

Internal risk management and control systems

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

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

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

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

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

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

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

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