of EITF 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF 00-25 states that customer incentives which consist of the amortization of cable distribution investments (capitalized fees paid to a cable or DBS operator to facilitate the launch of a cable network), should be presented as a reduction in revenue in the consolidated statement of operations. As required, the Company

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has reclassified the amortization of cable distribution investments against revenues for all periods presented. The amortization of cable distribution investments had previously been included in Depreciation and amortization. Operating income, Net income and Earnings per share are not affected by this reclassification. This reclassification affects the Company's and the Cable Network Programming segment's revenues. The effect of the reclassification on the Company's revenues is as follows:

64

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

	For the year ended June 30,		
	2002	2001	2000
	(in millions)		
Gross Revenues	\$ 9,841	\$ 8,504	\$ 8,589
Amortization of cable distribution investments ...	(116)	(90)	(72)
Revenues	\$ 9,725	\$ 8,414	\$ 8,517
	=====	=====	=====

FILMED ENTERTAINMENT AND TELEVISION PROGRAMMING COSTS

Filmed Entertainment Costs:

In accordance with SOP 00-2, Filmed entertainment costs include capitalizable production costs, overhead and interest costs expected to benefit future periods, net of any amounts received from outside investors. These costs, as well as participations and talent residuals, are recognized as operating expenses on an individual film basis in the ratio that the current year's gross revenues bear to management's estimate of total ultimate gross revenues from all sources. Marketing costs and development costs under term deals are expensed as incurred. Story costs for projects not produced after three years are written-off.

Filmed entertainment costs are stated at the lower of unamortized cost or estimated fair value on an individual film or television series basis. Revenue forecasts for both motion pictures and television products are continually reviewed by management and revised when warranted by changing conditions. When estimates of total revenues and other events or changes in circumstances indicate that a motion picture or television production has a fair value that is less than its unamortized cost, a loss is recognized currently for the amount by which the unamortized cost exceeds the film or television production's fair value.

Through June 30, 2000, the Company employed the guidance of Statement of Financial Accounting Standard ("SFAS") No. 53. The Company adopted SOP 00-2 on July 1, 2000, which established new accounting standards for producers and distributors of films and superseded SFAS No. 53. SOP 00-2 established new

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accounting standards for, among other things, marketing and development costs. The Company recorded a one-time, non-cash charge of \$494 million, net of \$302 million tax, as a cumulative effect of accounting change as of July 1, 2000. This charge primarily reflects the write-off of marketing and certain development costs, which were previously capitalized under SFAS No. 53 and are no longer capitalizable under SOP 00-2. Subsequent to the adoption of SOP 00-2, the Company's accounting policy is to expense marketing and certain development costs as incurred.

Television and Cable Programming Costs:

In accordance with SFAS No. 63, program rights for entertainment programs for the Television Stations, Television Broadcast Network and Cable Network Programming segments are amortized primarily on a straight-line basis, generally based on the usage of the program or term of license. Original cable programming is amortized on an accelerated basis. The Company has single and multi-year contracts for broadcast rights of programs and sporting events. At the inception of these contracts and at each subsequent reporting date, the Company evaluates the recoverability of the costs associated therewith against the revenues directly associated with the program material and related expenses. Where an evaluation indicates that a programming contract will result in an ultimate loss, additional amortization is provided to currently recognize that loss. The costs of national sports contracts for the Television Broadcast Network and Cable Network Programming segments are charged to expense based on the

65

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

ratio of each period's operating profits to estimated total operating profit of the contract. Estimates of total operating profit can change significantly and accordingly, are reviewed periodically and amortization is adjusted as necessary.

The costs of regional sports contracts for the Cable Network Programming segment, which are for a specified number of events, are amortized on an event-by-event basis and those, which are for a specified season, are amortized over the season on a straight-line basis.

INVESTMENTS IN EQUITY AFFILIATES

Investments in and advances to affiliates or joint ventures in which the Company has a substantial ownership interest of approximately 20% to 50%, or for which the Company owns more than 50% but does not control policy decisions, are accounted for by the equity method. The Company's share of net earnings or losses of affiliates includes the amortization of the excess of the Company's investment over its underlying share of the net assets of the investee at acquisition, which is amortized over 40 years.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over an estimated useful life of three to forty years. Leasehold improvements are amortized using the straight-line method over the shorter of their useful lives or the life of the lease. Costs associated with the repair and maintenance of property are expensed as incurred.

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INTANGIBLE ASSETS

As a creator and distributor of branded content, the Company has a significant amount of intangible assets, including goodwill, film and television libraries, FCC licenses, sports franchises and trademarks. Goodwill is recorded as the difference between the cost of acquiring entities and amounts assigned to their tangible and identifiable intangible net assets. Except for intangible assets acquired in business combinations subsequent to June 30, 2001, intangible assets are amortized using the straight-line method over the following lives: goodwill (40 years); FCC licenses (40 years); Franchises and other (4 - 40 years).

IMPAIRMENT OF LONG-LIVED AND INTANGIBLE ASSETS

In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," the Company evaluates the recoverability of the carrying amount of its long-lived assets and certain identifiable intangibles to be held and used by the Company. Such reviews are performed whenever events or changes in circumstances indicate full recoverability is questionable and on an individual business-entity basis.

Assessment of recoverability would include a comparison of the asset's carrying value to the sum of the undiscounted estimated future cash flows anticipated to be generated from the asset's use and eventual disposition. If the Company determines that impairment has occurred, the measurement of the impairment will be equal to the excess of the asset's carrying amount over its fair value. Factors used in ascertaining the estimated fair value include operating income before interest and taxes, television ratings and subscriber numbers. Should the review determine impairment, the loss will be recognized through the statement of operations as part of income from continuing operations and the corresponding asset value will be reduced.

66

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

FINANCIAL INSTRUMENTS

The fair value of financial instruments, including cash and cash equivalents, investments and long-term borrowings, is generally determined by reference to market values resulting from trading on national securities exchanges. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques.

INCOME TAXES

The Company accounts for income taxes using SFAS No. 109, "Accounting for Income Taxes". SFAS No. 109 requires an asset and liability approach for financial accounting and reporting for income taxes and allows recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred taxes have not been provided on the cumulative undistributed earnings of foreign subsidiaries since amounts are expected to be reinvested indefinitely.

STOCK-BASED COMPENSATION

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SFAS No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to account for stock-based compensation awards to employees under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and its interpretation, FASB Interpretation No. ("FIN") 44, "Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25".

COMPREHENSIVE INCOME

The Company follows SFAS No. 130, "Reporting Comprehensive Income" for the reporting and display of comprehensive income and its components in financial statements and thereby reports a measure of all changes.

DERIVATIVES

SFAS No. 133 requires every derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded on the balance sheet at fair value as either an asset or a liability. The statement also requires that changes in the fair value of recorded derivatives be recognized currently in earnings unless specific hedge accounting criteria are met.

The Company uses financial instruments designated as cash flow hedges to hedge its limited exposures to foreign currency exchange risks associated with the costs for producing films abroad. All cash flow hedges are recorded at fair value on the consolidated balance sheet. As of June 30, 2002 and 2001, the contractual amount of foreign exchange forward contracts was \$18.5 million and \$4.2 million and the net fair value asset and net fair value liability was \$1.3 million and \$0.3 million, respectively. These contracts expire by January 2003. The effective changes in fair value of derivatives designated as cash flow hedges are recorded in accumulated other comprehensive income (loss) with foreign currency translation adjustments. Amounts are reclassified from accumulated other comprehensive income (loss) when the underlying hedged item is recognized in earnings. All ineffective changes in fair value of derivatives are recorded in earnings.

67

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities of foreign subsidiaries and affiliates are translated into US dollars at appropriate year-end current rates and all income and expense accounts are translated at rates that approximate those rates prevailing at the time of the transactions. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income (loss). Foreign currency receivables and payables are translated at appropriate year-end current rates and the resulting translation gains or losses are taken into income currently.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with

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accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company uses significant estimates in determining the amortization of filmed entertainment costs and programming contracts. Because of the use of estimates inherent in the financial reporting process, especially for entertainment companies, actual results could differ from those estimates. These differences could be material.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the fiscal 2002 presentation.

68

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. CHRIS-CRAFT ACQUISITION

On July 31, 2001, News Corporation, through a wholly-owned subsidiary, acquired all of the outstanding common stock of Chris-Craft Industries, Inc. and its subsidiaries, BHC Communications, Inc. and United Television, Inc., (collectively, "Chris-Craft"). The consideration for the acquisition was approximately \$2 billion in cash and approximately \$3 billion in News Corporation American Depositary Receipts representing preferred limited voting ordinary shares ("ADRs"). Simultaneously with the closing of the acquisition, News Corporation transferred \$3,432 million of net assets, constituting Chris-Craft's ten television stations (the "Acquired Stations") to the Company in exchange for 122,244,272 shares of the Company's Class A Common Stock and net indebtedness of \$48 million (the "Exchange"), thereby increasing News Corporation's ownership in the Company from 82.76% to 85.25%. The Company assigned the licenses issued by the FCC for the Acquired Stations to its indirect subsidiary, Fox Television Stations, Inc., which became the licensee and controls the operations of the Acquired Stations. News Corporation acquired Chris-Craft and transferred to the Company the Acquired Stations in order to strengthen the Company's existing television station business. This transaction has been treated as a purchase in accordance with SFAS Nos. 141 and 142.

The Company has consolidated the results of operations of the Acquired Stations as of the date of Exchange, July 31, 2001, with the exception of KTVX-TV in Salt Lake City, whose operations were not consolidated as of the exchange due to regulatory requirements which precluded the Company from controlling the station and required its disposal (see description of Clear Channel swap below). For financial reporting purposes, in accordance with EITF 90-5, "Exchanges of Ownership Interests between Entities under Common Control," the Company has recognized the assets and liabilities of Chris-Craft based upon their acquired basis in the News Corporation merger and issued equity to News Corporation at that value.

In October 2001, the Company exchanged KTVX-TV in Salt Lake City and KMOL-TV in San Antonio with Clear Channel Communications, Inc. for WFTC-TV in Minneapolis (the "Clear Channel swap"). In addition, on November 1, 2001, the Company exchanged KBHK-TV in San Francisco with Viacom Inc. for WDCA-TV in Washington, DC and KTXH-TV in Houston (the "Viacom swap"). In June 2002, the Company exchanged KPTV-TV in Portland, an Acquired Station, for Meredith Corporation's WOFL-TV in Orlando and WOGX-TV in Ocala (the "Meredith swap", and together with

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the Viacom and Clear Channel swaps, the "Station Swaps"). All of the stations exchanged in the Station Swaps were Acquired Stations. No gain or loss was recognized by the Company as a result of the Station Swaps.

69

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. CHRIS-CRAFT ACQUISITION-CONTINUED

The following table summarizes the preliminary fair values of the assets transferred and liabilities assumed at the date of the Exchange. The allocation of purchase price is substantially complete, but awaiting final valuations.

	As of July 31, 2001

	(in millions)
Assets transferred:	
Accounts receivable, net	\$ 88
Filmed entertainment and television programming costs, net.....	106
Property and equipment, net	90
Other intangible assets	2,960
Goodwill	1,855
Other assets and investments	78

Total assets transferred	5,177

Liabilities assumed:	
Television programming rights payable	439
Accrued expenses	236
Deferred income taxes	973
Other liabilities	97

Total liabilities assumed	1,745

Net assets transferred	\$3,432
	=====

The purchase price was primarily allocated to acquired intangible assets including both goodwill and FCC licenses, which are deemed to have indefinite lives, and therefore are not subject to amortization in accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." The goodwill and intangibles were assigned to the Television Stations segment, the majority of which are not deductible for tax purposes. In accordance with SFAS No. 109, "Accounting for Income Taxes," the Company has recorded deferred taxes for the basis difference related to FCC licenses and other acquired assets and liabilities.

The table below reflects the unaudited pro forma combined results of the Company as if the Exchange and the Station Swaps had taken place as of July 1, 2000.

For the year ended June 30,

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	2002	2001

	(in millions, except per share amounts)	
Revenues	\$ 9,763	\$ 8,882
Operating income (loss)	(82)	753
Cumulative effect of accounting change, net of tax	(26)	(494)
Net income (loss)	592	(199)
Basic and diluted earnings (loss) per share	\$ 0.70	\$ (0.23)

70

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. CHRIS-CRAFT ACQUISITION-CONTINUED

The unaudited pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the operating results that actually would have occurred had the Exchange and the Station Swaps been consummated on July 1, 2000. In addition, these results are not intended to be a projection of future results and do not reflect any synergies that might be achieved from the combined operations.

4. ACQUISITIONS AND DISPOSITIONS

In January 2000, the Company completed a series of integrated transactions with Healtheon/WebMD Corporation ("WebMD") to exchange, among other things, media services and its interest in The Health Network ("THN") for a cost based Preferred stock interest in WebMD. No gain or loss was recorded by the Company in connection with this original integrated transaction. On December 29, 2000, the Company, News Corporation and WebMD entered into an agreement to restructure the initial integrated transaction, which resulted in the Company agreeing to exchange its entire Preferred stock investment with a carrying value of \$505 million, for an approximate \$126 million reduction in the Company's obligation to provide future media services, an approximate \$37 million elimination of future funding commitments to THN, and the acquisition of WebMD's interest in THN. The acquisition of THN was recorded at its fair market value of approximately \$200 million, as determined by an independent appraisal. The Company will continue to provide future domestic media services over the remaining eight years and will remain obligated for cash payments to WebMD of \$10.7 million over the remaining two years. The carrying value of the deferred revenue for future media services is approximately \$135 million as of June 30, 2002, with a market value of approximately \$171 million. Such deferred revenue will be recognized over the remaining eight-year term as such media services are delivered under an agreed annual commitment schedule based upon market rates prevailing in each future period. The restructuring transaction resulted in the Company recording a non-cash charge of approximately \$143 million, which is reflected within Other, net in the consolidated statement of operations for the year ended June 30, 2001.

In June 2001, the Company completed the previously announced sale of its entire interest in THN for cash of approximately \$155 million, of which \$100 million was paid at closing and \$55 million is due one year from Closing (which was satisfied during fiscal year 2002), and a 10% carried interest in the equity of

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the acquirer with a minimum guarantee value of \$100 million in December 2003. In accordance with SFAS No. 94, "Consolidation of All Majority-Owned Subsidiaries," and EITF 87-11, "Allocation of Purchase Price to Assets to be Sold," for the period from the acquisition of THN (December 29, 2000) until the Closing Date of the sale, control of THN was deemed to be temporary and therefore, its results of operations had not been consolidated in the Company's statement of operations for the six months ended June 30, 2001. The Company recorded a loss of approximately \$15 million from the sale, which is reflected in Other, net in the consolidated statement of operations for the year ended June 30, 2001.

In February 2001, Fox Sports Networks, LLC ("Fox Sports Networks"), a subsidiary of the Company, acquired certain assets and liabilities constituting the business of Midwest Sports Channel, a regional sports network serving the Minneapolis, Minnesota and Milwaukee, Wisconsin metropolitan areas, pursuant to an Assignment and Assumption Agreement among Fox Sports Networks, Viacom, Inc. ("Viacom") and Comcast Corporation ("Comcast") and a Purchase Agreement between Viacom and Comcast for approximately \$40 million. The excess of the net purchase price over the net assets acquired, of approximately \$33 million is reflected within Intangible assets, net on the consolidated balance sheets.

In February 2001, Fox Sports Networks sold its approximate 34% limited partnership interest in Home Team Sports, in a non-cash exchange for new or amended cable carriage arrangements valued at approximately \$46 million related to the distribution of the Company's programming services on cable systems. The Company has recognized a gain of approximately \$40 million related to this transaction, which is reflected within Other, net in the consolidated statement of operations for the year ended June 30, 2001.

71

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. ACQUISITIONS AND DISPOSITIONS—CONTINUED

In March 2001, the Company acquired the outstanding equity of New Millennium Investors, LLC ("New Millennium") for an aggregate purchase price of \$45 million. (See Note 10)

In June 2001, the Company sold its approximate 31% interest in The Golf Channel for total consideration of approximately \$375 million, of which \$365 million was received in cash during fiscal 2001. The Company has recorded a gain of approximately \$311 million related to this transaction, which is reflected in Other, net in the consolidated statement of operations for the year ended June 30, 2001.

In July 2001, as a result of the exercise of rights by existing shareholders of Speedvision Network, LLC, the Company acquired an additional 53.44% of Speedvision Network, LLC, now Speed Channel, Inc. ("Speed Channel"), for approximately \$401 million, increasing the Company's ownership in Speed Channel to approximately 85.46%. As a result, the Company consolidated the results of Speed Channel beginning in July 2001. In October 2001, the Company acquired the remaining 14.54% minority interest in Speed Channel for approximately \$111 million bringing the Company's ownership to 100%. These transactions have been treated as a purchase in accordance with SFAS Nos. 141 and 142.

In July 2001, as a result of the exercise of rights by existing shareholders of Outdoor Life Network, LLC ("Outdoor Life"), the Company acquired 50.23% of Outdoor Life for approximately \$309 million. This acquisition resulted in the

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Company owning approximately 83.18% of Outdoor Life. In October 2001, a shareholder of Outdoor Life acquired the Company's ownership interest in Outdoor Life for approximately \$512 million in cash. During the period from July 2001 until the closing of the sale of Outdoor Life in October 2001, the ownership interest in Outdoor Life was held for sale and control of Outdoor Life was deemed temporary. Therefore, in accordance with SFAS No. 94, "Consolidation of All Majority-Owned Subsidiaries," and EITF 87-11, "Allocation of Purchase Price to Assets to be Sold," the results of Outdoor Life were not consolidated in the Company's statement of operations for this period. Upon the closing of the sale of the Company's ownership interest in Outdoor Life, the Company recognized a gain of \$147 million, which is reflected in Other, net in the accompanying consolidated statements of operations for the year ended June 30, 2002.

In October 2001, the Company, Haim Saban and the other stockholders of FFW, sold FFW to The Walt Disney Company ("Disney") for total consideration of approximately \$5.2 billion (including the assumption of certain debt) of which approximately \$1.6 billion was in consideration of the Company's interest in FFW, which was rebranded ABC Family. As a result of this transaction, the Company recognized a pre-tax gain of approximately \$1.4 billion, which is reflected in Other, net in the accompanying consolidated statements of operations for the year ended June 30, 2002. The proceeds from this transaction were used to reduce obligations to affiliates of News Corporation. In addition, the Company sublicensed certain post-season Major League Baseball ("MLB") games for the 2001 to 2006 MLB seasons to Disney for aggregate consideration of approximately \$675 million, payable over the period of the sublicense.

In December 2001, News Corporation acquired from Liberty Media Corporation ("Liberty") its 50% interest in Fox Sports International, in exchange for 3,673,183 ADRs valued at \$115 million. Under the terms of the transaction, the Company purchased News Corporation's acquired interest in Fox Sports International, which increased the Company's ownership interest from 50% to 100%, in exchange for the issuance of 3,632,269 shares of the Company's Class A Common Stock. As a result of this transaction, News Corporation's equity ownership interest in the Company increased from 85.25% to 85.32%. For financial reporting purposes, in accordance with EITF 90-5, the Company has recognized the assets and liabilities of Fox Sports International based upon their acquired basis in the News Corporation acquisition and issued 3,632,269 shares of the Company's Class A Common Stock to News Corporation at that value. This transaction has been treated as a purchase in accordance with SFAS Nos. 141 and 142.

72

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. ACQUISITIONS AND DISPOSITIONS-CONTINUED

In January 2002, the Company acquired an approximate 23.3% interest in the Sunshine Network ("Sunshine") for approximately \$23.3 million. This resulted in the acquisition of a controlling interest in Sunshine and increased the Company's ownership percentage in Sunshine to approximately 83.3%. In February 2002, the Company acquired an additional approximate 0.4% interest in Sunshine, increasing the Company's ownership interest to approximately 83.7%. Since the acquisition in January 2002, Sunshine has been consolidated into the Cable Network Programming segment of the Company as it is now under the control of the Company. This transaction has been treated as a purchase in accordance with SFAS Nos. 141 and 142.

