

**SENATE RURAL AFFAIRS & TRANSPORT
LEGISLATION COMMITTEE**

INDEX OF TABLED DOCUMENTS

**Inquiry into Air Navigation & Civil Aviation Amendment (Aircraft Crew) Bill
2011; and Qantas Sale Amendment (Still Call Australia Home) Bill 2011**

MONDAY, 6 FEBRUARY 2012

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Jetconnect Limited

**Financial Report
for the year ended 30 June 2011**



Jetconnect Limited
Financial Report 2011

Directors' Report

for the year ended 30 June 2011

The Directors are pleased to present the Financial Statements of Jetconnect Limited (the Company) for the year ended 30 June 2011.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of Financial Statements which give a true and fair view of the financial position of the Company as at 30 June 2011 and the results of its operations for the year ended 30 June 2011.

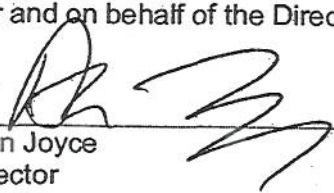
The Directors consider that the Financial Statements of the Company have been prepared using accounting policies appropriate to the Company's circumstances, consistently applied and supported by reasonable and prudent judgements and estimates, and that applicable New Zealand Equivalents to International Financial Reporting Standards have been followed, within the concession framework for differential reporting. With the unanimous agreement of all shareholders, the Company has taken advantage of the reporting concessions available to it under Section 211(3) of the Companies Act 1993.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and enable them to ensure that the Financial Statements comply with the Financial Reporting Act 1993.


The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

This Report and the Financial Statements are dated 17 November 2011 and signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors:


Alan Joyce
Director

Date: 17 November 2011


Gareth Evans
Director

Date: 17 November 2011

Jetconnect Limited
Financial Report 2011

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 NZ\$	2010 NZ\$
Revenue and other income			
Revenue from operating activities		73,477,014	74,453,700
Net freight revenue		-	10,530
Finance income	3	4,209,937	3,816,840
Total revenue and other income		77,686,951	78,281,070
Expenditure			
Manpower and staff related		37,077,122	36,527,577
Aircraft operating variable		23,932,877	24,719,797
Other		5,381,452	5,829,859
Total expenditure		66,391,451	67,077,233
Profit before related income tax expense		11,295,500	11,203,837
Income tax expense	4	-	-
Profit for the year		11,295,500	11,203,837
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year		11,295,500	11,203,837

The above Statement of Comprehensive Income should be read in conjunction with the notes to the Financial Statements as set on pages 5 to 13.

Jetconnect Limited
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Statement of Financial Position
as at 30 June 2011

	Note	2011 NZ\$	2010 NZ\$
Current assets			
Cash and cash equivalents	6, 12	144,055,184	139,655,685
Trade and other receivables	12	5,070,547	86,138,696
Total current assets		149,125,731	225,794,381
Non-current assets			
Property, plant and equipment	7	127,744	167,716
Total non-current assets		127,744	167,716
Total assets		149,253,475	225,962,097
Current liabilities			
Trade and other payables	12	4,856,311	5,292,002
Other financial liabilities	12	-	98,239,748
Employee entitlements		3,648,397	3,449,233
Total current liabilities		8,504,708	106,980,983
Total liabilities		8,504,708	106,980,983
Net assets		140,748,767	118,981,114
Equity			
Issued capital	8	98,239,864	116
Retained earnings		42,508,903	118,980,998
Total equity		140,748,767	118,981,114

The above Statement of Financial Position should be read in conjunction with the notes to the Financial Statements as set on pages 5 to 13.

Jetconnect Limited
Financial Report 2011

Statement of Changes in Equity
for the year ended 30 June 2011

	Share Capital NZ\$	Retained Earnings NZ\$	Total Equity NZ\$
Balance as at 1 July 2009	116	107,777,161	107,777,277
Total comprehensive income for the year:			
Profit for the year	-	11,203,837	11,203,837
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	11,203,837	11,203,837
Balance as at 30 June 2010	116	118,980,998	118,981,114
Total comprehensive income for the year:			
Profit for the year	-	11,295,500	11,295,500
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	11,295,500	11,295,500
Transactions with owners recorded directly in equity			
Contributions by and distributions to owners of the Company:			
Notes converted into ordinary shares	98,239,748	-	98,239,748
Dividends to owners of the Company	-	(87,767,595)	(87,767,595)
Total contributions by and distributions to owners of the Company	98,239,748	(87,767,595)	10,472,153
Balance as at 30 June 2011	98,239,864	42,508,903	140,748,767

The above Statement of Changes in Equity should be read in conjunction with the notes to the Financial Statements as set on pages 5 to 13.

