

Internal risk management and control systems

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

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

As an integral part of the annual strategic planning and budgeting process, management evaluates the key strategic, financial and operational risks facing the Company and identifies areas where action is required to minimise any exposure. Throughout the year, regular reviews are held with local management to identify and prepare action plans to address any new opportunities or risks that have arisen since the previous review. The Management Board discusses all strategic and operational risks with members of the Supervisory Board.

Risks associated with compliance and financial reporting are discussed with the Audit Committee. Management, including the CFO, reviews on a quarterly basis actual performance against the budget and forecast. Management and the internal auditor review the quarterly close process along with supporting documentation. The internal auditor is responsible for conducting a quarterly review of the Minimum Control Standards governing our accounting infrastructure as well as performing audit procedures throughout the organisation to limit risk and improve internal controls. In addition, the Company's Accounting Policies and Procedures are published on the Company intranet.

The results of the above assessments are presented to the Supervisory Board and the Audit Committee thereof at least once a year, which is followed by a Supervisory Board discussion to evaluate the corporate strategy, risks of the business and the evaluation made by the Management Board of the risk management and control systems.

The Audit Committee was established during the financial year September 2006 (FY06). The CFO is responsible for reviewing and approving audit plans, however all significant audit findings and an overview of the audit approach and risk areas are presented to the Audit Committee at least once a year. This Committee has worked with the Management and Supervisory Boards and the external auditors in approving the financial year September 2007 (FY07) interim results and press release, the current year budget and in finalising and approving the full year FY07 results, press release and Annual Report.

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

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

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

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

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