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5. FILMED ENTERTAINMENT AND TELEVISION PROGRAMMING COSTS, NET

Filmed entertainment and television programming costs, net consisted of the following as of June 30:

	2002	2001
	-----	-----
	(in millions)	
Filmed entertainment costs:		
Films:		
Released	\$ 728	\$ 732
Completed, not released	80	23
In production	366	555
In development or preproduction	49	69
	-----	-----
	1,223	1,379
	-----	-----
Television productions:		
Released	500	484
In production	94	150
In development or preproduction	7	10
	-----	-----
	601	644
	-----	-----
Total filmed entertainment costs, less accumulated amortization....	1,824	2,023
Television programming costs, less accumulated amortization	1,238	1,680
	-----	-----
Total filmed entertainment and television programming costs, net...	\$3,062	\$3,703
	=====	=====

As of June 30, 2002 the Company estimated that approximately 63% of unamortized filmed entertainment costs from completed films are expected to be amortized during fiscal year 2003 and approximately 91% of released unamortized filmed entertainment costs will be amortized within the next three years. As of June 30, 2002, the Company estimated that approximately 35% of \$817 million in accrued participation liabilities will be payable during fiscal year 2003.

73

FOX ENTERTAINMENT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER OPERATING CHARGE

The Company has several multi-year sports rights agreements, including a contract with the National Football League ("NFL") through fiscal year 2006, contracts with the National Association of Stock Car Auto Racing ("NASCAR") through fiscal year 2013 and a contract with Major League Baseball ("MLB") through fiscal year 2007. These contracts provide the Company with the broadcast rights to certain national sporting events during their respective terms. The NFL and NASCAR contracts contain certain early termination clauses that are exercisable by the NFL and NASCAR.

The Company continually evaluates the recoverability of the rights costs against

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the revenues directly associated with the program material and related direct expenses over the expected contract lives. At December 31, 2001, the Company recorded an Other operating charge of \$909 million. This charge related to a change in accounting estimate on the Company's national sports rights agreements caused by the downturn in the advertising market, which caused the Company to write off programming costs inventory and to provide for estimated losses on these contracts over their estimated terms. This evaluation considered the severe downturn in sports-related advertising, the lack of any sustained advertising rebound subsequent to September 11th and the industry-wide reduction of projected long-term advertising growth rates, all of which resulted in the Company's estimate of future directly attributable revenues associated with these contracts being lower than previously anticipated. Because the vast majority of costs incurred under these contracts are fixed, such as the rights costs and production costs, the results of these lower revenue estimates indicated that the Company would generate a loss over the estimated remaining term of the sports contracts.

In accordance with APB Opinion No. 20, "Accounting Changes," the Company has determined that the impact of the charge on Basic and diluted earnings (loss) per share, net of tax benefit of \$346 million, for the year ended June 30, 2002 is \$0.67 loss per share.

The costs of these sports contracts are charged to expense based on the ratio of each period's operating profits to estimated total operating profit of the contract. Considering the provision of \$909 million for estimated losses and absent a difference between the actual future revenues and costs as compared to the estimated future revenues and costs, no operating profit or loss will be recognized by the Company over the estimated remaining term of the sports contracts.

The profitability of these long-term national sports contracts as discussed above is based on the Company's best estimates at June 30, 2002, of directly attributable revenues and costs; such estimates may change in the future, and such changes may be significant. Should revenues decline from estimates applied at June 30, 2002, an additional loss will be recorded. Should revenues improve as compared to estimated revenues, then none of the recorded loss will be restored, but the Company will have a positive operating profit, which will be recognized over the estimated remaining contract term.

As of June 30, 2002, there have been no significant changes in the Company's estimates from those employed as of December 31, 2001.

7. INVESTMENTS

The Company's investments in equity affiliates consist principally of a 49.5% of FFW, a family television programming venture, until its sale in October 2001; 40% of Regional Programming Partners ("RPP"), a partnership holding interests in various regional sporting networks ("RSNs") and sporting teams and arenas; 40% of Ventures Arena, an entity which holds interests in sporting arenas; 66.7% of the domestic National Geographic Channel and 50% of the international National Geographic Channel (together, the "National Geographic Channels"), which air documentary programming on such topics as natural history, adventure, science and culture.

As of June 30, 2002, the investment in these affiliates was as follows: FFW - \$0 million; RPP - \$896 million; Ventures Arena - \$122 million; and National Geographic Channels - \$214 million. As of June 30, 2001, the investment in these affiliates was as follows: FFW - \$119 million; RPP - \$908 million; Ventures

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FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS-CONTINUED

Arena - \$131 million; and National Geographic Channels - \$76 million.

The Company's investment in several of its affiliates exceeded its equity in the underlying net assets by a total of \$402 million and \$420 million as of June 30, 2002 and 2001, respectively. These excess amounts are being amortized on a straight-line basis over 40 years. The fiscal 2001 amount includes the excess on the investment in Sunshine Networks, which became a consolidated subsidiary during fiscal 2002. The amortization aggregated to \$12 million for each of the years ended June 30, 2002, 2001 and 2000.

The Company's share of the income (loss) of each of its equity affiliates is as follows:

Affiliate:	For the year ended June 30,		
-----	2002	2001	2000
	(in millions)		
Fox Family Worldwide(a)	\$ (51)	\$ (37)	\$ 23
Fox Sports International(b)	(9)	(22)	(28)
Fox Sports Networks Domestic:			
National Sports Partners	(25)	(22)	(17)
Regional Programming Partners	(9)	2	(1)
Other	18	11	6
National Geographic Channel - Domestic	(42)	(22)	(1)
The Golf Channel(c)		14	--
Other	(26)	(16)	(72)
	----	----	----
Total equity losses of affiliates	\$ (144)	\$ (92)	\$ (90)
	=====	=====	=====

(a) The Company sold its interests in FFW in October 2001. (See Note 4)

(b) Subsequent to the acquisition of the remaining 50% interest in December 2001, the results of Fox Sports International have been consolidated in the Cable Network Programming segment. (See Note 4)

(c) The Company sold its interests in The Golf Channel in June 2001. (See Note 4)

SUMMARIZED FINANCIAL DATA

Summarized financial information for significant equity affiliates and joint ventures, as defined in Rule 1-02(w) of Regulation S-X, accounted for under the equity method is as follows:

For the year ended June 30,

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	2002 -----	2001 -----	2000 -----
	(in millions)		
Revenues	\$1,378	\$1,528	\$1,370
Operating income (loss)	(82)	(126)	(49)
Net income (loss)	(77)	(140)	(57)

	As of June 30, -----	
	2002	2001
	----- (in millions)	
Total assets	\$2,565	2,600
Total liabilities	899	1,116

75

FOX ENTERTAINMENT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS-CONTINUED

The summarized financial information for FFW, as defined in Rule 1-02(w) of Regulation S-X, accounted for under the equity method is as follows:

	For the quarter ended September 30, -----	For the year ended June 3 -----	
	2001	2001	200
	----- (in millions)		
Revenues		\$134	\$724
Operating income (loss)		(50)	144
Net income (loss)		(145)	(26)
		As of	
		September 30, 2001	June 200

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(in millions)

Total assets	\$2,530
Total liabilities	2,371

On October 24, 2001, the Company sold its 49.5% ownership interest in FFW to Disney (See Note 4). The full, unaudited financial statements of FFW for the period from July 1 to October 24, 2001 were not produced by FFW in the ordinary course of business and as such are not available. The financial information included above is for the quarter ended September 30, 2001 since the financial information for the twenty-four days ended October 24, 2001 was not available. The impact of the operating results from October 1 through October 24, 2001 was immaterial to the Company's consolidated statement of operations.

Other Investments

Cable distribution investments of \$519 million and \$472 million are included in Other assets and investments on the consolidated balance sheets as of June 30, 2002 and 2001, respectively, and are amortized on a straight line basis over their remaining terms through 2012.

8. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30:

	2002	2001
	-----	-----
	(in millions)	
Machinery and equipment	\$1,215	\$998
Buildings and leaseholds	928	914
Land	195	175
	-----	-----
	2,338	2,087
Less accumulated depreciation and amortization	(837)	(633)
	-----	-----
Total property and equipment, net	\$1,501	\$1,454
	=====	=====

Depreciation and amortization expenses related to property and equipment were \$171 million, \$164 million and \$142 million for the years ended June 30, 2002, 2001 and 2000, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. BORROWINGS

Borrowings consisted of the following as of June 30:

	2002	2001
	-----	-----
	(in millions)	
Film production financing (a)	\$ -	\$ 168
\$500 million 8 7/8% Senior Notes due 2007 (b)	522	500
\$405 million 9 3/4% Senior Discount Notes due 2007 (b)	420	364
	-----	-----
Total borrowings	\$ 942	\$ 1,032
	=====	=====

- (a) The Company had various single-film production financing arrangements, which were secured by the film assets and bore interest at approximately 6.5% for fiscal years 2001 and 2000.
- (b) In June 2002, the Company and its subsidiary, Fox Sports Networks, LLC, irrevocably called for redemption all of the outstanding 9 3/4% Senior Discount Notes due 2007 and all of the outstanding 8 7/8% Senior Notes due 2007. The redemption was completed in August 2002. The Company has recorded a pre-tax loss of \$42 million on the early redemption of these notes in Other, net in the consolidated statement of operations for the year ended June 30, 2002 in accordance with SFAS No. 145.

External interest paid, including amounts capitalized, was \$82 million, \$135 million and \$128 million for the year ended June 30, 2002, 2001 and 2000, respectively. The Company capitalizes interest on filmed entertainment and television programming in process. The total interest capitalized was \$22 million, \$29 million and \$43 million for the year ended June 30, 2002, 2001 and 2000, respectively.

77

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. MINORITY INTEREST IN SUBSIDIARIES

In March 2001, the Company entered into a new series of film rights agreements whereby a controlled consolidated subsidiary of the Company, Cornwall Venture LLC ("NM2"), that holds certain library film rights, funds the production or acquisition costs of all eligible films, as defined, to be produced or acquired by TCF, a subsidiary of the Company, between 2001 and 2004 (these film rights

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agreements are collectively referred to as the "New Millennium II Agreement"). NM2 is a separate legal entity from the Company and TCF and has separate assets and liabilities. NM2 issued a preferred limited liability membership interest ("Preferred Interest") to a third party to fund the film financing, which is presented on the consolidated balance sheets as Minority interest in subsidiaries. The Preferred Interest has no fixed redemption rights but is entitled to an allocation of the gross receipts to be derived by NM2 from the distribution of each eligible film. Such allocation to the extent available based on the gross receipts from the distribution of the eligible films consists of (i) a return on the Preferred Interest (the "Preferred Payments"), based on certain reference rates (generally based on commercial paper rates or LIBOR) prevailing on the respective dates of determination, and (ii) a redemption of the Preferred Interest, based on a contractually determined amortization schedule. The Preferred Interest has a preference in the event of a liquidation of NM2 equal to the unredeemed portion of the investment plus any accrued and unpaid Preferred Payments.

The net change in Preferred Interests outstanding was \$8 million and \$841 million for the years ended June 30, 2002 and 2001, respectively. These amounts were comprised of issuances by the Company of additional Preferred Interests under New Millennium II in the amount of \$657 million and \$131 million and redemptions by the Company of Preferred Interests of \$649 million and \$42 million during fiscal year 2002 and 2001, respectively. The original issuance of Preferred Interests was \$752 million in fiscal year 2001.

As of June 30, 2002 and 2001, there was approximately \$850 million and \$842 million, respectively, of Preferred Interests outstanding, which are included in the consolidated balance sheets as Minority interest in subsidiaries. The Preferred Payments are recorded as an expense in Minority interest in subsidiaries on the consolidated statements of operations.

A Ratings Trigger Event for the New Millennium II Agreement would occur if News Corporation's debt rating:

(i) (a) falls below BB+ and below Ba1, or (b) falls below BB, or (c) falls below Ba2, or (d) it is not rated by both rating agencies, and, in each case, neither News Corporation nor the Company shall, within ten business days after the occurrence of such event, have provided credit enhancement so that the resulting New Millennium II Agreement is rated at least BB+ and Ba1, or

(ii) (a) falls below BBB- and Baa3, or (b) it is not rated by both rating agencies, and, in each case, more than \$25 million in capital payments redeemable at that time from film gross receipts remain unredeemed for at least one quarter.

If a Ratings Trigger Event were to occur, then (a) no new films will be transferred, (b) rights against certain film assets may be enforced, and (c) the Preferred Interest may become redeemable.

During fiscal 2002, no Ratings Trigger Event had occurred. If a Ratings Trigger Event were to occur, then \$425 million (or approximately 50% of the outstanding balance as of June 30, 2002) may be payable immediately. The balance of the redemption would be payable to the extent of future gross receipts from films that had been transferred to NM2.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAXES

Although, during the periods presented, the Company and certain of its subsidiaries were included in the consolidated tax returns of another News Corporation entity and other subsidiaries of the Company filed a separate tax return, the Company has provided for income taxes as if it were a stand-alone taxpayer, in accordance with SFAS No. 109.

Income before income taxes was attributable to the following jurisdictions for the year ended June 30:

	2002	(in
United States (including exports)	\$ 930	
Foreign	85	
	\$1,015)=====

Components of income tax expense were as follows for the year ended June 30:

	2002	(in
Current:		
Federal - pursuant to the Tax Sharing Agreement	\$ 348	
Foreign	19	
	\$ 367)=====
Deferred:		
Federal	\$ 7	
State and local	34	
Foreign	-	
	\$ 41)=====
Total income tax expense	\$ 408)=====

A reconciliation of the U.S. Federal statutory tax rate to the Company's effective tax rate on income before income taxes is summarized as follows for the year ended June 30:

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	2002
U.S. Federal income tax rate	35%
State and local taxes (net of federal tax benefit)	2
Effect of foreign operations	(1)
Non-deductible amortization and expenses	3
Other	1
Effective tax rate	40%

79

FOX ENTERTAINMENT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAXES--CONTINUED

The following is a summary of the components of the deferred tax accounts as of June 30:

	2002	2001
	(in millions)	
Deferred tax assets (liabilities):		
Amortization and basis difference on intangible assets	\$ (2,772)	\$ (1,641)
Revenue recognition	369	438
Accrued liabilities	202	201
Other operating charge	230	-
Other	(25)	(112)
Net operating loss carryforwards	195	555
Net deferred tax liability	(1,801)	(559)
Income tax payable	(111)	(147)
	\$ (1,912)	\$ (706)

As of June 30, 2002, the Company had approximately \$557 million of operating loss carryforwards available to reduce future taxable income of certain subsidiaries that file separate tax returns. If the operating losses are not utilized, they expire in varying amounts starting in 2003 through 2022. The realization of these loss carryforwards is dependent on generating sufficient taxable income prior to the expiration of the loss carryforwards, subject to any limitations on their use. Although realization is not assured, management believes it is more likely than not that the deferred tax assets relating to these loss carryforwards will be realized; accordingly, no valuation allowance

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has been provided.

As noted above, certain subsidiaries of the Company are included in the consolidated group of News Publishing Australia Limited ("NPAL"), the principal U.S. subsidiary of News Corporation, for U.S. federal income tax purposes (the "Consolidated Group") as well as in certain consolidated, combined or unitary groups which include NPAL and/or certain of its subsidiaries (the "Combined Group") for state and local income tax purposes. The Company and NPAL have entered into a tax sharing agreement (the "Tax Sharing Agreement"). Pursuant to the Tax Sharing Agreement, the Company and NPAL generally will make payments between them such that, with respect to tax returns for any taxable period in which the Company or any of its subsidiaries are included in the Consolidated Group or any Combined Group, the amount of such consolidated or combined taxes to be paid by the Company will be determined, subject to certain adjustments, as if the Company and each of its subsidiaries included in the Consolidated Group or Combined Group filed their own consolidated, combined or unitary tax return. Net operating losses and other future tax benefits actually availed of to reduce the tax liabilities of the Consolidated Group or Combined Group and any taxes actually paid by the Company's subsidiaries included in such groups will be taken into account for this purpose. The Company will be responsible for any taxes with respect to tax returns that include only the Company and its subsidiaries.

Under the Tax Sharing Agreement the Company paid \$370 million in 2002 and \$153 million in 2001. Amounts paid in 2000 were not significant. Taxes paid in 2002 principally relate to the gain on the sale of the Company's interest in FFW.

80

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. SHARE OPTION PLAN

The Company does not have a share option plan.

Certain of the Company's employees have been granted News Corporation stock options under News Corporation's Share Option Plan (the "Plan"). The price of options granted under the Plan is the weighted average market price of the shares sold on the Australian Stock Exchange during the five trading days immediately prior to the date of the option being granted. Stock options are exercisable at a ratio of four options per ADR.

Options issued under the Plan have a term of ten years, but are exercisable only after they have been vested in the option holder. The options granted vest and become exercisable as to one quarter on each anniversary of the grant until all options have vested.

As permitted under SFAS No. 123, the Company has chosen to account for stock-based awards to employees using the intrinsic value method in accordance with APB Opinion No. 25.

A summary of the Plan activity is as follows for the year ended June 30, (in thousands of shares and Australian dollars):

2002

2001

2

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	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS
Outstanding at the beginning of the year	59,585	A\$11.08	46,419	A\$7.75	42,278
Granted	40,976	A\$11.63	20,083	A\$17.74	16,851
Exercised	(5,483)	A\$8.25	(4,736)	A\$6.35	(8,120)
Cancelled	(4,901)	A\$12.93	(2,181)	A\$12.16	(4,590)
Outstanding at the end of the year	90,177	A\$11.40	59,585	A\$11.08	46,419
Exercisable at the end of the year	29,322		21,687		14,207
Weighted average fair value of options granted		A\$5.40		A\$7.50	

81

FOX ENTERTAINMENT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. SHARE OPTION PLAN—CONTINUED

The following table summarizes information about the Plan as of June 30, 2002.

Tranches	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Exercisable Options	Weighted Average Exercise Price
A\$4.79 to A\$6.56	16,134	A\$5.21	4.13	14,074	A\$5.27
A\$8.08 to A\$11.58	26,219	A\$9.58	6.24	11,215	A\$9.26
A\$12.13 to A\$18.15	47,824	A\$14.49	8.46	4,033	A\$12.51
	90,177			29,322	

In connection with the Company's acquisition of Chris-Craft, outstanding stock options held by employees of Chris-Craft became exercisable, according to their

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terms, for News Corporation ADRs effective at the acquisition date. The share equivalent of the News Corporation ADRs issued to employees of Chris-Craft has been included in the chart above. These options did not reduce the shares available for grant under any other option plan. The fair value of the options issued to the acquired companies' employees, up to the fair value of the options surrendered, was included as part of the purchase price. The excess in fair value of the issued options over the surrendered options is accounted for in accordance with SFAS No. 123, whereby the excess fair value is recorded as unamortized deferred compensation expense and future amortization is based on the graded vesting schedule of the stock options. As of July 31, 2001, the Company began recording deferred compensation related to the unvested options held by employees of Chris-Craft, in accordance with Financial Interpretation No. 44.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	2002	2001	2000
Australian risk free interest rate	4.92%	6.59%	6.55%
Dividend yield	1.5%	1.5%	1.5%
Expected volatility	33.27%	33.27%	33.27%
Expected life of options	7 years	7 years	7 years

Had compensation expense for the Plan been determined on the fair value at the date of grant for options under the alternative method prescribed by SFAS No. 123, the Company's Net income (loss) would have been adjusted to the pro forma amounts indicated below. The fair value of the Chris-Craft options granted have not been included in this pro forma presentation as they were included in purchase accounting.

	For the year ended June 30,		
	2002	2001	2000
	(in millions except per share data)		
Net income (loss):			
As reported	\$ 581	\$ (288)	\$ 145
Pro forma	551	(308)	129
Basic and diluted earnings (loss) per share:			
As reported	\$0.69	\$ (0.40)	\$0.20
Pro forma	0.66	(0.43)	0.18

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13. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

PENSION PLANS

The Company has non-contributory pension plans covering specific groups of employees. The benefits for these plans are based primarily on an employee's years of service and pay near retirement. Participant employees are vested in the plans after five years of service. The Company's policy for all pension plans is to fund amounts in accordance with the Employee Retirement Income Security Act of 1974. Plan assets consist principally of common stocks, marketable bonds and government securities.

Accumulated plan benefits and plan net assets for the Company's defined benefit plans are as follows as of June 30:

	2002	2001	
	-----	-----	-----
	Projected	Assets Exceed	Pr
	Benefits	Projected	B
	Exceed	Benefits	Exce
	Assets	-----	-----
	-----	-----	-----
	(in millions)		
Accumulated benefit obligation	\$ 347	\$ 14	\$
Effect of projected future salary increases	45	3	
	-----	-----	-----
Total projected benefit obligations	392	17	
Plan assets at fair value	274	17	
	-----	-----	-----
Plan assets less than projected benefit obligations	\$ 118	\$ -	\$
	=====	=====	=====

In accordance with SFAS No. 87, an additional pension liability of approximately \$8 million has been recognized to reflect the excess of the accumulated benefit obligation over the fair value of plan assets.