Jetconnect Limited

Financial Report 2011

Notes to the Financial Statements

for the year ended 30 June 2011

1. Summary of accounting policies

Statement of compliance

Jetconnect Limited (the Company) is a profit-oriented company incorporated and domiciled in New Zealand. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its Financial Statements comply with that Act.

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities that qualify for and apply differential reporting concessions.

The principal activity of the Company during the year was the operation and management of aircraft in order to fulfill an operating schedule of Trans-Tasman commercial passenger flights.

The Company is the holder of a New Zealand Air Operator's Certificate.

The Financial Statements for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 17 November 2011.

Basis of preparation

The Financial Statements have been prepared on the basis of historical cost, except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values.

The functional and presentation currency is New Zealand Dollars (NZ\$).

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The Company qualifies for differential reporting exemptions as it is not publicly accountable. The Company has taken advantage of all available differential reporting exemptions, including not preparing a Statement of Cash Flows.

Jetconnect Limited

Financial Report 2011

Notes to the Financial Statements

for the year ended 30 June 2011

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Statements. They have been applied consistently to all periods presented in these Financial Statements.

Foreign currency

Foreign currency transactions are translated to New Zealand currency at the rates of exchange ruling at the date of each transaction. At balance date, amounts receivable and payable in foreign currencies are translated at the rates of exchange ruling at that date. Resulting exchange differences are brought to account as exchange gains or losses in the Statement of Comprehensive Income in the financial year in which the exchange rates change.

Revenue and expenditure recognition

Revenue and expenditure are included in the Statement of Comprehensive Income at the fair value of the consideration received or paid, net of sales discount, commissions and Goods and Services Tax (GST).

Revenue from operating activities reflects the recovery of certain operating expenses from the Company's key customer, Qantas Airways Limited, plus an operating margin.

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less impairment losses. Bad debts are written off as incurred.

Impairment

The carrying value of financial assets is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Jetconnect Limited
Financial Report 2011

Notes to the Financial Statements
for the year ended 30 June 2011

Impairment (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Trade and other payables

Liabilities for trade creditors and other amounts payable are carried at cost.

Borrowings

Borrowings are recognised initially at fair value less attributable transactions costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

Interest expense is accrued at the contracted rate. Debt is classified as current unless the Company has the right to defer settlement of the debt for at least 12 months after the balance date.

Property, plant and equipment

Items of property plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Items of property, plant and equipment are initially recorded at cost, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Depreciation is provided on a straight-line basis on all items of property, plant and equipment. The depreciation rates of owned assets are calculated so as to allocate the cost of an asset, less any residual value, over the asset's estimated useful life to the Company. Assets are depreciated from the date of acquisition or when available for use. Maintenance costs are recognised as an expense as incurred.

The principal asset depreciation periods and estimated residual value percentages are:

	Years	Residual Value (%)
Plant and equipment	3 – 10	-
Leasehold improvements	10 – 20	-

Depreciation rates and residual values are reviewed annually and reassessed having regard to commercial and technological developments and the estimated useful life of the assets to the Company. Depreciation is charged to the Statement of Comprehensive Income.

Jetconnect Limited

Financial Report 2011

Notes to the Financial Statements

for the year ended 30 June 2011

Employee benefits

Liabilities for employee benefits for wages, salaries, annual leave (including leave loading) and sick leave vesting to employees expected to be settled within 12 months of the balance date represent present obligations resulting from employees' services provided to balance date. The calculation of this liability is based on remuneration wage and salary rates that the Company expects to pay as at balance date.

Provisions are made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to balance date.

Operating leases

Rental payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Income tax

Income tax for the year is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or taxable loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted at balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Where tax losses are utilised by other Qantas Group operations, no consideration is payable or receivable.

Jetconnect Limited
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Notes to the Financial Statements
for the year ended 30 June 2011

	2011 NZ\$	2010 NZ\$
Note 2: Profit before related income tax expense		
Depreciation – plant and equipment	14,288	14,288
Depreciation – leasehold improvements	25,684	25,684

Note 3: Finance Income

Finance income on financial assets

Third party: interest income on financial assets measured at amortised cost

Total finance income	<u>4,209,937</u>	<u>3,816,840</u>
	4,209,937	3,816,840

Note 4: Income tax

Recognised in the Statement of Comprehensive Income

Income tax expense	-	-
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Reconciliation of effective tax rate

Profit before related income tax expense	11,295,500	11,203,837
Income tax using the corporate tax rate of 30 per cent	3,388,650	3,361,151

Adjustments

Tax loss brought to account attributable to Qantas group companies	(3,388,650)	(3,361,151)
Income tax expense	-	-

Note 5: Auditor's remuneration

Audit services – KPMG Australia		
- audit and review of Financial Report	-	34,490
Other services - taxation – KPMG New Zealand	41,655	37,536
Total auditor's remuneration	<u>41,655</u>	<u>72,026</u>

Amounts payable to auditors for audit services are paid on behalf of Jetconnect by Qantas Airways Limited. Qantas Airways Limited has not on-charged these expenses to Jetconnect for the year ended 30 June 2011.