The components of net periodic pension costs were as follows for the year ended June 30:

	2002	2001	2000
	-----	-----	-----
	(in millions)		
Service cost-benefits earned during the period	\$ 20	\$ 16	\$
Interest cost on projected benefit obligation	25	19	
Expected return on plan assets	(25)	(24)	(
	-----	-----	-----
Net periodic pension cost	\$ 20	\$ 11	\$
	=====	=====	=====

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The following assumptions were used in accounting for the defined benefit plans for the year ended June 30:

	2002	2001	2000
Discount rate	7%	7% - 7.75%	7.2
Expected return on plan assets	9%	10%	1
Rate of increase in future compensation	4%-5.5%	4% - 5.5%	4% -

83

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS—CONTINUED

The following table sets forth the change in defined benefit obligation for the Company's benefit plans for the year ended June 30:

	2002	2001
	(in millions)	
Benefit obligation, beginning of the year	\$ 292	\$ 253
Service cost	20	16
Interest cost	25	19
Benefits paid	(14)	(10)
Actuarial gain	4	14
Plan Amendment	(10)	-
Acquisitions	75	-
Benefit obligation, end of the year	\$ 392	\$ 292

The following table sets forth the change in the fair value of plan assets for the Company's defined benefit plans for the year ended June 30:

	2002	2001
	(in millions)	
Fair value of plan assets, beginning of the year	\$ 237	\$ 232
Actual return on plan assets	(5)	(3)
Employer contributions	6	18

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Benefits paid	(14)	(10)
Acquisitions	50	-
	-----	-----
Fair value of plan assets, end of the year	\$ 274	\$ 237
	=====	=====

The funded status of the defined benefit plans was as follows as of June 30:

	2002	2001
	-----	-----
	(in millions)	
Funded status	\$ (118)	\$ (55)
Unrecognized net loss	66	33
Unrecognized prior service cost	(11)	(2)
	-----	-----
Net amount recognized, end of the year	\$ (63)	\$ (24)
	=====	=====

Amounts recognized in the consolidated balance sheets as of June 30:

	2002	2001
	-----	-----
	(in millions)	
Prepaid pension assets	\$ 2	\$ 1
Accrued pension liabilities	(73)	(25)
Other Comprehensive Income	8	-
	-----	-----
Net accrued pension liability, end of year	\$ (63)	\$ (24)
	=====	=====

The unfunded projected benefit obligation as of July 31, 2001 for the Chris-Craft Qualified Pension Plan, the Chris-Craft Non-Qualified Pension Plan and the UTV Pension Plan (together the "Acquired Plans") was, in aggregate, approximately \$25 million and was included in the purchase price of Chris-Craft. This unfunded pension obligation of \$25 million represents the excess of the projected benefit obligation over the fair value of assets acquired at the date of acquisition. Net periodic pension cost includes expenses of the acquired plans from August 1, 2001 through June 30, 2002.

FOX ENTERTAINMENT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS-CONTINUED

OTHER POST RETIREMENT BENEFITS

The Company sponsors retiree health and life insurance benefit plans. These benefit plans offer medical and/or life insurance to certain full-time employees

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and eligible dependents that retire after fulfilling age and service requirements. These plans cover approximately 2,000 participants.

The components of net periodic postretirement benefit costs were as follows for the year ended June 30:

	2002	2001	2000
Service cost-benefits earned during the period	\$ 6	\$ 5	\$ 4
Interest cost on accumulated benefit obligation	4	4	3
Amortization of unrecognized loss	1	-	-
	-----	-----	-----
Net periodic postretirement benefit cost	\$ 11	\$ 9	\$ 7

The following table sets forth the change in accumulated postretirement benefit obligation ("APBO") for the Company's postretirement benefit plans for the year ended June 30:

	2002	2001
	(in millions)	
APBO, beginning of the year	\$ 64	\$ 50
Service cost	6	5
Interest cost	4	4
Benefits paid	(3)	(2)
Actuarial loss	22	7
Plan Amendments	(3)	-
Acquisition	8	-
	-----	-----
APBO, end of the year	\$ 98	\$ 64

The funded status of the Company's postretirement benefit plans was as follows as of June 30:

	2002	2001
	(in millions)	
APBO	\$ 98	\$ 64
Plan assets	-	-
	-----	-----
Funded status	(98)	(64)
	-----	-----
Unrecognized net loss	35	13
	-----	-----
Unrecognized prior service cost	(4)	-
	-----	-----
Accrued postretirement liability, end of the year	\$ (67)	\$ (51)

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FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS-CONTINUED

The following weighted average assumptions were used in accounting for the Company's postretirement plans for the year ended June 30:

	2002	2001	2000
Discount rate	7.00%	7.00%	7.75%
Healthcare cost trend	12.50%-16.50%	8.50%	8.50%

The effect of a one percentage point increase and one percentage point decrease in the assumed health care cost trend rate would have the following effects on the results for fiscal year 2002:

	Service and Interest Costs	APBO
	(in millions)	
One percentage point increase	\$ 1	\$ 12
One percentage point decrease	\$ (1)	\$ (10)

14. RELATED PARTY TRANSACTIONS

As a subsidiary of News Corporation, the Company has entered into a Master Intercompany Agreement, which provides various cash management, financial, tax, legal and other services. The consideration for each of the services and other arrangements set forth in the Master Intercompany Agreement has been mutually agreed upon based upon allocated costs; provided that all such consideration and any material arrangements are subject to the approval of the audit committee of the Company. The Company has used and expects that it will continue to use various cash management, financial, tax, legal and other services provided by News Corporation or its subsidiaries. All costs relating to direct intercompany services have been reflected in the accompanying consolidated financial statements.

The Master Intercompany Agreement has been entered into in the context of a parent-subsidiary relationship; therefore, these services are not the result of arm's-length negotiations between independent parties. There can be no assurance, therefore, that each of such agreements, or the transactions provided for therein, or any amendments thereof will be effected on terms at least favorable to the Company as could have been obtained from unaffiliated third parties.

The Company and its subsidiaries sell broadcast rights to certain of its filmed entertainment products to other affiliates of News Corporation. Management believes that the pricing of these transactions results from arm's-length negotiations between the parties and are reflective of the market value for these rights.

The Company advertises in TV Guide, a publication of Gemstar - TV Guide International, Inc. ("Gemstar - TV Guide"), an equity affiliate of News Corporation. For the years ended June 30, 2002, 2001 and 2000, the Company had

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advertising expenses of \$5 million, \$7 million and \$11 million, respectively, related to Gemstar - TV Guide advertising. In addition, the Company provided Gemstar-TV Guide with programming in the amount of \$5 million, \$12 million and \$16 million for the years ended June 30, 2002, 2001 and 2000, respectively.

The Company supplies programming to subsidiaries and equity affiliates of News Corporation. The Company provided STAR, a subsidiary of News Corporation, with programming in the amount of \$7 million for each of the years ended June 30, 2002 and 2001 and \$1 million for the year ended June 30, 2000. Equity affiliates of News Corporation that received programming from the Company are British Sky Broadcasting Group, plc ("BSkyB"), a UK satellite broadcaster and FOXTEL, a cable and satellite television service in Australia. BSKyB received programming of \$67 million, \$75 million and \$63 million

86

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS-CONTINUED

for the years ended June 30, 2002, 2001 and 2000. The amount of programming supplied to FOXTEL was \$2 million, \$1 million and \$1 million for the years ended June 30, 2002, 2001 and 2000, respectively.

In addition, through the normal course of business, the Company is involved in transactions to supply programming and provide other services to equity affiliates that have not been significant in any of the periods presented. These affiliates include Premium Movie Partnership, Regency TV, Telecine, National Sports Partners and National Advertising Partners.

As of June 30, 2002 and 2001, the Company had related party accounts receivable in the amounts of \$79 million and \$73 million, respectively, included in Accounts receivable, net on the consolidated balance sheets.

The Company is funded primarily by loans from other subsidiaries and affiliates of News Corporation. Intercompany interest expense of \$182 million, \$239 million and \$211 million for the years ended June 30, 2002, 2001 and 2000, respectively, is included in interest expense, net in the consolidated statements of operations and reflects the net interest expense associated with the aggregate borrowings from subsidiaries or affiliates of News Corporation. From November 11, 1998, interest on outstanding intercompany balances has been charged at commercial market rates not to exceed News Corporation's average cost of borrowings as set forth in the Master Intercompany Agreement. For all periods presented, the intercompany interest rate was 8%.

87

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. COMMITMENTS AND CONTINGENCIES

The Company has commitments under certain firm contractual arrangements ("firm commitments") to make future payments for goods and services. These firm commitments secure the future rights to various assets and services to be used

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in the normal course of operations. The following table summarizes the Company's material firm commitments and borrowings as of June 30, 2002 and the timing that such obligations are expected to have on the Company's liquidity and cash flow in future periods.

Contractual Obligations and Commitments	As of June 30, 2002			
	Payments Due by Period			
	Total	1 year	2-3 years	4-5 years
	(in millions)			
Borrowings / (a) /	\$ 942	\$ 942	\$ -	\$ -
Due to affiliates of News Corporation / (b) /	1,413	-	-	-
New Millennium II preferred interest / (c) /	850	576	239	35
Major League Baseball / (d) /	1,995	334	765	896
National Football League / (e) /	2,880	575	1,490	815
National Association of Stock Car Auto Racing / (f) /	1,621	201	495	536
Commitment for purchase of TV station / (g) /	425	425	-	-
Capital expenditures	30	29	1	-
Operating leases / (h) /	502	80	128	93
Other programming commitments and obligations / (i) /	4,488	1,068	1,160	707
Total Contractual Obligations and Commitments	\$15,146	\$4,230	\$4,278	\$3,082

The Company also has certain contractual arrangements that would require the Company to make payments or provide funding if certain circumstances occur ("contingent guarantees"). The Company does not expect that these contingent guarantees will result in any amounts being paid by the Company in the foreseeable future. The timing of the amounts presented in the table reflect when the maximum contingent guarantees will expire and does not indicate that the Company expects to incur an obligation to make payments during that timeframe.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. COMMITMENTS AND CONTINGENCIES-CONTINUED

As of June 30, 2002					
Amount of Guarantees Expiration Per Pe					
Contingent Guarantees	Total Amounts Committed	1 year	2-3 years	4-5 years	Af
(in millions)					
Guarantees/j/	\$ 8,655	\$ 73	\$ 502	\$ -	
Guarantees of equity affiliates/k/	\$ 1,050	\$ 43	\$ 93	\$ 105	

FOOTNOTES:

- (a) In June 2002, the Company and its subsidiary, Fox Sports Networks, LLC, irrevocably called for redemption all of the outstanding 9 3/4% Senior Discount Notes due 2007 and all of the outstanding 8 7/8% Senior Notes due 2007. The redemption was completed in August 2002. The Company has recorded a pre-tax loss of \$42 million on the early redemption of these notes in Other, net in the consolidated statement of operations for the year ended June 30, 2002 in accordance with SFAS No. 145.
- (b) The Company is funded primarily by cash from operations and by loans from other subsidiaries and affiliates of News Corporation. The Company had approximately \$1.4 billion of indebtedness to affiliates of News Corporation as of June 30, 2002, which extend through June 30, 2008.
- (c) See discussion of New Millennium II in Note 10 "Minority interest in subsidiaries". As noted therein, this interest has no fixed redemption rights but is entitled to an allocation of gross receipts from the distribution of eligible films.
- (d) The Company's six-year contract with MLB grants the Company rights to telecast certain regular season and all post-season MLB games. The contract began with the 2001 MLB season and ends with the 2006 MLB season. The remaining future scheduled payments for telecast rights to such MLB games aggregated approximately \$2.0 billion as of June 30, 2002, before sublicense fees are considered. For the duration of the term of its contract with MLB, the Company has sublicensed telecast rights to certain MLB post-season games to The Walt Disney Company, and is paid a sublicense fee aggregating \$590 million over the remaining term. The amounts reflected on this schedule have not been reduced by the sublicense.
- (e) Under the Company's eight-year contract with the NFL through 2006, which contains certain termination clauses, remaining future minimum payments for program rights to broadcast certain football games aggregated approximately \$2.9 billion as of June 30, 2002, and are payable over the remaining five-year term of the contract assuming no early terminations.
- (f) The Company's contracts with the NASCAR, which contain certain termination clauses, give the Company rights to broadcast certain NASCAR races through

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fiscal year 2009 and exclusive NASCAR content rights as well as the NASCAR brand to be exploited with a new NASCAR cable channel or the existing Speed Channel through fiscal year 2013. The remaining future minimum payments aggregated approximately \$1.6 billion as of June 30, 2002, and are payable over the remaining terms assuming no early terminations.

89

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. COMMITMENTS AND CONTINGENCIES—CONTINUED

- (g) In June 2002, the Company entered into an agreement to acquire WPWR-TV in Chicago from Newsweb Corporation for approximately \$425 million. This acquisition closed in August 2002.
- (h) The Company leases transponders, office facilities, equipment, and microwave transmitters used to carry its broadcast signals. These leases, which are classified as operating leases, expire at various dates through 2016.
- (i) The Company's minimum commitments and guarantees under certain other programming, local sports broadcast rights, players and other agreements aggregated approximately \$4.5 billion as of June 30, 2002 and are payable principally over a five year period.
- (j) The Company, News Corporation and certain of News Corporation's subsidiaries are guarantors of various debt obligations of News Corporation and certain of its subsidiaries. During fiscal year 2001, certain of the Company's subsidiaries were released as guarantors of these debt obligations. The principal amount of indebtedness outstanding under such debt instruments as of June 30, 2002 and 2001 was approximately \$8.7 billion and \$9.3 billion, respectively. The debt instruments limit the ability of guarantors, including the Company, to subject their properties to liens and certain of the debt instruments impose limitations on the ability of News Corporation and certain of its subsidiaries, including the Company, to incur indebtedness in certain circumstances. Such debt instruments mature at various times between 2004 and 2096, with a weighted average maturity of over 20 years. In the case of any event of default under such debt obligations, the Company will be directly liable to the creditors or debtholders. News Corporation has agreed to indemnify the Company from and against any obligations it may incur by reason of its guarantees of such debt obligations. As of June 30, 2002, News Corporation was in compliance with all of its debt covenants and had satisfied all financial ratios and tests and expects to remain in compliance and satisfy all such ratios and tests.
- (k) The Company guarantees various sports rights agreements for certain associated companies. The aggregate of these guarantees is approximately \$1,050 million and extends through 2019.

Except as otherwise discussed above, the Company does not guarantee the debt of any of its affiliates accounted for using the equity method of accounting.

90

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FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. COMMITMENTS AND CONTINGENCIES—CONTINUED

CONTINGENCIES

REGIONAL PROGRAMMING PARTNERS

In December 1997, Rainbow Media Sports Holdings, Inc. ("Rainbow") (a subsidiary of Cablevision Systems Corporation ("Cablevision")) and Fox Sports Net, Inc. ("Fox Sports Net") (a subsidiary of the Company) formed RPP to hold various programming interests in connection with the operation of certain RSNs. Rainbow contributed various interests in RSNs, the Madison Square Garden Entertainment Complex, Radio City Music Hall, the New York Rangers National Hockey League franchise, and the New York Knickerbockers National Basketball Association franchise, to RPP in exchange for a 60% partnership interest in RPP, and Fox Sports Net contributed \$850 million in cash for a 40% partnership interest in RPP.

Pursuant to the RPP partnership agreement upon certain actions being taken by Fox Sports Net, Rainbow has the right to purchase all of Fox Sports Net's interests in RPP. The buyout price will be the greater of (i) (a) \$2.125 billion, increased by capital contributions and decreased by capital distributions, times Fox Sports Net's interest in RPP plus (b) an 8% rate of return on the amount in (a) and (ii) the fair market value of Fox Sports Net's interest in RPP. Consideration will be, at Rainbow's option, in the form of cash or a three-year note with an interest rate of prime plus 1/2%.

In addition, for 30 days following December 18, 2002 and during certain periods thereafter, so long as RPP has not commenced an initial public offering of its securities, Fox Sports Net has the right to cause Rainbow to, at Rainbow's option, either (i) purchase all of its interests in RPP or (ii) consummate an initial public offering of RPP's securities. The purchase price will be the fair market value of Fox Sports Net's interest in RPP and the consideration will be, at Rainbow's option, in the form of marketable securities of certain affiliated companies of Rainbow or a three year note with an interest rate of prime plus 1/2%.

In connection with the Rainbow Transaction, Rainbow and Fox Sports Net formed National Sports Partners ("NSP") in which each of Rainbow and Fox Sports Net were issued a 50% partnership interest to operate Fox Sports Net ("FSN"), a national sports programming service that provides its affiliated RSNs with 24 hour per day national sports programming. In addition, Rainbow and Fox Sports Net formed National Advertising Partners ("NAP"), in which each of Fox Sports Net and Rainbow were issued a 50% partnership interest, to act as the national advertising sales representative for the Fox Sports Net-owned RSNs and the RPP-owned and managed RSNs. Independent of the arrangements discussed above relating to RPP, for 30 days following December 18, 2002 and during certain periods thereafter, so long as NSP and NAP have not commenced an initial public offering of its securities, Rainbow has the right to cause Fox Sports to, at Fox Sports' option, either (i) purchase all of Rainbow's interests in NSP and NAP, or (ii) consummate an initial public offering of NSP's and NAP's securities. The purchase price will be the fair market value of Rainbow's interest in NSP and NAP and the consideration will be, at Fox Sports Net's option, in the form of marketable securities of certain affiliated entities of Fox Sports Net or a three-year note with an interest rate of prime plus 1/2%.

LITIGATION

In the ordinary course of business, the Company has become involved in disputes

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or litigation. While the results of such disputes cannot be predicted with certainty, in management's opinion, based in part on the advice of counsel, the ultimate resolution of these disputes will not have a material adverse effect on the Company's financial position or its results of operations.

91

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENT INFORMATION

The Company manages and reports its activities in four business segments: Filmed Entertainment, which principally consists of the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media primarily in the United States, Canada and Europe, and the production of original television programming in the United States and Canada; Television Stations, which principally consists of the operation of broadcast television stations in the United States; Television Broadcast Network, which principally consists of the broadcasting of network programming in the United States; and Cable Network Programming, which principally consists of the production and licensing of programming distributed through cable television systems and direct broadcast satellite operators in the United States and professional sports team ownership in the United States.

In the first quarter of fiscal 2002, management redefined its Filmed Entertainment segment to reflect a change in how the business is analyzed and evaluated. The redefined segment includes all activities previously included in the Filmed entertainment segment along with the activity of the former Other Television Businesses segment, primarily comprised of divisions, which produce and distribute television programming and also distribute feature motion pictures. Prior year segments have been reclassified to conform to the current year presentation.

The Company's reportable operating segments have been determined in accordance with the Company's internal management structure, which is organized based on operating activities. The Company evaluates performance based upon several factors, of which the primary financial measure is segment operating income.

	For the year ended June 30,		
	2002	2001	2000
	(in millions)		
Revenues:			
Filmed Entertainment	\$4,048	\$3,676	\$3,953
Television Stations	1,875	1,550	1,635
Television Broadcast Network	2,048	1,823	1,751
Cable Network Programming	1,754	1,365	1,178
	-----	-----	-----
Total revenues	\$9,725	\$8,414	\$8,517
	=====	=====	=====

92

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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16. SEGMENT INFORMATION-CONTINUED

	For the year ended June 30,		
	2002	2001	2000
	(in millions)		
Operating income (loss):			
Filmed Entertainment	\$ 485	\$ 277	\$ 117
Television Stations	598	499	585
Television Broadcast Network	(283)	(65)	29
Cable Network Programming	6	(59)	(75)
Other operating charge	(909)	-	-
 Total operating income (loss)	 (103)	 652	 656
Interest expense, net	(241)	(345)	(297)
Equity losses of affiliates	(144)	(92)	(90)
Minority interest in subsidiaries	(37)	(14)	(4)
Other, net	1,540	190	-
 Income before provision for income taxes and cumulative effect of accounting change	 \$1,015	 \$ 391	 \$ 265

Intersegment revenues generated primarily by the Filmed Entertainment segment of approximately \$772 million, \$455 million and \$373 million for the years ended June 30, 2002, 2001 and 2000, respectively, have been eliminated within the Filmed Entertainment segment. Intersegment operating income generated primarily by the Filmed Entertainment segment of approximately \$40 million, \$13 million and \$15 million for the years ended June 30, 2002, 2001 and 2000, respectively, has been eliminated within the Filmed Entertainment segment.

Other operating charge, Interest expense, net, Equity losses of affiliates (which primarily relate to entities involved in the production and licensing of cable network programming), Minority interest in subsidiaries, Other, net and Provision for income tax expense on a stand-alone basis are not allocated to segments, as they are not under the control of segment management.

	For the year ended June 30,		
	2002	2001	2000
	(in millions)		
Depreciation and amortization:			
Filmed Entertainment	\$ 59	\$ 65	\$ 51
Television Stations	200	184	189
Television Broadcast Network	20	20	18
Cable Network Programming	121	118	110

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Total depreciation and amortization	\$ 400	\$ 387	\$ 368
Capital expenditures:			
Filmed Entertainment	\$ 16	\$ 58	\$ 72
Television Stations	17	22	85
Television Broadcast Network	12	11	12
Cable Network Programming	35	54	78
Total capital expenditures	\$ 80	145	\$ 247

93

FOX ENTERTAINMENT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENT INFORMATION-CONTINUED

	As of June 30,	
	2002	2001
	(in millions)	
Total assets:		
Filmed Entertainment	\$ 4,454	\$ 4,690
Television Stations	10,945	6,106
Television Broadcast Network	828	1,534
Cable Network Programming	5,225	4,033
Investments in equity affiliates	1,424	1,493
Total assets	\$ 22,876	\$ 17,856
Intangible assets, net:		
Filmed Entertainment	\$ 480	\$ 459
Television Stations	9,458	4,783
Television Broadcast Network	-	-
Cable Network Programming	3,231	2,405
Total intangible assets, net	\$ 13,169	\$ 7,647

There is no material reliance on any single customer. Revenues from any individual foreign country were not material in the periods presented.

	For the year ended June 30,		
	2002	2001	2000
Geographic Segments			

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	(in millions)		
Revenues:			
United States and Canada	\$ 8,047	\$ 6,827	\$ 6,588
Europe	1,111	1,071	1,175
Other	567	516	754
Total revenues	\$ 9,725	\$ 8,414	\$ 8,517

	As of June 30,	
	2002	2001
	(in millions)	
Long-Lived Assets:		
United States and Canada	\$ 19,464	\$ 13,911
Europe	34	87
Other	94	76
Total long-lived assets	\$ 19,592	\$ 14,074

94

FOX ENTERTAINMENT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. DETAIL OF OTHER FINANCIAL STATEMENT ACCOUNTS

	For the year ended June	
	2002	2001
	(in millions)	
ALLOWANCE FOR RETURNS AND DOUBTFUL ACCOUNTS		
Balance at the beginning of the year	\$ 170	\$ 167
Charged to costs and expenses	376	242
Actual returns/ write-offs/ recoveries/ other	(271)	(239)
Balance at the end of the year	\$ 275	\$ 170
	As of June 30,	
	2002	2001
	(in millions)	
INTANGIBLE ASSETS, NET		
Goodwill	\$ 5,503	\$ 3,284
FCC licenses	8,437	5,506
Franchises and other	810	212

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	14,750	9,002
Less accumulated amortization	(1,581)	(1,355)
Total intangible assets, net	\$13,169	\$ 7,647

Amounts preliminarily allocated to Goodwill, FCC licenses and Franchises and other for several of the Company's fiscal year 2002 acquisitions are subject to adjustment and reclassification upon the completion of the final allocation.

ADVERTISING EXPENSES

The Company incurred advertising expenses of \$1,061 million, \$947 million, and \$789 million for the years ended June 30, 2002, 2001 and 2000, respectively. Advertising expenses for the Filmed Entertainment segment included above for the fiscal years 2002 and 2001 were recognized in accordance with SOP 00-2 while advertising expenses in fiscal year 2000 were recognized in accordance with SFAS No. 53.

OPERATING LEASE EXPENSE

Total operating lease expense was approximately \$98 million, \$70 million, and \$77 million for the years ended June 30, 2002, 2001 and 2000, respectively.

95

FOX ENTERTAINMENT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the three months	
	September 30,	December 31,
	(in millions, except per	
Fiscal 2002/(1)/		
Revenues	\$ 2,065	\$ 2,741
Operating income (loss)	142	(695)
Cumulative effect of accounting change, net of tax	(26)	-
Net income (loss)	(22)	455
Basic and diluted cumulative effect of accounting change, net of tax, per share	\$ (0.04)	-
Basic and diluted earnings (loss) per share	\$ (0.03)	\$ 0.54
Fiscal 2001		
Revenues	\$ 1,807	\$ 2,481
Operating income (loss)	171	276
Cumulative effect of accounting change, net of tax	(494)	-
Net income (loss)	(458)	5
Basic and diluted cumulative effect of accounting change, net of tax, per share	\$ (0.68)	-

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Basic and diluted earnings (loss) per share	\$ (0.63)	\$ 0.01	\$
---	-----------	---------	----

- (1) Additional significant items that impacted earnings during the second quarter of fiscal year 2002 were the writedown of the Company's national sports contracts of \$909 million and the gains on the sales of FFW and Outdoor Life aggregating to \$1,585 million.

19. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations to be accounted for by the purchase method and that acquired intangible assets be recognized apart from goodwill if they meet specific criteria. SFAS No. 141 supersedes APB Opinion No. 16 and is effective for all business combinations initiated after June 30, 2001. SFAS No. 142 eliminates the requirement to amortize goodwill, identifiable intangible assets that have indefinite useful lives and the excess cost of equity investments attributable to such intangibles. However, it requires that goodwill and identifiable intangibles with indefinite lives be tested for impairment at least annually using the guidance specifically provided in the statement. SFAS No. 142 supersedes APB Opinion No. 17 and will be adopted by the Company on July 1, 2002. While the Company is still in the process of evaluating the overall impact of adopting the provisions of SFAS No. 142, the Company expects that all of its goodwill, a substantial amount of its identifiable intangibles, primarily FCC Licenses, and the excess cost of equity investments attributable to indefinite-lived intangibles will no longer be amortized beginning in the first quarter of fiscal 2003. In addition, the Company's share of net income (loss) of certain of its equity affiliates that have adopted SFAS No. 142 will no longer reflect the amortization of such affiliates' goodwill and indefinite-lived intangibles. This will result in an annual reduction in amortization expense of approximately \$200 million and an increase in equity earnings of approximately \$30 million, all on a pre-tax basis. In addition, the Company does not currently expect that adoption of SFAS No. 142 will result in a transitional impairment loss that will be material to its consolidated statement of operations.

96

FOX ENTERTAINMENT GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. RECENTLY ISSUED ACCOUNTING STANDARDS-CONTINUED

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 establishes an accounting model for the impairment or disposal of long-lived assets to be (i) held and used and (ii) disposed of by sale. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The Company will adopt SFAS No. 144 on July 1, 2002 and does not expect it to have a material impact on its consolidated statement of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," required

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that gains and losses from extinguishment of debt be classified as an extraordinary item, net of the related income tax effect. Any gain or loss on extinguishment of debt that was classified, as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion No. 30 for classification as an extraordinary item shall be reclassified. SFAS No. 13, "Accounting for Leases," has been amended to require sale-leaseback accounting for certain lease modifications that are similar to sale-leaseback transactions. The rescission of SFAS No. 4 and the amendment to SFAS No. 13 shall be effective for fiscal years and transactions, respectively, occurring after May 15, 2002. The Company has adopted the provisions of SFAS No. 145. (See Note 9.)

20. SUBSEQUENT EVENTS

On August 21, 2002, the Company acquired WPWR-TV in Chicago from Newsweb Corporation for approximately \$425 million.

97

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Fox Family Worldwide, Inc.:

We have audited the accompanying consolidated balance sheets of Fox Family Worldwide, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of June 30, 2000 and 2001, and the related consolidated statements of operations, stockholders' equity (deficit) and comprehensive income (loss), and cash flows for each of the three years in the period ended June 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2001 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Los Angeles, California
September 17, 2001

98

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FOX FAMILY WORLDWIDE, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

Assets:

Cash and cash equivalents.....
Restricted cash.....
Accounts receivable, net of allowance for doubtful accounts of \$4,688 and \$5,321 at
June 30, 2000 and 2001, respectively.....
Amounts receivable from related parties, net.....
Programming costs, net.....
Property and equipment, net.....
Deferred income taxes.....
Intangible assets, net.....
Other assets, net.....

Total assets.....

Liabilities and stockholders' deficit:

Accounts payable.....
Accrued liabilities.....
Accrued programming costs.....
Deferred revenues.....
Accrued participations.....
Deferred income taxes.....
Bank and other debt.....
Amounts payable to related parties, net.....

Total liabilities.....

Commitments and contingencies

Series A Mandatorily Redeemable Preferred Stock, \$0.001 par value; 500,000 shares authorized;
345,000 shares issued and outstanding (\$1,000 per share liquidation value).....

Minority interest.....

Stockholders' deficit:

Preferred Stock, \$0.001 par value; 2,000,000 shares authorized, of which 500,000 shares are
designated as Series A Preferred Stock; no shares issued or outstanding.....
Class A Common Stock, \$0.001 par value; 2,000,000 shares authorized, 160,000 shares
issued and outstanding at June 30, 2000 and 2001, respectively.....
Class B Common Stock, \$0.001 par value; 16,000,000 shares authorized, 15,840,000 shares
issued and outstanding at June 30, 2000 and 2001, respectively.....
Contributed capital.....
Accumulated other comprehensive loss.....
Deficit.....

Total stockholders' deficit.....

Total liabilities and stockholders' deficit.....

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See accompanying notes.

99

FOX FAMILY WORLDWIDE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands)

	Years Ended June 30,		
	1999	2000	2001
Revenues.....	\$635,273	\$641,876	\$650,000
Costs and expenses:			
Production and programming.....	302,232	270,549	270,549
Selling, general and administrative.....	173,245	209,477	209,477
Depreciation.....	10,083	10,883	10,883
Amortization of intangibles.....	40,434	40,522	40,522
	525,994	531,431	531,931
Operating income.....	109,279	110,445	118,069
Equity in loss (earnings) of affiliates.....	5,088	1,609	1,609
Minority interest share of losses.....	(444)	(2,184)	(2,184)
Other income, net.....	(62)	--	--
Interest expense, net.....	169,107	168,415	168,415
Gain on issuance of subsidiary stock:			
Staff Accounting Bulletin No. 51 gain.....	--	117,316	117,316
Gain on issuance of subsidiary stock.....	--	78,623	78,623
Income (loss) before provision for income taxes....	(64,410)	138,544	138,544
Provision for income taxes.....	1,989	77,159	77,159
Net income (loss).....	\$ (66,399)	\$ 61,385	\$ 61,385

See accompanying notes.

100

FOX FAMILY WORLDWIDE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
AND COMPREHENSIVE INCOME (LOSS)
(in thousands)

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	Series A Preferred Stock		Class A and Class B Common Stock		Contributed Capital	Accumulated Other Comprehensive Loss
	Shares	Amount	Shares	Amount		
Balance at June 30, 1998	--	\$ --	16,000	\$ 16	\$ 60,731	\$ (1,201)
Dividends on Series A Mandatorily Redeemable Preferred Stock.....	--	--	--	--	--	--
Exchange loss on translation of foreign subsidiaries' financial statements.....	--	--	--	--	--	(692)
Net loss.....	--	--	--	--	--	--
Balance at June 30, 1999	--	--	16,000	16	60,731	(1,893)
Dividends on Series A Mandatorily Redeemable Preferred Stock.....	--	--	--	--	--	--
Capital contribution by related party in formation of an unconsolidated affiliate.....	--	--	--	--	17,940	--
Exchange loss on translation of foreign subsidiaries' financial statements.....	--	--	--	--	--	(4,790)
Net income.....	--	--	--	--	--	--
Balance at June 30, 2000	--	--	16,000	16	78,671	(6,683)
Dividends on Series A Mandatorily Redeemable Preferred Stock.....	--	--	--	--	--	--
Exchange loss on translation of foreign subsidiaries' financial statements.....	--	--	--	--	--	(1,785)
Net loss.....	--	--	--	--	--	--
Balance at June 30, 2001	--	\$ --	16,000	\$ 16	\$ 78,671	\$ (8,468)

See accompanying notes.

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	19
Operating activities:	
Net income (loss).....	\$ (6)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Amortization of programming costs.....	27
Depreciation.....	1
Amortization of intangibles.....	4
Amortization of debt issuance costs.....	
Reduction of goodwill due to realization of tax benefits.....	
Equity in loss (earnings) of affiliates.....	
Minority interest in share of losses.....	
Non-cash interest expense.....	6
Gain on issuance of subsidiary stock.....	
Changes in operating assets and liabilities:	
Restricted cash.....	
Accounts receivable.....	(1)
Amounts receivable from related parties.....	4
Other assets.....	
Accounts payable and accrued liabilities.....	(4)
Accrued programming costs.....	2
Deferred revenue.....	(1)
Accrued participations.....	(1)
Deferred income taxes, net.....	
Net cash provided by operating activities.....	33
Investing activities:	
Purchase of property and equipment.....	(1)
Additions to production and programming costs.....	(35)
Intangible assets.....	1
Other.....	(
Net cash used in investing activities.....	(36)
Financing activities:	
Proceeds from bank borrowings.....	2
Payments on bank borrowings.....	(13)
Dividends on Preferred Stock.....	(3)
Proceeds on Fox Kids Europe N.V. public offering, net.....	
Cost accrued for Fox Kids Europe N.V. public offering.....	
Paydown on NAI Bridge loan.....	
Proceeds from Fox Subordinated Debt.....	2
Advances from related parties.....	11
Net cash provided by (used in) financing activities.....	(
Increase (decrease) in cash and cash equivalents.....	(3
Cash and cash equivalents at beginning of year.....	8
Cash and cash equivalents at end of year.....	\$ 4
Supplemental disclosure of cash flow information	
Cash paid during the year for:	
Interest (net of amounts capitalized).....	\$ 8
Income taxes.....	\$

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See accompanying notes.

102

FOX FAMILY WORLDWIDE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS--(Continued)

Supplemental disclosure of non-cash investing and financing activities

Year ended June 30, 2000

A related party contributed non-cash capital in the amount of \$17,940,000 in connection with the formation of an unconsolidated affiliate. Additionally, the unconsolidated affiliate assumed payables of \$20,000,000.

Shares of subsidiary ordinary shares were issued as settlement of a \$100,000,000 subscription advance.

See accompanying notes.

103

FOX FAMILY WORLDWIDE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001

1. Basis of Financial Statement Presentation and Organization

Fox Family Worldwide, Inc. ("Fox Family Worldwide" or the "Company") is an integrated global family and children's entertainment company that produces, broadcasts and distributes live-action and animated family and children's television programming. The Company's principal operations comprise (i) International Family Entertainment, Inc. ("IFE"), which operates the Fox Family Channel, one of the top 10 most widely distributed cable television networks in the United States and one which provides family-oriented entertainment programming reaching approximately 96% of all cable and satellite television households, (ii) the Fox Kids Network, one of the leading children's (ages 2-11) oriented broadcast television networks in the United States, and (iii) the Fox Kids International Networks, including Fox Kids Europe, N.V. ("FKE") and Fox Kids Latin America, Inc. ("FKLA"), a growing portfolio of Fox Kids branded cable and direct-to-home ("DTH") satellite channels reaching approximately 34.5 million households operating in approximately 73 countries and 16 languages worldwide. The Company's production and distribution operations include Saban Entertainment, Inc. ("Saban"), whose library of approximately 6,500 half-hours of completed and in-production children's programming is among the largest in the world (the "Fox Family Kids Library"), and certain other subsidiaries. By combining a widely distributed cable platform, a top-rated broadcast network, one of the world's largest children's programming libraries, and the Fox Kids branded international channels, the Company has the ability to manage family and children's properties and brands from their creation through production, distribution and the merchandising of related consumer products.

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Television production, distribution and broadcast are speculative and inherently risky. There can be no assurance of the economic success of television programming since the revenues derived from the production, distribution and broadcast (which do not necessarily bear a direct correlation to the production or distribution costs incurred) depend primarily upon its acceptance by the public, which cannot be predicted. The commercial success of programming also depends upon the quality and acceptance of other competing programming released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, all of which can change and cannot be predicted with certainty. The success of the Company's television programming also may be impacted by prevailing advertising rates, which are subject to fluctuation. Therefore, there is a risk that not all of the Company's television projects will be commercially successful, resulting in costs not being recouped or anticipated profits not being realized.

The financial statements of the Company as of and for the years ended June 30, 1999, 2000 and 2001 reflect the consolidated financial statements of Fox Family Worldwide and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

As permitted by Statement of Financial Accounting Standards ("SFAS") No. 53, "Financial Reporting by Producers and Distributors of Motion Pictures," the Company has presented an unclassified consolidated balance sheet.

The Reorganization

The Company was incorporated in August 1996 under Delaware law as a holding company of FCN Holding, Inc. ("FCN Holding") and Saban. Between August 1996 and August 1997, the Company conducted no business or operations. On August 1, 1997, in connection with the Company's acquisition of IFE (see Note 3), (i) a wholly owned indirect subsidiary of Fox Broadcasting Company ("Fox Broadcasting"), exchanged its capital stock in FCN Holding, which indirectly owns Fox Children's Network, Inc. ("FCN") for 7,920,000 shares of Class B Common Stock of the Company, (ii) the other stockholder of FCN Holding exchanged its capital stock in FCN Holding for an aggregate of 160,000 shares of Class A Common Stock of the Company, (iii) Haim Saban and the other former stockholders of Saban (together, the "Saban Stockholders") exchanged their capital stock of Saban for an aggregate of 7,920,000 shares of Class B Common Stock of the Company, and (iv) all outstanding management options to purchase Saban capital stock became options to purchase an aggregate of 646,548 shares of Class A Common Stock of the Company (together, the "Reorganization"). In addition, Fox Broadcasting exchanged its preferred, non-voting interest in Fox Kids Worldwide, L.L.C. (the "LLC") and its \$50 million contingent note receivable from the LLC for a new subordinated pay-in-kind note (the "Fox Subordinated Note") from the Company, which accrues interest at the rate of 10.427%.

104

In connection with the acquisition of IFE, the Company issued the NAI Bridge Note to News America Incorporated ("NAI") upon substantially the same terms and conditions as the Fox Subordinated Note. In addition, the Company issued to Liberty IFE, Inc. ("Liberty IFE") \$345,000,000 of Series A Mandatorily Redeemable Preferred Stock.

As part of the formation of the LLC, Saban, the Saban Stockholders, Fox Broadcasting, FCN Holding and one of its subsidiaries entered into a Strategic Stockholders Agreement dated December 22, 1995, which provided, among other things, for restrictions on transfer of the stock held by the parties, certain

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voting rights between them, as well as the terms of the Reorganization. The parties to the Strategic Stockholders Agreement also agreed to provide Haim Saban and the Saban Stockholders and Fox Broadcasting certain registration rights. On August 1, 1997, the Strategic Stockholders Agreement was amended and restated (the "Amended and Restated Strategic Stockholders Agreement") to add provisions regarding voting between Fox Broadcasting and the former Saban Stockholders.

As part of the Amended and Restated Strategic Stockholders Agreement, Haim Saban agreed with Fox Broadcasting Sub, Inc. ("FBSI"), a wholly owned indirect subsidiary of Fox Broadcasting, as follows: if the Company is unable to meet its obligations (i) to pay any dividend under the terms of the Series A Mandatorily Redeemable Preferred Stock or to redeem the Series A Mandatorily Redeemable Preferred Stock, (ii) under its lease of 10960 Wilshire Boulevard, Los Angeles, California, or any obligation guaranteed by The News Corporation Limited ("News Corp."), or (iii) under the Funding Agreement among News Corp., News Publishing Australia Limited ("NPAL"), a wholly owned subsidiary of News Corp., and the Company (the "Funding Agreement"), and either News Corp. or NPAL provides funds to the Company, the advance will be treated as a loan, or if Citibank, in its sole discretion as administrative agent under the Amended Credit Facility, determines it is unacceptable to treat the advance as a loan, the advance will be treated as preferred stock. To the extent the advance is treated as a loan and the amount exceeds \$50,000,000, if the advance is not repaid after 18 months (or 12 months for all advances after the third anniversary of the agreement), all or any portion of the advance in excess of \$50,000,000 may be converted into shares of Class B Common Stock. If FBSI elects to convert any portion of the advance into Class B Common Stock, Haim Saban will have the right to purchase from Fox Broadcasting up to 50% of the number of shares of Class B Common Stock issued pursuant to the conversion. If instead, the advance is treated as preferred stock, the first \$50,000,000 of the advance shall be applied to the issuance of shares of Series B Preferred Stock, and the remainder of the advance shall be applied to the issuance of Series C Convertible Preferred Stock, which is convertible into Class B Common Stock at the election of the holder. Each of the Series B and Series C Preferred Stock will have a liquidation preference equal to its issue price of \$100,000 per share. The Series B and Series C Preferred Stock will be entitled to dividends at an annual rate of 11.7% of its liquidation value. If Fox Broadcasting elects to convert the Series C Convertible Preferred Stock into Class B Common Stock, Haim Saban will have the right to purchase up to 50% of the number of shares of Class B Common Stock issued pursuant to the conversion. Notwithstanding the agreements, News Corp. has no obligation to make any advances, and the Company has no obligation to accept any amounts from News Corp.

In connection with the formation of the LLC and pursuant to a Stock Ownership Agreement dated December 22, 1995, as amended (the "Stock Ownership Agreement") the LLC was granted an option to purchase, upon the occurrence of certain events, all of the Class B Common Stock held by the Saban Stockholders, and any of their transferees. The purchase price formula under the option is based on the fair market value of the Company. In September 1996 the LLC distributed the Stock Ownership Agreement to FCN Holding, which immediately distributed that agreement to FBSI.

In addition, under the terms of the original Amended and Restated Strategic Stockholders Agreement, Haim Saban has the right and option to cause Fox Broadcasting to purchase all of the Class B Common Stock held by the Saban Stockholders, which option may be exercised by Haim Saban upon the occurrence of certain events. In connection with the "Change of Control" provisions of the Indentures that govern the Notes, and the "Change of Control" provisions of the Amended Credit Facility, the exercise of FBSI's option to purchase the Class B Common Stock held by the Saban Stockholders, or the exercise by Haim Saban of his option to cause Fox Broadcasting to purchase all of the Class B Common Stock held by the Saban Stockholders, would not constitute a "Change of Control."

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On December 21, 2000, Mr. Saban exercised the option to cause Fox Broadcasting to purchase all of the Class B Common Stock held by the Saban Stockholders in accordance with the terms of the Amended and Restated Strategic Stockholders Agreement. On January 17, 2001, FBSI delivered notice to Mr. Saban, stating that it had exercised the Call

105

Option (as defined in the Stock Ownership Agreement) under the Stock Ownership Agreement, to purchase such shares pursuant thereto. (See Note 14 - Subsequent Event.)

Pursuant to the Funding Agreement, each of News Corp. and NPAL, jointly and severally, agreed to provide the Company with the funds necessary to redeem in full or pay the liquidation distribution on all other amounts owing in respect of the Series A Preferred Stock in the event of an event of default under the provisions governing the Series A Preferred Stock contained in the Company's Certificate of Incorporation or a liquidation, dissolution or similar event of the Company. In addition, pursuant to an Exchange Agreement among NPAL, Liberty Media Corporation and Liberty IFE, each holder of the Series A Preferred Stock has the right, in the event of an event of default under the provisions governing the Series A Preferred Stock contained in the Company's Certificate of Incorporation or a liquidation, dissolution or similar event of the Company, to exchange its shares for an equivalent number of shares of preferred stock of NPAL.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements for the years ended June 30, 1999, 2000 and 2001 include the accounts of the Company and all of its majority-owned and controlled subsidiaries. The accounts of certain foreign subsidiaries were consolidated as of May 31 due to the time needed to consolidate these subsidiaries. No events occurred related to these foreign subsidiaries in June 1999, 2000 and 2001 that materially affected the Company's consolidated financial position or results of operations. The Company's investments in related companies which represent a 20% to 50% ownership interest over which the Company has significant influence but not control are accounted for using the equity method. All significant intercompany transactions and balances have been eliminated.

Revenue Recognition

Revenue from television, music, and merchandising lease agreements, which provide for the receipt by the Company of nonrefundable guaranteed amounts, is recognized when the lease period begins, collectibility is reasonably assured and the product is available pursuant to the terms of the lease agreement. Amounts in excess of minimum guarantees under these lease agreements are recognized when earned. Amounts received in advance of recognition of revenue are recorded as deferred revenues. Advertising revenue is recognized as earned in the period in which the advertising commercials are telecast. The Company generally provides advertisers with guaranteed ratings in connection with its domestic network broadcasts. Revenue is recorded net of estimated shortfalls, which are settled either by additional advertising time ("make goods") or cash refunds to the advertiser. Subscriber revenue is recognized based upon the reported level of subscribers.

Production and Programming Costs

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Programming costs, consisting of direct production costs, acquisition of story rights, costs to acquire distribution rights, allocable production overhead, interest and exploitation costs which are expected to benefit future periods are capitalized as incurred. The individual film forecast method is used to amortize programming costs in which the Company owns or controls distribution rights. Under such method, costs accumulated in the production of a program are amortized in the proportion that gross revenues realized bear to management's estimate of the total gross revenues expected to be received. Estimated liabilities for residuals and participations are accrued and expensed in the same manner as programming cost inventories are amortized.

For programs in which the Company acquires only broadcast rights, the Company amortizes such program costs over the estimated number of telecasts. The Company evaluates its programming rights for possible changes in the estimated number of telecasts or the possibility of impairment.

106

Revenue estimates on a program-by-program basis are reviewed periodically by management and are revised, if warranted, based upon management's appraisal of current market conditions. Based on this review, if estimated future gross revenues from a program are not sufficient to recover the unamortized costs, the unamortized programming cost will be written down to net realizable value.

Production and programming costs also include the use of satellite transponders and costs associated with engineering and technical support services.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of temporary cash investments and accounts receivables. The Company places its temporary cash investments with high credit quality financial institutions or in a mutual fund which invests in government securities and therefore are subject to reduced risk. The Company has not incurred any losses relating to these investments.

The Company leases its product to distributors and broadcasters and sells advertising time throughout the world. The Company performs periodic credit evaluations of its customers' condition and generally does not require collateral. Generally, payment is received in full or in part prior to the Company's release of product to such distributors and broadcasters. At June 30, 2000 and June 30, 2001, substantially all of the Company's trade receivables were from customers in the entertainment or broadcast industries or from advertising agencies. Receivables generally are due within 30 days. Credit losses relating to customers in the entertainment and broadcast industries or advertising agencies consistently have been within management's expectations.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments that are both readily convertible into cash and with maturities when purchased of three months or less to be cash equivalents.

Restricted Cash

Restricted cash primarily represents amounts held by financial institutions as collateral on outstanding debt.

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Financial Instruments

Financial instruments are carried at historical cost which approximate fair value.

Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation and amortization. Property and equipment acquired as part of the acquisition of IFE is stated at estimated fair market value at the date of purchase. Depreciation of property and equipment is computed under the straight-line method over the expected useful lives of applicable assets, ranging from three to eight years. Leasehold improvements are amortized under the straight-line method over the shorter of the estimated useful lives of the assets or the terms of the related leases. When property is sold or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts, and any resulting gain or loss is included in operating income (loss). The costs of normal maintenance, repairs and minor replacements are charged to expense when incurred.

Intangible Assets, net

The intangible assets resulting from the acquisition of IFE are amortized over an estimated useful life of 40 years using the straight-line method. Management continuously monitors and evaluates the realizability of existing assets, to determine whether their carrying values have been impaired. In evaluating the value and future benefits of existing assets, their carrying value is compared to management's best estimate of undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. Management also considers events or changes in circumstances, such as changes in the number of subscribers, which indicates that assets may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount

107

by which the carrying value of the assets exceeds the estimated fair value of the assets. Estimated fair value will be based on either reliably determined third-party valuations, if available, or discounted cash flows. When discounting cash flows, a discount rate will be selected which will be commensurate with the risk involved as it relates to IFE. As of June 30, 2001, there are no indications of impairment as it relates to the intangible assets.

Accumulated amortization of intangibles as of June 30, 2000 and 2001 was \$118,513,000 and \$159,035,000, respectively. For the year ended June 30, 2000, intangible assets related to the IFE acquisition were reduced by \$18,141,000 due to the utilization of certain tax assets not benefited at the acquisition date.

Debt Issuance Costs

Included within other assets, net, are debt issuance costs and deferred loan fees incurred in connection with the issuance of the Senior Notes, the Senior Discount Notes and the Amended Credit Facility (see Note 6). Such costs and fees are being amortized over the term of the debt using the straight-line method, which approximates the effective interest method. Accumulated amortization of debt issuance costs and deferred loan fees was \$8,956,000 and \$12,225,000 as of June 30, 2000 and 2001, respectively.

Foreign Currency Translation and Cumulative Adjustment

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Saban International N.V. (SINV), which is deemed to be a wholly-owned subsidiary of the Company, uses the U.S. dollar as its functional currency. All other foreign subsidiaries of the Company use local currency as their functional currency. Assets and liabilities are translated into U.S. dollars at current exchange rates. Revenues and expenses are translated into U.S. dollars based generally on the average rates prevailing during the period.

Gains and losses arising from foreign currency transactions are included in determining net income (loss) for the period. The aggregate transaction losses for the years ended June 30, 1999, 2000 and 2001, were \$1,596,000, \$5,575,000 and \$4,584,000, respectively, and are generally netted against the related revenues.

The cumulative translation adjustment included in accumulated other comprehensive loss in stockholders' deficit represents the Company's net unrealized exchange losses on the translation of foreign subsidiaries' financial statements.

Income Taxes

In accordance with SFAS No. 109 "Accounting for Income Taxes," deferred tax assets and liabilities are recognized with respect to the tax consequences attributable to differences between the financial statement carrying values and tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. Further, the effect on deferred tax assets and liabilities of changes in tax rates is recognized in income in the period that included the enactment date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes including amortization of programming costs. Actual results could differ from those estimates. Management periodically reviews and revises its estimates of future airings and revenues, as necessary, which may result in revised amortization of its programming costs. Results of operations may be significantly affected by such periodic adjustments in amortization.

Stock-Based Compensation

The Company accounts for its stock compensation arrangements with employees under the provisions of Accounting Principles Board ("APB") No. 25, "Accounting for Stock Issued to Employees." As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price.

108

SFAS No. 123, "Accounting for Stock-Based Compensation," requires entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant or allows entities to continue to apply the provisions of APB No. 25 and provide pro forma disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB No. 25 and provide the pro forma disclosure provisions of SFAS No. 123 (see Note 12).

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Reclassifications

Certain reclassifications have been made to prior years' financial statements to conform with fiscal 2001 presentation.

New Accounting Pronouncements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 clarifies certain existing accounting principles for the recognition and classification of revenues in financial statements. The new rules resulted in some changes as to how the filmed entertainment industry classifies its revenue, particularly relating to distribution arrangements for third-party and co-financed joint ventures product, but it does not result in any changes to net income. The Company adopted SAB 101 during the first quarter of fiscal 2001. SAB 101 has had no material effect on the Company's consolidated financial statements.

In January 2000, EITF 99-17, "Accounting for Advertising Barter Transactions" was issued. EITF 99-17 requires that revenues and expenses related to advertising barter transactions be recognized at fair value only if the fair value of the advertising surrendered in the transaction is determinable based on the entity's own historical practice of receiving cash, marketable securities, or other consideration that is readily convertible to a known amount of cash for similar advertising from buyers unrelated to the counterparty in the barter transaction. This EITF has had no material impact on the financial position or operating results of the Company.

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued by the Financial Accounting Standards Board ("FASB"). SFAS No. 133 was subsequently amended by SFAS No. 137, which had the effect of deferring the date of its effectiveness. In March 2000, SFAS No. 133 was also amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Hedging Activities - An Amendment to FASB Statement No. 133," which amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and hedging activities. SFAS No. 133 and 138 establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133 and 138 are effective for fiscal periods beginning after June 15, 2000. The Company adopted SFAS No. 133 and 138 as of July 1, 2000, which had no material effect on the consolidated financial statements.

In June 2000, the FASB issued SFAS No. 139, which, effective for financial statements for fiscal years beginning after December 15, 2000, rescinds FASB No. 53. The companies that were previously subject to the requirements of SFAS No. 53 are now required to follow the guidance of Statement of Position 00-2, "Accounting by Producers and Distributors of Films" ("SOP 00-2"), issued by the American Institute of Certified Public Accountants. SOP 00-2 requires that advertising and other exploitation costs for theatrical and television product be expensed as incurred. This compares to the Company's existing policy of capitalizing and then expensing advertising cost for theatrical and television product over the related revenue streams, as prescribed under SFAS No. 53. In addition, SOP 00-2 requires development costs for abandoned projects after three years and certain indirect overhead costs to be charged directly to expense, instead of those costs being capitalized to programming costs, which currently is required under the existing accounting standard. The Company will also be required to classify film additions to operating activities in the statements of cash flow as opposed to the Company's current policy of including these as investing activities. SOP 00-2 is effective for financial statements for fiscal years beginning after December 15, 2000. The Company plans to adopt SOP 00-2 during the first quarter of fiscal 2002. Based on the Company's estimates at

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this time, the effect of adopting SOP 00-2 will result in a one-time, non-cash, pre-tax charge as a cumulative effect of accounting change in the range of approximately \$55 million to \$60 million.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations." This statement has eliminated the flexibility to account for some mergers and acquisitions as pooling of interests, and is effective as of July 1, 2001, all business combinations are to be accounted for using the purchase method. The Company will adopt SFAS No. 141 as

109

of July 1, 2001, and the impact of such adoption is not anticipated to have a material impact on the Company's financial statements.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." Under this statement goodwill and intangible assets with indefinite lives are no longer subject to amortization, but rather an annual assessment of impairment by applying a fair-value-based test. The Company will implement SFAS No. 142 on July 1, 2002. The impact of such adoption has not been determined.

3. Acquisition of International Family Entertainment, Inc.

On August 1, 1997, the Company acquired a 50.7% interest in IFE through the purchase, for \$35 per share, of the stock owned by M.G. "Pat" Robertson, Tim Robertson and certain trusts of which they are trustees, The Christian Broadcasting Network, Inc. ("CBN") and Regent University (together, the "Privately Owned Shares") and Liberty IFE exchanged of all of the IFE stock owned by it and \$23,000,000 principal amount of 6% Convertible Secured Notes due 2004 of IFE (the "Convertible Notes") (which have since been retired) for shares of Series A Mandatorily Redeemable Preferred Stock of the Company (the "IFE Acquisition"). On September 4, 1997, the Company consummated a merger to acquire the remaining shares of IFE from the public shareholders. Total consideration for the IFE Acquisition was approximately \$1.9 billion including assumption of liabilities. The Company paid approximately \$545,000,000 for the Privately Owned Shares and issued \$345,000,000 of its Series A Mandatorily Redeemable Preferred Stock to Liberty IFE as payment for the IFE stock and the Convertible Notes. The balance of the consideration was paid to acquire the publicly traded shares through the merger, to cash out existing options, to acquire shares of IFE stock held by IFE senior executives and employees, and to assume IFE's existing bank debt, which has since been retired.

When IFE was acquired, the Company had plans to relocate IFE to California and consolidate certain other operations of IFE and therefore recorded severance and related reserves of \$36,500,000 of which \$3,147,000, payable to former IFE employees, remains as of June 30, 2001. The Company made severance and related payments of \$8,873,000 for the year ended June 30, 1999, \$2,713,000 for the year ended June 30, 2000 and \$1,917,000 for the year ended June 30, 2001. Severance amounts are being paid monthly to certain former employees of IFE through fiscal 2006. The Company also recorded litigation and other related accruals of \$4,800,000, of which \$2,444,000 remains as of June 30, 2001. The Company made litigation and other related payments of \$1,139,000 and \$331,000 in the years ended June 30, 2000 and 2001, respectively. Legal matters pertaining to IFE which existed prior to the acquisition are being charged against the accrual until resolution of such matters.

4. Programming Costs, net

Programming costs, net of accumulated amortization, are comprised of the following as of June 30, (in thousands):

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	----- Cost -----	2000 ----- Accumu Amorti -----
Children's programming.....	\$ 1,446,229	\$ 1,
Family programming, movies and mini-series.....	805,078	
Projects in production.....	44,818	
Development.....	7,718	
	-----	-----
	\$ 2,303,843	\$ 1,
	=====	=====

110

	----- Cost -----	200 ----- Accum Amort -----
Children's programming.....	\$ 1,710,678	\$ 1
Family programming, movies and mini-series.....	840,846	
Projects in production.....	41,325	
Development.....	15,871	
	-----	-----
	\$ 2,608,720	\$ 1
	=====	=====

Future minimum program commitments as of June 30, 2001 are approximately \$303 million.

As of June 30, 2001 the Company estimates that approximately 71% of released unamortized programming costs will be amortized within the next three years. Interest amounting to \$3,128,000, \$2,253,000 and \$5,759,000 was capitalized to programming costs for the years ended June 30, 1999, 2000 and 2001, respectively. Capitalized depreciation expense for the years ended June 30, 1999, 2000 and 2001 amounted to \$4,020,000, \$3,595,000 and \$3,048,000, respectively.

5. Property and Equipment, net

Property and equipment is comprised of the following as of June 30, (in thousands):

	----- 2000 -----
Studio and other equipment.....	\$ 28
Satellite transponders.....	39

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Office furniture and fixtures.....	18
Leasehold improvements.....	9
Other.....	2

	98
Less accumulated depreciation and amortization.....	(46)

	\$ 51
	=====

6. Bank and Other Debt

Bank and other debt is comprised of the following as of June 30, (in thousands):

Senior Notes.....	\$
Senior Discount Notes, net of unamortized discount of \$130,242 and \$77,049 at June 30, 2000 and 2001, respectively.....	
NAI Bridge Note.....	
Fox Subordinated Notes.....	
Citicorp USA, secured revolving line of credit; interest at prime rate (9.5% and 6.75% at June 30, 2000 and 2001, respectively) or six month LIBOR (6.94% and 3.71% at June 30, 2000 and 2001, respectively) plus 0.75%; maximum borrowings of \$355,000.....	
Citicorp USA; secured term loan facility; interest at prime rate (9.5% and 6.75% at June 30, 2000 and 2001, respectively) or six month LIBOR (6.94% and 3.71% at June 30, 2000 and 2001, respectively) plus 0.75%; maximum borrowings of \$120,000....	
Secured lines of credit with varying due dates between December 12, 2001 and November 30, 2002; maximum borrowing availability \$10,578 at June 30, 2001; varying interest rates between 4.25% and 5.5%.....	

	\$
	=====

111

Payments of bank and other debt in future periods are as follows (in thousands):

Year ending June 30,	

2002.....	\$ 74,386
2003.....	98,710
2004.....	239,688
2005.....	72,124
Thereafter.....	1,383,639

	\$1,868,547
	=====

In August 1997, the Company, FCN Holding, Saban and IFE entered into a credit facility ("Old Credit Facility") with a group of banks led by Citicorp in the amount of \$1.25 billion. The Old Credit Facility comprised a \$602,000,000

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seven-year secured reducing revolving credit facility, a \$298,000,000 seven-year secured reducing revolving credit facility and a \$350,000,000 nine-year secured term loan facility.

The proceeds of the loans under the old Credit Facility were used to finance, in part, the IFE Acquisition and to repay certain obligations of subsidiaries of the Company.

In October 1997, upon consummation of the Company's Offering, the Old Credit Facility was amended (the "Amended Credit Facility") to provide a \$355,000,000 seven-year term loan, subsequently reduced to \$120,000,000 as of June 30, 2001, and a \$355,000,000 seven-year reducing revolving credit facility. The Company is not a borrower under the Amended Credit Facility but is a guarantor. A wholly-owned subsidiary of the Company, Fox Kids Holdings, LLC, was created by the Company to hold the equity interests of FCN Holding, Saban and IFE (which remained borrowers) and guarantee the Amended Credit Facility. Subsequently, two additional subsidiaries of Fox Kids Holdings, LLC were formed, Fox Family Properties, Inc. and Fox Family Management, LLC, which are also borrowers under the Amended Credit Facility.

The collateral for the Amended Credit Facility is limited to the equity interests of Fox Kids Holdings, LLC, the borrowers and their subsidiaries (subject to certain limitations for foreign and less than wholly owned subsidiaries) and certain intercompany indebtedness of subsidiaries of Fox Kids Holdings, LLC. Scheduled payments on the term loan began December 30, 2000, with 10% of the term loan being reduced in year 3 of the loan, 20% in each of years 4 and 5 and 25% in each of years 6 and 7. Scheduled quarterly reductions to the revolving credit commitment will begin December 28, 2001, with 15% of the commitment being reduced in each of years 5 and 6 and 70% in year 7.

The borrowings under the Amended Credit Facility bear interest at the Company's option at a rate per annum equal to either LIBOR plus an applicable interest rate margin or the base rate. In addition, the Company pays a commitment fee on the unused and available amounts under the Amended Credit Facility.

The Amended Credit Facility contains a number of significant covenants that, among other things, limit the ability of the co-borrowers and their respective subsidiaries to incur additional indebtedness, create liens and other encumbrances, prepay indebtedness, sell assets, make certain payments and investments, make distributions to owners and repurchase debt and equity. In addition, the Amended Credit Facility requires the maintenance of certain specified financial and operating covenants, including, without limitation, capital expenditure limitations and ratios of earnings before interest expense, taxes, depreciation and amortization of intangible assets ("EBITDA") to fixed charges, total debt to EBITDA and EBITDA to interest expense. The Amended Credit Facility also contains representations, warranties, covenants, conditions and events of default customary for senior credit facilities of similar size and nature. (See Note 14 - Subsequent Event.)

On October 28, 1997, the Company issued \$475,000,000 aggregate principal amount of 9-1/4% Senior Notes Due 2007 ("Senior Notes") and \$618,670,000 aggregate principal amount at maturity of 10-1/4% Senior Discount Notes Due 2007 ("Senior Discount Notes" and collectively the "Notes") in a transaction not registered under the Securities Act in reliance upon an exemption from the registration requirements of the Securities Act. Gross proceeds from the offering amounted to \$850,000,000. The discount on the Senior Discount Notes is being accreted under the effective interest method.

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Cash interest on the Senior Notes is payable semi-annually in arrears on each May 1 and November 1, commencing May 1, 1998. Cash interest will not accrue or be payable on the Senior Discount Notes prior to November 1, 2002. Thereafter, cash interest on the Senior Discount Notes will be payable semi-annually in arrears on each May 1 and November 1, commencing on May 1, 2003. However, at any time prior to November 1, 2002, the Company may elect (the "Cash Interest Election") on any interest payment date (the date of such Cash Interest Election, the "Cash Interest Election Date") to commence the accrual of cash interest from and after the Cash Interest Election Date, in which case the principal amount at maturity of each Senior Discount Note will on such interest payment date be reduced to the accreted value of such Senior Discount Note as of such interest payment date, and cash interest (accruing at a rate of 10- 1/4% per annum from the Cash Interest Election Date) shall be payable with respect to such Senior Discount Note on each interest payment date thereafter.

The Senior Notes will be redeemable at the option of the Company, in whole or in part, at any time on or after November 1, 2002, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period beginning on November 1 of the years indicated below:

Year ----	Redemption Price -----
2002.....	104.63%
2003.....	103.08%
2004.....	101.54%
2005 and thereafter.....	100.00%

The Senior Discount Notes will be redeemable at the option of the Company, in whole or in part, at any time on or after November 1, 2002, at the redemption prices (expressed as a percentage of principal amount at maturity) set forth below, plus accrued and unpaid interest thereon, if any, to the redemption date, if redeemed during the 12-month period beginning on November 1 of the years indicated below:

Year ----	Redemption Price -----
2002.....	105.13%
2003.....	103.42%
2004.....	101.71%
2005 and thereafter.....	100.00%

Upon the occurrence of a change of control, the Company shall be obligated to make an offer to purchase (a "Change of Control Offer"), on a business day (the "Change of Control Purchase Date") not more than 60 nor less than 30 days following the occurrence of the change of control, all of the then outstanding Notes tendered at a purchase price in cash (the "Change of Control Purchase Price") equal to (x) with respect to the Senior Notes, 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Change of Control Purchase Date and (y) with respect to the Senior Discount Notes, 101% of the accreted value on the Change of Control Purchase Date, unless the Change of Control Purchase Date is on or after the earlier to occur of November 1, 2002 and the Cash Interest Election Date, in which case such Change of Control Purchase Price shall be equal to 101% of the aggregate principal amount at maturity thereof, plus accrued and unpaid interest thereon, if any, to the Change of Control Purchase Date. The Company shall be required to purchase all Notes tendered into the Change of Control Offer and not withdrawn. The Change of Control Offer is required to remain open for at least 20 business days and until

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the close of business on the Change of Control Purchase Date. The closing of the Disney Acquisition would result in a "Change of Control" under the Indentures that govern the Notes (See Note 14 - Subsequent Event).

The Notes will be senior unsecured obligations of the Company and will rank senior in right of payment to all future subordinated indebtedness of the Company. Claims of the holders of the Notes will effectively be subordinated to the claims of creditors of the Company's subsidiaries, including the banks under the Bank Facility.

The Company is subject to certain covenants in connection with the issuance of the Notes which include for example limitation on indebtedness, restricted payments, liens, dividends, transactions with affiliates and disposition of assets. The Company was in compliance with these covenants at June 30, 1999, 2000 and 2001.

113

The initial Fox Subordinated Note was restated on May 19, 1998 and accretes interest at the rate of 10.427% and is due on May 1, 2008. Two additional Fox Subordinated Notes in the amounts of \$25 million and \$15 million were issued in June 1999 and September 1999, respectively, and accrete interest at the rate of 20% and are due on June 28, 2009 and September 27, 2009, respectively. The payment of principal and interest under the Fox Subordinated Notes is subordinated in right to the obligations of the Company and its subsidiaries under the Amended Credit Facility and the Indentures. (See Note 14 - Subsequent Event.)

On August 29, 1997, in connection with the acquisition of IFE, the Company issued the NAI Bridge Note to NAI upon substantially the same terms and conditions as the Fox Subordinated Note, except that the NAI Bridge Note has a principal amount of \$345,500,000. The NAI Bridge Note was restated on May 19, 1998 to reflect a change in the interest rate, effective as of the date of issuance. As restated, the NAI Bridge Note accretes interest at a rate of approximately 10.427% per annum. The Company may repay the NAI Bridge Note in whole or in part, subject to the terms of the Amended Credit Facility and the Indentures. The payment of principal and interest under the NAI Bridge Note will be subordinated in right to the obligations of the Company under the Amended Credit Facility and the Indentures. In October 1997, a \$215 million paydown was made to the NAI Bridge Note in connection with the issuance of the Senior Notes and Senior Discount Notes. (See Note 14 - Subsequent Event.)

7. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows as of June 30, (in thousands):

	2000	2001
	-----	-----
Deferred tax liabilities:		
Accounts receivable.....	\$ 127	\$ 477
Property and equipment.....	5,108	6,723
Contract discount.....	1,042	407
Other.....	8,611	9,984

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Total deferred tax liabilities.....	14,888	17,591
Deferred tax assets:		
Deferred revenues.....	1,550	264
Programming costs.....	10,160	5,081
Accrued liabilities.....	19,487	19,057
Loss carryforwards.....	123,467	174,090
Other.....	2,483	3,212
Total deferred tax assets.....	157,147	201,704
Valuation allowance for deferred tax assets....	(157,147)	(198,476)
Deferred tax assets.....	--	3,228
Net deferred tax (liabilities).....	\$ (14,888)	\$ (14,363)

The Company currently has approximately \$354,000,000 of operating loss carryforwards which will expire at various dates through June 30, 2021. Approximately \$63,600,000 of the operating loss carryforwards are separate return year losses. As such federal and state income tax law and regulations might limit utilization.

Management has determined that as of June 30, 2001, \$198,476,000 of deferred tax assets do not satisfy the recognition criteria set forth in SFAS No. 109. Accordingly, a valuation allowance has been recorded for this amount. Approximately \$56,658,000 of the prior year valuation allowance relates to deferred tax assets acquired in the IFE acquisition. (See Note 3). For the year ended June 30, 2000, the Company realized the benefit of \$18,140,000 of these deferred tax assets for which the benefit was recorded as a reduction to goodwill. As of June 30, 2001, approximately \$38,518,000 of the valuation allowance relates to the remaining deferred tax assets acquired in the IFE transaction. Accordingly, goodwill will be reduced at such time as these deferred tax assets are realized.

114

Income before income taxes includes the following components (in thousands):

	Years En
	1999
Pretax income (loss):	
United States.....	\$ (86,202)
Foreign.....	21,792
	\$ (64,410)

Significant components of the provision for income taxes are as

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follows (in thousands):

	----- 1999 -----	----- Yea -----
Current:		
Federal.....	\$ --	\$
State.....	500	
Foreign.....	1,489	
	-----	-----
	1,989	
Deferred:		
Federal.....	--	
State.....	--	
Foreign.....	--	
	-----	-----
	--	
	-----	-----
	\$ 1,989	\$
	=====	=====

The reconciliation of income tax computed at the U.S. federal statutory tax rates to the provision for income taxes:

	----- 1999 -----	----- Years End -----
Tax at U.S. statutory rates.....	(35)%	
State taxes, net of federal benefit.....	(4)	
Foreign income/transactions.....	(10)	
Subsidiary disposition.....	--	
U.S. operating loss for which no federal and state benefit was derived.....	26	
Change in valuation allowance.....	--	
Non-deductible amortization of intangibles.....	24	
Other.....	2	
	-----	-----
	3%	
	=====	=====

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$399,263,000 at June 30, 2001. Those earnings are considered to be indefinitely reinvested and, accordingly, no provision for U.S. federal and state income taxes has been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credit carryforwards would be available to reduce some portion of the U.S. liability. It is possible that the Internal

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Revenue Service could under certain theories attempt to tax the foreign subsidiaries' income. Currently, management of the Company believe that any such theories would be without merit.

115

8. Commitments and Contingencies

Leases

In July 1995, the Company entered into a ten-year lease commencing on April 1, 1996 for office space in Los Angeles, California subject to two separate five year extension options. The lease provides for early termination at the end of the eighth year upon payment of a termination fee. The lease calls for monthly payments plus maintenance and property tax payments. The Company also leases other facilities throughout the world on an as needed basis expiring at various dates.

Noncancellable future minimum payments for the remainder of the initial, noncancellable lease periods are as follows (in thousands):

Years ending June 30, -----	
2002.....	\$13,531
2003.....	12,472
2004.....	11,376
2005.....	11,306
2006.....	8,983
Thereafter.....	5,411

	\$63,079
	=====

Rent expense for the years ended June 30, 1999, 2000 and 2001, net of amounts capitalized, was approximately \$6,392,000, \$7,119,000 and \$7,667,000, respectively.

Legal Matters

The Company is involved in various lawsuits, both as a plaintiff and defendant, in the ordinary course of its business. Based on an evaluation which included consultation with counsel concerning legal and factual issues involved, management is of the opinion that the foregoing claims and lawsuits will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Employment Agreements

The Company has entered into employment agreements with certain key members of management. Such agreements are for terms originally ranging from one to six and one-half years and generally include bonus provisions. Future minimum payments under these agreements approximate \$41,365,000, of which \$30,278,000 is due in 2002, \$9,489,000 is due in 2003 and \$1,598,000 is due in 2004.

9. Profit Sharing Plan

The Company has a qualified tax deferred profit sharing plan (the "Plan") for all of its eligible employees. Under the Plan, employees become eligible on the first January 1 following such employees' completion of six months of service with the Company. Each participant is permitted to make voluntary

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contributions, not to exceed 15% of his or her respective compensation and the applicable statutory limitations, which are immediately vested. The Company, at the discretion of the Board of Directors, may make matching contributions to the Plan. Related expense for the years ended June 30, 1999, 2000 and 2001, was approximately \$448,000, \$343,000 and \$384,000, respectively.

IFE had a 401(k) retirement savings plan (the "401(k) Plan") which covered the majority of its employees. Subject to certain limitations, employees were permitted to contribute up to 15% of their compensation to the 401(k) Plan. IFE's contribution to the 401(k) Plan was discretionary as determined annually by the Company's Board of Directors. As of January 1, 1999, the 401(k) Plan was terminated and the participating employee contributions were transferred to the Company's Plan.

116

10. Other Related Party Transactions

The following amounts are included within the consolidated statements of operations and balance sheets in relation to related party transactions (in thousands):

	Years

	1999

Consolidated Statements of Operations	
Revenues.....	\$106,205
Production and programming costs(1).....	7,179
Selling, general and administrative expenses.....	9,090
Interest expense, net.....	24,642

	200

Consolidated Balance Sheets	
Amounts receivable from related parties, net.....	\$
Accounts payable.....	
Accrued liabilities.....	
Deferred revenues.....	
NAI Bridge Note.....	1
Fox Subordinated Notes.....	1
Amounts payable to related parties, net.....	

(1) Includes satellite transponder, engineering and technical support costs.

Amounts receivable from related parties include advances of \$5,631,000 and \$5,578,000 at June 30, 2000 and 2001, respectively, to certain non-stockholder officers and directors of the Company.

Related companies of Fox Broadcasting have funded certain of the operations

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of the Company from its inception through loans to the Company and have collected funds related to the Company's advertising sales receivables. Amounts due to the related companies of Fox Broadcasting in connection therewith, including interest, totaled \$70,724,000 at June 30, 2001. Amounts due from related companies of Fox Broadcasting totaled \$98,662,000 at June 30, 2001.

The Company broadcasts Fox Kids U.K., a cable and satellite channel via a digital transponder. The channel is distributed as part of British Sky Broadcasting Group, plc's ("BSkyB") Sky Multichannels DTH package. News Corp. holds an approximately 36% interest in BSKyB, a public company, as of June 30, 2001. As part of its agreement with BSKyB, the Company acquired, for approximately \$3,100,000, certain of BSKyB's United Kingdom license rights to children's programming which had been previously acquired by BSKyB. Additionally, the Company entered into an analog transponder sublease agreement with BSKyB which expired February 1, 2001, requiring a financial commitment of approximately \$28,000,000. A five-year digital transponder and uplink sublease agreement, commenced in late 1998 and expires October 19, 2004, requiring a future financial commitment of approximately \$3,300,000, subject to annual cost of living increases. In addition, BSKyB provides support services for the Company for a fee equal to 15% of net revenue, as defined in the agreement.

The Company broadcasts FKLA, a Fox Kids branded pan-regional Latin American channel. The Company has entered into a cost sharing arrangement for employees and service support in connection with the operation of the channel with Canal Fox, a related party. The Company believes that such arrangement for employees and service support are at rates which approximate fair market value.

Foxtel, an Australian-based cable and satellite television service, has carried a Fox Kids Network children's channel segment since 1994 under a license agreement between Foxtel and an affiliate of Fox Broadcasting. This license was assigned to the Company. Foxtel is owned and operated by Telstra, the Australian telephone company; News Corp.; and Publishing and Broadcasting Limited.

117

In connection with Haim Saban's employment agreement, the Company agreed to reimburse Haim Saban for all out-of-pocket costs and expenses for domestic and international travel, including private air charter which may include aircraft owned directly or indirectly by Haim Saban. The Company has entered into a contract with 5161 Corporation ("5161"), a corporation wholly owned by Haim Saban, the Chief Executive Officer of the Company, for a minimum of fifty charter hours during a twelve month period. For the twelve months ended June 30, 1999, 2000 and 2001, the Company has paid approximately \$722,000, \$552,000 and \$862,000, respectively, for such costs.

The Company is party to a music services agreement (the "Music Agreement") with 5161. Under the terms of the Music Agreement, the Company acquires substantially all of the original theme music, underscores, cues and songs it uses in programming produced by the Company from 5161. In addition, the Company has the royalty-free right to use the compositions in articles of merchandise such as home video units, video games and interactive toys and has been granted the non-exclusive, worldwide, and perpetual license to use the music to (i) synchronize and perform compositions in theatrical motion pictures and (ii) synchronize compositions in all other forms of programming.

The rights for the territory of Israel in programming produced or acquired by the Company are transferred to Duveen Trading Ltd. (Distributor), a corporation affiliated with Haim Saban's brother. The term of the agreement has been orally extended through December 31, 2001.

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The Company creates and owns all rights, titles and interests in master recordings of compositions for use in the Company's programming, and the Company owns the proceeds derived from all forms of exploitation thereof. In consideration for providing the compositions to the Company, 5161 is entitled to receive all publishing income derived from the exploitation of all music compositions. 5161 reimburses the Company for certain costs associated with the creation of the compositions, which amounted to \$301,000, \$397,000 and \$285,000, respectively, for the years ended June 30, 1999, 2000 and 2001. At June 30, 2000 and 2001, approximately \$316,000 and \$2,000, respectively, was owed to 5161 by the Company in connection with royalties collected by the Company on behalf of 5161.

The Company utilizes the legal services of Matthew Krane, a director of the Company since January 2000. Mr. Krane was paid approximately \$145,000 for such services for the year ended June 30, 2001.

The Company is party to a distribution agreement with Fox Family Films, Inc. ("Distributor") for "Turbo: A Power Rangers Movie," which was released theatrically in the United States in Spring 1997 and in home video in late Summer 1997. Distributor holds in perpetuity worldwide theatrical, non-theatrical, home video, and television rights in the movie (except for the territories of Japan and certain Asian territories and Israel). The Company holds the copyright as well as certain rights including merchandising, television series, stage, publication, radio, theme park and touring, music publishing and soundtrack. Commercial tie-in rights are mutually controlled by the Company and Distributor. The Company will receive 100% of gross receipts after certain distribution fees and expenses are deducted, based upon a formula set forth in the agreement.

In April 1998, the Company sold its ownership interest in Fit TV and certain other assets to Fox/Liberty Networks, LLC, a joint venture between News Corp. and Liberty Media Corporation, for \$15,000,000. The Company acquired Fit TV in August 1997 as part of the IFE Acquisition.

In January 1997, the Company obtained from Fox Television ("Fox Television"), a division of Fox, Inc., distribution rights to the New World Communications Group, Inc. ("New World") animation library of children's programming, which Fox Television acquired as part of its purchase of New World. In July 1998, the Company acquired the New World animation library from Fox Television for approximately \$14.1 million.

The Company entered into a long-term license agreement effective October 1, 1997 with Twentieth Century Fox Film Corp. ("Twentieth Century Fox"), pursuant to which Twentieth Century Fox will distribute certain products in the Company's programming library. In February 2001, Twentieth Century Fox exercised an option to acquire a portion of the film library covered by the long-term license agreement. In June 2001, Twentieth Century Fox acquired the remaining portion. The Company recognized revenue on the sale in the amount of \$80,800,000 for the fiscal year ended June 30, 2001. Included in amounts receivable from related parties at June 30, 2001 are two promissory notes totaling \$59,672,000 (including interest). These promissory notes earn interest at 10.31% and are payable in annual installments.

118

Pursuant to a Guaranty of Lease entered into on August 1, 1997 and amended as of July 26, 2000 (the "Guaranty"), News Corp. and NPAL have guaranteed certain of the Company's obligations under the lease of its corporate headquarters. Under the Guaranty, News Corp. and NPAL are liable, jointly and severally, for any amounts not paid by the Company. News Corp.'s and NPAL's

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aggregate liability under the Guaranty is limited to approximately \$6.6 million, to be reduced annually over two years on a straight-line basis.

In May 1996, the Company entered into an agreement with Fox Video (the "Fox Video Agreement") for the production and distribution of a live-action feature film for the home video market based upon the animated character of Casper (the "Film") which was released by Fox Video in the United States on September 9, 1997. The Company and Fox Video each contributed one-half of the production costs of the Film subject to the rights of both parties to recoup certain of these costs. The Company and Fox Video will share the television net income 55% and 45%, respectively, and the home video net income 45% and 55%, respectively, subject to the participation rights of the Harvey Entertainment Company ("Harvey"), which holds the copyright to Casper.

The Company entered into an agreement in principle with Fox Video for the production and distribution of, a second live-action feature film (Casper Meets Wendy) for the home video market released in fiscal 1999. Saban and Fox Video each contributed one-half of the production costs subject to the rights of both parties to recoup certain of these costs. The Company and Fox Video will share the combined television, non-theatrical, airline, and home video receipts equally, subject to the participation rights of Harvey.

In August 1996, Fox Video and the Company entered into a Home Video Rights Acquisition Agreement pursuant to which the Company granted to Fox Video the exclusive home video rights to distribute English and Spanish language versions throughout the United States and to distribute English language versions throughout Canada of certain of its programs, all television programs produced for children and owned or controlled by the Company or FCN, all television programs produced or to be produced pursuant to an agreement with Marvel and all television programs which are owned or controlled first by Marvel and subsequently by the Company. In consideration for the grant of the distribution rights, Fox Video has agreed to pay the Company 50% of gross receipts from these home videos, after deduction of certain expenses. In connection with this Agreement the Company has received \$13,002,000 through June 30, 2001.

Pursuant to an arrangement with Fox Broadcasting, the Fox Family Channel has aired one regular season Major League Baseball game per week during the 2001 baseball season and expects to broadcast between eight and eleven playoff games during October. Such programs are supplied to the Company by Fox Broadcasting in exchange for advertising time during the airing of the program.

Effective August 1, 1998, as part of a joint venture with a subsidiary of News Corp., a subsidiary of the Company, Fox Kids Europe Holdings, Inc. ("FKEH"), contributed its 100% interest in a cable network in The Netherlands, TV10 BV, to a U.S. limited liability company (the "TV10 LLC") in exchange for a 50% equity interest in the TV10 LLC. The subsidiary of News Corp. contributed \$20,000,000 in cash to the TV10 LLC in exchange for its 50% equity interest in the TV10 LLC. In accordance with the operating agreement between the parties, an affiliate of the Company is responsible for procuring the supply of programming during the hours of 6:00a.m. and 6:00p.m. and an affiliate of News Corp. is responsible for the hours of 6:00p.m. to 1:00a.m. The parties retain the revenues and are responsible for costs and expenses related to their respective programming hours (or "day parts"). Costs that are not directly related to specific day parts are shared on the basis of a formula that ensures that News Corp.'s share will not exceed two-thirds of total indirect costs. No gain or loss was recorded by the Company related to this transaction. In December 2000, TV10 BV through a series of transactions transferred the day part operations of the TV10 channel to a subsidiary of the Company and the evening part of the TV10 channel to a subsidiary of News Corp. The subsidiary of News Corp. then sold its 50% interest in TV10 LLC to SBS Broadcasting BV. TV10 BV now acts as a service company for the day part and evening part of the TV10 channel. At June 30, 2001, amounts receivable from related parties included

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approximately \$24,148,000 owed to the Company by TV10 LLC, and amounts payable to related parties included approximately \$22,672,000 owed by the Company to TV10 LLC.

In June 1999, a subsidiary of the Company, Fox Kids Europe Holdings, Inc. ("FKEH") entered into a subscription agreement (the "Subscription Agreement") with Fox Broadcasting pursuant to the terms of which Fox Broadcasting paid FKEH \$100,000,000 in exchange for a subscription (the "Subscription Rights") for shares of FKEH's

119

non-voting Class B Common Stock (the "Stock"). In addition, in June 1999, Fox entered into an exchange agreement with the Company pursuant to which Fox Broadcasting was granted the right, but not the obligation, to require the Company to acquire its Subscription Rights in exchange for a deeply subordinated note with an interest rate of 20% per annum to be issued by the Company. Upon exercise of the conversion rights, interest begins to accrete as of the earlier of the exercise date or January 1, 2000. At June 30, 1999, the amount paid by Fox Broadcasting was included in amounts payable to related parties. In November 1999, a subsidiary of the Company caused to be transferred 7,507,591 shares of FKE to Fox Broadcasting as settlement of the \$100 million Subscription Agreement.

In June 1999, the Company issued a deeply subordinated note in the principal amount of \$25,000,000 to Fox Broadcasting payable on June 28, 2009 with interest accreting at a rate of 20% per annum. In September 1999, the Company issued an additional deeply subordinated note in the principal amount of \$15,000,000 to Fox Broadcasting payable September 27, 2009 with interest accreting at a rate of 20% per annum.

Effective as of January 1, 2001, the Company entered into a transponder lease agreement with a subsidiary of News Corp. The agreement calls for the subsidiary of News Corp. to pay a monthly lease payment to the Company through the end-of-life (as defined in the agreement) of the satellite.

11. Business Segment Reporting

The Company adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," for its fiscal year ended June 30, 1999, which changed the way the Company reports information about its operating segments. The Company's business units have been aggregated into two reportable operating segments: production and distribution and broadcasting. The "other" column includes corporate related items and income (including SAB No. 51 and subsidiary stock gains) and expenses not allocated to reportable segments. The Company's reportable operating segments have been determined in accordance with the Company's internal management structure, which is organized based on operating activities. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies (see Note 2). The Company evaluates performance based upon several factors, of which the primary financial measure is segment income (loss) before income taxes, interest, depreciation and amortization of intangibles.

Summarized financial information concerning the Company's reportable segments is shown in the following tables (in thousands):

Broadcasting	Production and Distribution	Other
--------------	--------------------------------	-------

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Year Ended June 30, 2001:				
Revenues.....	\$	460,158	\$	263,580
Equity in earnings of affiliates.....		1,559		--
Income (loss) before income taxes, interest, depreciation and amortization of intangibles.....		104,621		97,109
Identifiable assets.....		590,549		565,280
Intangible assets, net.....		1,440,667		--
Capital expenditures.....		10,405		490
Depreciation expense.....		10,786		768

120

		Broadcasting	Production and Distribution	Other
Year Ended June 30, 2000:				
Revenues.....	\$	434,392	\$	202,086
Equity in loss of affiliates.....		(1,609)		--
Income before income taxes, interest, depreciation and amortization of intangibles.....		109,109		61,871
Identifiable assets.....		593,706		453,889
Intangible assets, net.....		1,481,189		--
Capital expenditures.....		7,266		844
Depreciation expense.....		10,104		726
Year Ended June 30, 1999:				
Revenues.....	\$	429,610	\$	204,321
Equity in loss of affiliates.....		(5,088)		--
Income (loss) before income taxes, interest, depreciation and amortization of intangibles.....		112,921		54,314
Identifiable assets.....		299,598		587,672
Intangible assets, net.....		1,539,852		--
Capital expenditures.....		2,790		7,957
Depreciation expense.....		8,432		1,491

The following table reconciles segment income (loss) before income taxes, interest, depreciation and amortization of intangibles to the Company's consolidated net income (loss) (in thousands):

	Years Ended June 30,			
	1999	2000	2001	
Income before income taxes, interest, depreciation and amortization of intangibles...	\$	155,214	\$	358,364
Amortization of intangibles.....		(40,434)		(40,522)
Interest expense, net.....		(169,107)		(168,415)

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Depreciation.....	(10,083)	(10,883)	(11
Provision for income taxes.....	(1,989)	(77,159)	
	-----	-----	-----
Net income (loss).....	\$ (66,399)	\$ 61,385	\$ (25
	=====	=====	=====

Geographic Segments

Revenues are attributed to geographic segments based upon origin of sale.

	Years Ended June 30,		
	1999	2000	2001
	(in thousands)		
Revenues			
United States.....	\$ 474,629	\$ 466,293	\$ 540
Europe.....	151,995	163,666	170
Central and South America.....	8,649	11,917	13
	-----	-----	-----
	\$ 635,273	\$ 641,876	\$ 724
	=====	=====	=====

121

	Years Ended June 30,		
	1999	2000	2001
	(in thousands)		
Identifiable and Intangible Assets			
United States.....	\$ 2,071,161	\$ 2,100,050	\$ 2,137
Europe.....	394,696	453,461	482
Central and South America.....	935	751	1
	-----	-----	-----
	\$ 2,466,792	\$ 2,554,262	\$ 2,621
	=====	=====	=====

For the years ended June 30, 1999, 2000 and 2001, the Company's production and development segment earned revenues from one customer, a related party, of approximately \$37,949,000 (6% of consolidated revenues), \$37,815,000 (6% of consolidated revenues) and \$109,205,000 (15% of consolidated revenues), respectively. The Company had no significant properties for the years ended June 30, 1999, 2000 and 2001.

12. Capital Stock

Common Stock

The authorized capital stock of the Company consists of 2,000,000 shares of Class A Common Stock, 16,000,000 shares of Class B Common Stock and 2,000,000 shares of Preferred Stock, of which 500,000 shares have been designated as

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Series A Preferred Stock. As of June 30, 2000 and 2001, 160,000 shares of Class A Common Stock and 15,840,000 shares of Class B Common Stock were outstanding.

The holders of Class A Common Stock (the "Class A Stockholders") are entitled to one vote per share and the holders of Class B Common Stock (the "Class B Stockholders") are entitled to ten votes per share. Both classes vote together as a single class. A majority vote (or any other greater percentage) for stockholder action requires a majority of the aggregate number of votes entitled to be cast as such vote. The Company's Corrected Restated Certificate of Incorporation does not provide for cumulative voting rights.

Subject to the rights of the holders of shares of any series of Preferred Stock, the Class A and Class B Stockholders are to receive like dividends and other similar distributions of the Company. In the case of any split, subdivision, combination or reclassification of shares of Class A or Class B Common Stock, an equivalent split, subdivision, combination or reclassification must be made to the shares of Class B or Class A Common Stock, as the case may be.

The Class A and Class B Stockholders have equivalent rights to distributions in the event of any liquidation, dissolution or winding up (either voluntary or involuntary) of the Company, in proportion to the number of shares held by them without regard to class.

In the event of any corporate merger, consolidating purchase or acquisition, the Class A and Class B Stockholders are to receive the same consideration on a per share basis, and if the consideration in such transaction consists in any part of voting securities, the Class B Stockholders are to receive, on a per share basis, voting securities with ten times the number of votes per share as those voting securities to be received by the Class A Stockholders.

The shares of Class A Common Stock are freely transferable, but the shares of Class B Common Stock are subject to transfer restrictions as set forth more fully in the Company's charter and in the Amended and Restated Strategic Stockholders Agreement. The Class B Stockholders may only transfer their shares to a "Permitted Transferee" and any unauthorized transfer will cause an automatic conversion of such shares into shares of Class A Common Stock. Regardless of the transfer restriction on the Class B Common Stock, any Class B Stockholder may pledge its shares as collateral security for any indebtedness or other obligation.

Each share of Class B Common Stock is convertible, at the option of its holder, at any time into one validly issued, fully paid and non-assessable share of Class A Common Stock.

122

Stock Options

Effective June 1994, the Company issued stock options to three employees. In connection with the Reorganization as described in Note 1, the options became options to purchase an aggregate of 484,911 shares of Class A Common Stock, all of which were exercisable at June 30, 1999, 2000 and 2001. These options are exercisable at prices ranging from \$12.37 (161,637 shares) to \$34.02 (323,274 shares) per share. No options have been exercised at June 30, 2001. With respect to termination for any reason, so long as the Company is not public, the Company will purchase from the employee and the employee will sell to the Company any and all option shares owned by the employee and the option granted to the employee for an amount equal to the fair market value of the option shares owned

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by the employee plus the fair market value of the option shares with respect to which the employee's option has vested but not exercised less the exercise price.

In addition, in the event Haim Saban, any member of his immediate family or any of his affiliated entities (Haim Saban and such family members, the "Saban Entities") sells to a third party any shares of common stock of the Company (the "Saban Company Shares"), each of these option holders must sell to the Company, and the Company must purchase, the "applicable percentage" of his or her options for the same per share consideration paid by the third party for the Saban Company Shares less the exercise price of such options. The "applicable percentage" is equal to the percentage of the Saban Company Shares sold to the third party out of the total shares of the Company owned by the Saban Entities immediately prior to the sale. (See Note 14 - Subsequent Event.)

In May 1998, the Company provided two employees compensation of \$2,000,000 each and in April 1999, the Company provided the two employees additional compensation of \$1,500,000 each in the form of an advance (together the "Advances"). The Advances were included in the employees' taxable income and bear no interest. Further, if the two employees exercise any stock options to acquire shares of the Company's Class A Common Stock, the two employees shall concurrently repay the Advances through an increase in the purchase price in connection with the exercise.

Included in accrued liabilities at June 30, 2000 and 2001 is \$13,040,000 related to compensation recorded in connection with these options. (See Note 14 - Subsequent Event.)

As of June 30, 2001, 646,548 shares of Class A Common Stock are reserved for future issuance related to options.

In connection with FKE's initial public offering (see Note 13), FKE approved a stock incentive plan under which FKE may grant options to personnel at exercise prices equal to or exceeding the market price at the date of grant. Options become exercisable over a four year period from the date of grant and expire ten years after the date of grant. Shares available for future option grants at June 30, 2001 totaled 5,276,901.

The following table summarizes information about FKE stock options outstanding and transactions as of and for the years ended June 30, 2000 and 2001:

	Shares		Weighted average exercise price (\$)	
	2000	2001	2000	2001
Outstanding at beginning of year	--	2,950,780	--	12.71
Awards granted	2,975,030	269,889	12.71	12.71
Awards cancelled	(24,250)	(261,103)	12.60	12.71
Outstanding at end of year	2,950,780	2,959,566	12.71	12.71
Exercisable options	--	712,231	--	12.71

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The following table summarizes information about stock options outstanding at June 30, 2001:

Range of Exercise Prices (\$)	Number of Options	Outstanding		Number of Options
		Weighted average remaining years of contractual life	Weighted average exercise price (\$)	
9.10 - 12.04	2,774,069	8.56	11.64	703,228
14.71 - 18.02	185,497	8.93	17.09	9,003

Exercise prices for the above tables have been translated from Euros to U.S. dollars based on average exchange rates during the year.

Mandatorily Redeemable Preferred Stock

In connection with the acquisition of IFE, the Company issued 345,000 shares of Series A Mandatorily Redeemable Preferred Stock to Liberty IFE. The holders of the Series A Mandatorily Redeemable Preferred Stock will receive cash dividends of 9% per annum in arrears, paid quarterly. Any accrued or unpaid dividends will be added to the liquidation price and until such accrued and unpaid dividends are paid in full, the dividend rate will increase to 11.5% of the liquidation price. The liquidation price is \$1,000 per share plus any accrued and unpaid dividends.

Pursuant to the Funding Agreement among News Corp., NPAL, and the Company (the "Funding Agreement"), each of News Corp. and NPAL has unconditionally agreed that, upon the occurrence and during the continuation of an event of default under the provisions governing the Series A Mandatorily Redeemable Preferred Stock in the Company's Corrected Restated Certificate of Incorporation or liquidation, dissolution, winding up or other similar event of the Company, News Corp. or NPAL, as the case may be, will provide the Company with the funds necessary to redeem in full, or pay the liquidation distribution on all of the outstanding Series A Mandatorily Redeemable Preferred Stock and to pay any other amounts owing in respect of such shares. Pursuant to the Amended and Restated Strategic Stockholders Agreement (as defined), such funds will be, except under certain circumstances, in the form of an advance or loan to the Company. The following constitute events of default with respect to the Series A Mandatorily Redeemable Preferred Stock under the Corrected Restated Certificate of Incorporation: (i) the failure of the Company to mandatorily redeem Series A Mandatorily Redeemable Preferred Stock at the redemption dates indicated below; (ii) a breach for thirty days of any of the covenants contained in the provisions governing the Series A Mandatorily Redeemable Preferred Stock; and (iii) an event of default under the terms of the preferred stock of NPAL, if any shares of which are outstanding. In addition, pursuant to the Exchange Agreement among NPAL, Liberty Media Corporation and Liberty IFE (the "Exchange Agreement"), each of the holders of the Series A Mandatorily Redeemable Preferred Stock has the right, upon the occurrence and during the continuation of an event of default under the Corrected Restated Certificate of Incorporation or the liquidation, winding up or other similar event of the Company, to exchange their shares for an equivalent number of shares of preferred stock of NPAL.

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The Series A Mandatorily Redeemable Preferred Stock issued to Liberty IFE will rank senior as to dividend, redemption and liquidation rights to all other classes and series of capital stock of the Company authorized on the date of issuance, or to any other class or series of capital stock issued while any shares of the Series A Mandatorily Redeemable Preferred Stock remain outstanding. The Series A Mandatorily Redeemable Preferred Stock does not generally have voting rights, except for certain approval rights set forth in the Corrected Restated Certificate of Incorporation and as required by law. Stockholders of Series A Mandatorily Redeemable Preferred Stock do not have preemptive rights over any stock or securities that may be issued by the Company.

Stock Based Compensation

The Company and its subsidiary, FKE, have elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for their employee stock options.

Pro forma information regarding net income as required by FAS No. 123, "Accounting for Stock-Based Compensation," has been determined as if the Company and FKE had accounted for their employee stock options

124

under the fair value method of that Statement. The fair value for options issued by the Company was estimated at the date of grant in January 1996 to be \$2,623,000 using the minimum value method with the following weighted-average assumptions, respectively: risk-free interest rate of 5.86%; dividend yields of 0%; and a weighted-average expected life of the option of 5 years. The remaining contractual life of options granted by the Company is 5.5 years. The fair value for options issued by FKE was estimated at the date of grant in November 1999 to be \$13,827,000 using the fair value method with the following weighted-average assumptions, respectively: risk-free interest rate 5.5%; dividend yield of 0%; expected stock volatility 60%; and an expected life of the options of 2 years. The weighted average fair value of options at their date of grant during the year ended June 30, 2001, where the exercise price equaled the market price on the grant date, was \$1,223,000. The estimated fair value of each option granted was calculated using the following weighted average assumptions, respectively: risk free interest rate of 4.25%; dividend yield of 0%; expected stock volatility of 60%; and expected life of the options of 2 years.

The minimum value valuation method used by the Company was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of employee stock options issued by the Company.

The pro forma net income (loss) determined as if the Company and its subsidiaries had accounted for its employee stock options under the fair value method would be \$(66,924,000), \$58,387,000 and \$(30,958,000) for the years ended June 30, 1999, 2000 and 2001, respectively.

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

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13. Issuance of Subsidiary Ordinary Shares

In November 1999, net assets of certain direct and indirect subsidiaries of the Company were contributed to FKE, a wholly owned indirect subsidiary of the Company at the time the assets were contributed. Net assets contributed mainly represent the Fox Kids cable channels broadcasting in the European markets and the distribution rights of children's programming in those markets owned by SINV, a wholly owned indirect subsidiary of the Company. In November 1999, FKE issued 12,519,307 previously unissued ordinary shares (or 15.2 percent) for gross proceeds of \$175,518,000 (\$14.02 per share) in an initial public offering ("IPO") on the Official Market for Amsterdam Exchanges. Offering costs for the IPO totaled \$22,550,000 and consisted mainly of underwriter and professional fees plus certain capital taxes. The Company has accounted for the offering in accordance with Staff Accounting Bulletin ("SAB") No. 51, "Accounting by the parent in consolidation for sale of stock by subsidiary." Accordingly, a pre-tax gain of \$117,316,000 was recorded in the year ended June 30, 2000. The gain recorded represents the Company's portion of the excess net offering price per share of FKE's ordinary shares compared to the book carrying amount per share.

In November 1999, in connection with the IPO, a subsidiary of the Company caused to be transferred 7,507,591 ordinary shares of FKE (or 9.1 percent), to Fox Broadcasting as settlement of a \$100,000,000 subscription advance payable. These shares were issued to the public on behalf of Fox Broadcasting in the IPO for gross proceeds of \$105,256,000 (\$14.02 per share). The gross proceeds from these shares, less underwriter fees and capital taxes of \$5,256,000, were retained by Fox Broadcasting. A pre-tax gain of \$78,623,000 was recorded on this transaction in the year ended June 30, 2000.

14. Subsequent Event

On July 23, 2001, The Walt Disney Company ("Disney") entered into a Purchase Agreement with Fox Broadcasting, FBSI, Haim Saban and the other Saban Stockholders, Allen & Company Incorporated, News America Incorporated ("NAI") and News Corp. (the "Disney Purchase Agreement"), pursuant to which Disney agreed to purchase for cash from FBSI, the Saban Stockholders and Allen & Company Incorporated all the outstanding shares of the Company's Class A Common Stock and Class B Common Stock (the "Disney Acquisition") and subordinated debt. Upon the closing of the Disney Acquisition, Disney would acquire control of the Company by virtue of holding all of the Company's outstanding shares of common stock.

125

Immediately following the closing under the Disney Purchase Agreement, the Company will cease to broadcast the Fox Kids Network, which will be operated by Fox Broadcasting following the Disney Acquisition. The Company will provide certain programming to Fox Broadcasting for the 2001-2002 broadcast season for broadcast on the Fox Kids Network. The closing of the Disney Acquisition will occur following receipt of required U.S. and foreign governmental or regulatory approvals, among other customary conditions to closing. The parties currently expect the Disney Acquisition to close in the fourth quarter of the 2001 calendar year. The Company will change its name following the Disney Acquisition.

In connection with the Disney Acquisition, the Company will pay the obligations owed under the Amended Credit Facility. In addition, according to the terms of the Disney Purchase Agreement, Disney will purchase the Fox Subordinated Notes and the NAI Bridge Note from Fox Broadcasting and NAI, respectively.

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Pursuant to the Disney Purchase Agreement and in accordance with the terms of their respective employment agreements, the Company will make certain cash payments to the Company stock option holders with respect to the option shares held by each of such option holders, and the number of such option shares outstanding shall be reduced to zero. The closing of the Disney Acquisition will result in a compensation charge in the amount of approximately \$78,000,000, representing the difference between the net sales proceeds (as defined in the Disney Purchase Agreement) and the stock option exercise price which ranges from \$12.37 to \$34.02 per share.

126

THIS REPORT IS A COPY OF A REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP. THE REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP NOR HAS ARTHUR ANDERSEN LLP PROVIDED A CONSENT TO THE INCLUSION OF ITS REPORT IN THIS FORM 10-K.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Fox Family Worldwide, Inc.:

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Fox Family Worldwide, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of June 30, 2000 and 2001 and each of the three years ended June 30, 2001 included in this Report on Form 10-K and have issued our report thereon dated September 17, 2000. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the index at F-1 are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Los Angeles, California
September 17, 2001

127

SCHEDULE 1 -- CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

FOX FAMILY WORLDWIDE, INC.
(PARENT ONLY)

BALANCE SHEETS

(in thousands, except share data)

Jun

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Assets:

Cash and cash equivalents.....	\$
Amounts receivable from related parties, net.....	
Investments in and advances to subsidiaries.....	
Other assets, net.....	
 Total assets.....	 \$ =====

Liabilities and stockholders' deficit:

Accounts payable.....	\$
Accrued liabilities.....	
NAI Bridge Note.....	
Fox Subordinated Notes.....	
Senior Notes.....	
Senior Discount Notes, net of unamortized discount of \$130,242 and \$77,049 at June 30, 2000 and 2001, respectively.....	
Amounts payable to related parties.....	
 Total liabilities.....	 ----- -----

Commitments and contingencies

Series A Mandatorily Redeemable Preferred Stock, \$0.001 par value; 500,000 shares authorized; 345,000 shares issued and outstanding (\$1,000 per share liquidation value)...

Stockholders' deficit:

Preferred Stock, \$0.001 par value; 2,000,000 shares authorized, of which 500,000 shares are designated as Series A Preferred Stock, no shares issued and outstanding.....	
Class A Common Stock, \$0.001 par value; 2,000,000 shares authorized, 160,000 shares issued and outstanding at June 30, 2000 and 2001, respectively.....	
Class B Common Stock, \$0.001 par value; 16,000,000 shares authorized, 15,840,000 shares issued and outstanding at June 30, 2000 and 2001, respectively.....	
Contributed capital.....	
Accumulated other comprehensive loss.....	
Deficit.....	
 Total stockholders' deficit.....	 ----- -----
 Total liabilities and stockholders' deficit.....	 \$ =====

See accompanying notes.

FOX FAMILY WORLDWIDE, INC.
(PARENT ONLY)

STATEMENTS OF OPERATIONS

(in thousands)

Years

1999

Revenues:			
Equity in income of subsidiaries.....	\$	55,700	\$
Other.....		135	

Total revenue.....		55,835	
Costs and expenses:			
Selling, general and administrative.....		6,172	
Depreciation.....		133	
Interest expense, net.....		113,940	

Income (loss) before provision for income taxes.....		(64,410)	
Provision for income taxes.....		1,989	

Net income (loss).....	\$	(66,399)	\$
		=====	

See accompanying notes.

129

FOX FAMILY WORLDWIDE, INC.
(PARENT ONLY)

STATEMENTS OF CASH FLOWS

(in thousands)

Operating activities:			
Net income (loss).....			\$ (6
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Equity gains on investments, net of taxes.....			(5
Amortization of debt issuance costs.....			
Depreciation expense.....			6
Non-cash interest expense.....			
Decrease (increase) in amounts receivable from related parties, net.....			(
Decrease (increase) in other assets.....			(
Increase (decrease) in accounts payable and accrued liabilities.....			
Increase in amounts payable to related parties.....			

Net cash used in operating activities			(5

Investing activities:			
Purchase of property and equipment.....			

Net cash used in investing activities.....			

Financing activities:			
Paydown of NAHI Bridge Note.....			

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Proceeds from Fox Subordinated Note.....	2
Dividends on Preferred Stock.....	(3)
Net intercompany advances.....	5

Net cash provided by financing activities.....	4

Increase (decrease) in cash and cash equivalents.....	(
Cash and cash equivalents, beginning of year.....)

Cash and cash equivalents, end of year.....	\$
	===

Supplemental disclosure of non-cash flow investment activities (in thousands):

Year ended June 30, 1999

Property and equipment with a book value of \$638 was transferred to a subsidiary.

Year ended June 30, 2000

Property and equipment with a book value of \$350 was transferred to a subsidiary.

See accompanying notes.

130

FOX FAMILY WORLDWIDE, INC.
(PARENT ONLY)

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying condensed financial statements include the accounts of Fox Family Worldwide, Inc. (the "Company") presented on a separate company (parent only) basis. The Company is a Delaware corporation formed in August 1996 as a holding company. Between August 1996 and August 1997, the Company conducted no business or operations. On August 1, 1997 the Company underwent a reorganization in connection with its acquisition of International Family Entertainment, Inc. This reorganization is more fully explained in Note 1 to the Consolidated Financial Statements.

2. Debt

Information relating to the NAI Bridge Note, Fox Subordinated Notes, Senior and Senior Discount Notes is contained in Note 6 to the Consolidated Financial Statements. Payments of principal in future periods are all due subsequent to June 30, 2003. The Company is a guarantor under the Amended Credit Facility, as described in Note 6 to the Consolidated Financial Statements.

3. Issuance of Subsidiary Ordinary Shares

Information relating to the issuance of ordinary shares of FKE, a wholly owned indirect subsidiary of the company, in an initial public offering of its shares and the resulting SAB No. 51 pre-tax gain of \$117,316,000 and pre-tax gain on issuance of subsidiary stock of \$78,623,000 recorded for the year ended

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June 30, 2000, is contained in Note 13 to the Consolidated Financial Statements.

4. Subsequent Event

On July 23, 2001, Disney entered into the Disney Purchase Agreement with Fox Broadcasting, FBSI, Haim Saban and the other Saban Stockholders, Allen & Company Incorporated, News America Incorporated, and News Corp., pursuant to which Disney agreed to purchase for cash from FBSI, the Saban Stockholders and Allen & Company Incorporated all the outstanding shares of the Company's Class A Common Stock and Class B Common Stock. Upon the closing of the Disney Acquisition, Disney would acquire control of the Company by virtue of holding all of the Company's outstanding shares of common stock. Immediately following the closing under the Disney Purchase Agreement, the Company will cease to broadcast the Fox Kids Network, which will be operated by Fox Broadcasting following the Disney Acquisition. The Company will provide certain programming to Fox Broadcasting for the 2001-2002 broadcast season for broadcast on the Fox Kids Network. The closing of the Disney Acquisition will occur following receipt of required U.S. and foreign governmental or regulatory approvals, among other customary conditions to closing. The parties currently expect the Disney Acquisition to close in the fourth quarter of the 2001 calendar year. The Company will change its name following the Disney Acquisition.

According to the terms of the Disney Purchase Agreement, Disney will purchase the Fox Subordinated Notes and the NAI Bridge Note from Fox Broadcasting and NAI, respectively, upon closing of the Disney Acquisition.

131

FOX FAMILY WORLDWIDE, INC. (CONSOLIDATED)

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

Description -----	Balance at beginning of Year -----	Charged to Costs and Expenses -----	Additions ----- Acquired or Charged to Other Accounts ----- (in thousands)
Year ended June 30, 1999			
Allowance for doubtful accounts.....	1,594	990	--
Reserve for severance and related costs under acquisition.....	16,650	--	--
Accruals for litigation and other related costs under acquisition.....	4,800	--	--
Year ended June 30, 2000			
Allowance for doubtful accounts.....	2,493	2,011	436
Reserve for severance and related costs under acquisition.....	7,777	--	--
Accruals for litigation and other related costs under acquisition.....	3,914	--	--
Year ended June 30, 2001			
Allowance for doubtful accounts.....	4,688	1,593	--
Reserve for severance and related costs under acquisition.....	5,064	--	--

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Accruals for litigation and other related costs under acquisition.....	2,775	--	--
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132

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company previously reported in its Current Report on Form 8-K dated April 22, 2002 that it dismissed Arthur Andersen LLP as its independent auditors and engaged Ernst & Young LLP to act as its independent auditors.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The information contained in the Company's Proxy Statement for the 2002 Annual Meeting of Stockholders (the "2002 Proxy Statement") under the captions "Election of Directors", "Executive Officers of the Company" and "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the 2002 Proxy Statement under the captions "Executive Officers of the Company" and "Committees of the Board - Board Meetings" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the 2002 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the 2002 Proxy Statement under the caption "Certain Relationships and Related Transactions" is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

Not applicable.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) and (d) Financial Statements and Schedules (see Index on Page 56)

(b) Reports on Form 8-K

(i) Current Report on Form 8-K of the registrant filed April 22, 2002 relating to the announcement that, on April 16, 2002, the registrant dismissed Arthur Andersen LLP as its independent auditors.

(ii) Current Report on Form 8-K of the registrant filed June 25, 2002 relating to the announcement that, on June 17, 2002, The News Corporation Limited, Fox Television Stations, Inc., a wholly-owned subsidiary of the registrant, ("Fox Television Stations") and Meredith

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Corporation completed the exchange of Meredith's WOFL (TV) in Orlando, Florida and WOGX (TV) in Ocala, Florida for Fox Television Station's KPTV (TV) in Portland, Oregon.

133

(iii) Current Report on Form 8-K of the registrant filed June 28, 2002 relating to the announcement that, on June 27, 2002, the registrant and Fox Television Stations, Inc. had agreed to purchase WPWR-TV in Chicago, Illinois from Newsweb Corporation.

(c) Exhibits (see Exhibit Index)

134

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

By /s/ K. RUPERT MURDOCH

K. Rupert Murdoch,
Chairman and
Chief Executive Officer (Principal Executive Officer)

By /s/ DAVID F. DeVOE

David F. DeVoe,
Senior Executive Vice President,
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: September 19, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

135

Signature -----	Title -----	Date -----
/s/ K. RUPERT MURDOCH ----- K. Rupert Murdoch	Director	September 19, 2002
/s/ DAVID F. DeVOE ----- David F. DeVoe	Director	September 19, 2002

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/s/ ARTHUR M. SISKIND Director September 19, 2002

Arthur M. Siskind

/s/ PETER CHERNIN Director September 19, 2002

Peter Chernin

/s/ LACHLAN K. MURDOCH Director September 19, 2002

Lachlan K. Murdoch

/s/ CHRISTOS M. COTSAKOS Director September 19, 2002

Christos M. Cotsakos

/s/ THOMAS W. JONES Director September 19, 2002

Thomas W. Jones

136

CERTIFICATIONS

I, K. Rupert Murdoch, Chairman and Chief Executive Officer of Fox Entertainment Group, Inc. (the "Company"), certify that:

1. I have reviewed this annual report on Form 10-K of the Company;
2. Based on my knowledge, the annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report.

Date: September 19, 2002

/s/ K. Rupert Murdoch
K. Rupert Murdoch
Chairman and Chief Executive Officer

137

I, David F. DeVoe, Senior Executive Vice President and Chief Financial Officer of Fox Entertainment Group, Inc. (the "Company"), certify that:

1. I have reviewed this annual report on Form 10-K of the Company;

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2. Based on my knowledge, the annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report.

Date: September 19, 2002

/s/ David F. DeVoe
 David F. DeVoe
 Senior Executive Vice President and Chief Financial Officer

138

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----	EXHIBIT NO. IN DOCUMENT INCORPORATED BY REFERENCE -----
3.1	Restated Certificate of Incorporation of the Company	3.1(1)
3.2	Form of By-Laws of the Company	3.2(1)
4.1	Specimen Certificate for Shares of Class A Common Stock of the Company	4.1(2)
10.1	Indenture, dated as of January 28, 1993, by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to senior debt securities	2(3)
10.2	First Supplemental Indenture, dated as of March 24, 1993, by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to senior debt securities	2(4)
10.3	Second Supplemental Indenture, dated as of April 8, 1993, by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to senior debt securities	3(4)
10.4	Third Supplemental Indenture, dated as of May 20, 1993, by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect	

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10.5	to senior debt securities	4.7(5)
	Fourth Supplemental Indenture, dated as of May 28, 1993, by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to senior debt securities	4.8(5)

1

EXHIBIT NO.	DESCRIPTION	EXHIBIT NO. IN DOCUMENT INCORPORATED BY REFERENCE
10.6	Fifth Supplemental Indenture, dated as of July 21, 1993, by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to senior debt securities	4.6(6)
10.7	Form of Sixth Supplemental Indenture, dated as of January 25, 1994, by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to senior debt securities	4.7(7)
10.8	Form of Seventh Supplemental Indenture, dated as of February 4, 1994, by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to senior debt securities	4.8(8)
10.9	Form of Eight Supplemental Indenture, dated as of May 12, 1994, by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to senior debt securities	4.9(8)
10.11	Form of Ninth Supplemental Indenture, dated as of July 27, 1995 by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to senior debt securities	4.10(9)
10.12	Form of Tenth Supplemental Indenture, dated as of March 2, 2000 by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as	

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10.13	successor to The First National Bank of Boston), as Trustee, with respect to senior debt securities	10.12 (10)
10.13	Form of Eleventh Supplemental Indenture, dated as of February 14, 2001 by and among News America Holdings Incorporated, the guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to senior debt securities	10.13 (10)

2

EXHIBIT NO.	DESCRIPTION	EXHIBIT NO. IN DOCUMENT INCORPORATED BY REFERENCE
-----	-----	-----
10.14	Form of Amended and Restated Indenture, dated as of March 24, 1993, by and among News America Holdings Incorporated, the guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities	4.1 (11)
10.15	First Supplemental Indenture, dated as of May 20, 1993, by and among News America Holdings Incorporated, the guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities	4.2 (5)
10.16	Second Supplemental Indenture, dated as of May 28, 1993, by and among News America Holdings Incorporated, the guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities	4.3 (5)
10.17	Third Supplemental Indenture, dated as of July 21, 1993, by and among News America Holdings Incorporated, the guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities	4.14 (12)
10.18	Fourth Supplemental Indenture, dated as of October 20, 1995, by and among News America Holdings Incorporated, the guarantors named therein and The Bank of New York, as Trustee, with respect to the senior debt securities	4.15 (12)
10.19	Fifth Supplemental Indenture, dated as of January 8, 1998, by and among News America Incorporated, the guarantors named therein and The Bank of New York, as Trustee with respect to senior debt securities	4.6 (13)
10.20	Sixth Supplemental Indenture, dated as of March 1, 1999, by and among News America Incorporated, the guarantors named therein and The Bank of New York, as Trustee, with respect to the senior debt securities	10.20 (10)

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10.21	Seventh Supplemental Indenture dated as of February 14, 2001, by and among News America Incorporated, the guarantors named therein and The Bank of New York, as Trustee, with respect to the senior debt securities	10.21 (10)
10.22	Composite Revolving Credit Agreement, dated as of May 19, 1993 (including amendments dated August 9, 1993, September 14, 1993, May 12, 1994, March 30, 1995, February 29, 1996 and December 20, 1996) among News America Incorporated et al, several agents, managers and banks	10.21 (2)
10.23	Indenture for the 5% Subordinated Discount Debentures, dated as of November 12, 1996, among News America Holdings Incorporated, The News Corporation Limited, each of the Subsidiary Guarantors named therein and	

3

EXHIBIT NO.	DESCRIPTION	EXHIBIT NO. IN DOCUMENT INCORPORATED BY REFERENCE
-----	-----	-----
10.24	The Bank of New York, as Trustee First Supplemental Indenture, dated as of March 2, 2000, by and among News America Holdings Incorporated, The News Corporation Limited, each of the Subsidiary Guarantors named therein and The Bank of New York, as Trustee	4 (i) (14) 10.24 (10)
10.25	Second Supplemental Indenture, dated as of February 14, 2001, by and among News America Holdings Incorporated, The News Corporation Limited, each of the Subsidiary Guarantors named therein and The Bank of New York, as Trustee	10.25 (10)
10.26	Indenture, dated as of February 28, 2001, by and among News America Incorporated, The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to the Liquid Yield Option (TM) Notes due February 28, 2021.	4.1 (15)
10.27	Form of Master Intercompany Agreement between the Company and The News Corporation Limited	10.29 (2)
10.28	Letter Agreement between the Company and The News Corporation Limited dated as of June 30, 2002*	
10.29	Form of Tax Sharing Agreement between the Company and News Publishing Australia Limited	10.31 (2)
10.30	Amendment No. 7, dated as of June 8, 1998, to the Revolving Credit Agreement dated as of May 19, 1993 (as amended on August 9, 1993, September 14, 1993, May 12, 1994, March 30, 1995, February 29, 1996 and December 29, 1996) among News America Incorporated et al, several agents, managers and banks	10.32 (2)
10.31	Amendment No. 8, dated as of November 22, 2000, to the Revolving Credit Agreement dated as of May 19, 1993 (as amended on August 9, 1993, September 14, 1993, May 12, 1994, March 30, 1995, February	

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	29, 1996, December 20, 1996 and June 8, 1998) among News America Incorporated et al, several agents, managers and banks	1.1(18)
10.32	Form of Transfer Agreement among The News Corporation Limited, News Publishing Australia Limited, FEG Holdings, Inc. and Fox Entertainment Group, Inc.	10.5(17)
21.1	List of Principal Subsidiaries of the Company*	
23.1	Consent of Ernst & Young LLP*	
23.2	Notice Regarding Consent of Arthur Andersen LLP regarding Fox Entertainment Group, Inc.*	
23.3	Notice Regarding Consent of Arthur Andersen LLP regarding Fox Family Worldwide, Inc*	
99.1	Certification Pursuant to USC Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002*	
99.2	Certification Pursuant to USC Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002*	

* Filed herewith

- (1) Incorporated by reference to the Report on Form 10-Q of Fox Entertainment Group, Inc., dated December 22, 1998.
- (2) Incorporated by reference to Amendment No. 4 to the Registration Statement on Form S-1 of Fox Entertainment Group, Inc. (Registration No. 333-61515) filed with the Securities and Exchange Commission on November 4, 1998.
- (3) Incorporated by reference to the Report on Form 6-K of The News Corporation Limited, dated January 28, 1993.
- (4) Incorporated by reference to the Report on Form 6-K of The News Corporation Limited, dated April 26, 1993.

4

- (5) Incorporated by reference to the Registration Statement on Form F-3 of News America Holdings Incorporated (Registration No. 33-63604) and Post-Effective Amendment No. 1 to the Registration Statement on Form F-3 of the News America Holdings Incorporated (Registration No. 33-59688) filed with the Securities and Exchange Commission on May 28, 1993.
- (6) Incorporated by reference to the Registration Statement on Form F-3 of News America Holdings Incorporated (Registration No. 33-74574) filed with the Securities and Exchange Commission on January 28, 1994.
- (7) Incorporated by reference to Amendment No. 1 to the Registration Statement on Form F-3 of News America Holdings Incorporated (Registration No. 33-74574) filed with the Securities and Exchange Commission on February 4, 1994.
- (8) Incorporated by reference to Amendment No. 1 to the Registration Statement on Form F-3 of News America Holdings Incorporated (Registration No. 33-79334) filed with the Securities and Exchange Commission on June 14, 1994.
- (9) Incorporated by reference to the Registration Statement on Form F-3 of News America Holdings Incorporated (Registration No. 33-94868) filed with the Securities and Exchange Commission on July 24, 1995.
- (10) Incorporated by reference to the Report on Form 10-K of Fox Entertainment Group, Inc. filed with the Securities and Exchange Commission on September 28, 2001.
- (11) Incorporated by reference to the Registration Statement on Form F-3 of The News Corporation Limited (Registration No. 33-67008) filed with the Securities and Exchange Commission on May 4, 1993.

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- (12) Incorporated by reference to Amendment No. 1 to the Registration Statement on Form F-3 of News America Holdings Incorporated (Registration No. 33-98238) filed with the Securities and Exchange Commission on October 23, 1995.
- (13) Incorporated by reference to the Registration Statement Form F-4 of News America Incorporated on (Registration No. 333-8744) filed with the Securities and Exchange Commission on May 12, 1998.
- (14) Incorporated by reference to the Registration Statement on Form F-3 of The News Corporation Limited (Registration No. 333-6896) filed with the Securities and Exchange Commission on January 26, 1998.
- (15) Incorporated by reference to the Registration Statement on Form F-3 of The News Corporation Limited (Registration No. 333-12995) filed with the Securities and Exchange Commission on May 25, 2001.
- (16) Incorporated by reference to Amendment No. 5 to the Registration Statement on Form S-1 of Fox Entertainment Group, Inc. (Registration No. 333-61515) filed with the Securities and Exchange Commission on November 9, 1998.
- (17) Incorporated by reference to the Report on Form 8-K of Fox Entertainment Group, Inc., dated August 13, 2000 and filed with the Securities and Exchange Commission on August 23, 2000.
- (18) Incorporated by reference to the Annual Report on Form 20-F of The News Corporation Limited, filed with the Securities and Exchange Commission on December 15, 2000.