Jetconnect Limited
Financial Report 2011

Notes to the Financial Statements
for the year ended 30 June 2011

	2011 NZ\$	2010 NZ\$
Note 6: Cash and cash equivalents		
Short-term deposits	144,055,184	139,655,685
	<u>144,055,184</u>	<u>139,655,685</u>
Note 7: Property, plant and equipment		
Plant and equipment at cost	153,623	153,623
Less: accumulated depreciation	(110,715)	(96,427)
	<u>42,908</u>	<u>57,196</u>
Leasehold improvements at cost	256,834	256,834
Less: accumulated depreciation	(171,998)	(146,314)
	<u>84,836</u>	<u>110,520</u>
Total property, plant and equipment at cost	410,457	410,457
Less: accumulated depreciation	(282,713)	(242,741)
Total property, plant and equipment	<u>127,744</u>	<u>167,716</u>
Note 8: Issued capital		
Issued capital	116	116
Notes converted into ordinary shares	98,239,748	-
	<u>98,239,864</u>	<u>116</u>

The issued capital consists of 98,239,750 (2010: 2) ordinary shares which are fully paid.

As at 30 June 2010, Jetconnect had an optional convertible note with Qantas Airways Limited, held in the form of 98,239,748 \$1 non-interest bearing notes which were repayable or convertible into shares of Jetconnect Limited on a one note for one share basis. On 24 September 2010, Qantas exercised its right to convert the 98,239,748 NZ\$1 non-interest bearing notes into ordinary share capital in accordance with the terms of the optional convertible notes.

The shares entitle the holder to the right to vote at a meeting of shareholders and on a poll to cast one vote for each share held. The shares confer on the holder the right to an equal share in dividends and other distributions of the Company (subject to the rights of any other class of shares). The shares also confer the right to an equal share in the distribution of the surplus assets of the Company on liquidation. The shares are not redeemable.

Dividends

On 25 November 2010, a dividend of NZ\$87,767,595 was declared and paid by Jetconnect, amounting to 89.34 cents per share.

Jetconnect Limited
Financial Report 2011

Notes to the Financial Statements
for the year ended 30 June 2011

Note 9: Commitments

Capital expenditure commitments

The Company had no commitments for capital expenditure at 30 June 2011 (2010: nil).

Lease commitments

Future lease commitments not provided for in the Financial Statements:

	2011 NZ\$	2010 NZ\$
Payable:		
Not later than one year	348,043	201,287
Later than one year but not later than five years	514,320	29,282
Total lease commitments	862,363	230,569

During the year ended 30 June 2011, NZ\$354,117 was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2010: NZ\$280,772).

Note 10: Contingent liabilities

Tax investigation

The New Zealand Inland Revenue Department issued Jetconnect with Notices of Proposed Adjustment to deny interest deductions claimed in respect of the Optional Convertible Notes (with Qantas Airways Limited) which was used to fund the acquisition of the Qantas Group's former interest in Air New Zealand. This matter has now progressed to the High Court with Jetconnect being granted a stay of proceedings pending resolution of the designated test cases with other corporate taxpayers. The Qantas Group has available tax losses to off-set any resultant tax liability that may arise in respect to this issue.

Other than the matters disclosed above, there are no other contingent liabilities at 30 June 2011 (2010: nil, except for matters disclosed above).

Jetconnect Limited
Financial Report 2011

Notes to the Financial Statements
for the year ended 30 June 2011

Note 11: Related parties

Transactions with related parties

Jetconnect conducts related party transactions with its parent, Qantas Airways Limited and other controlled entities within the Qantas Group. Transactions with Qantas Airways Limited include the provision of a wet-lease capacity for Trans-Tasman flying operations. Aircraft maintenance work and catering services are also provided by entities within the Qantas Group. Certain operating expenses, including a margin, are recharged to Qantas by Jetconnect.

As at 30 June 2010, the payable to the Qantas Group included the convertible notes of NZ\$98,239,748 which have been converted into shares of Jetconnect Limited during the year ended 30 June 2011.

	2011 NZ\$	2010 NZ\$
Receivables – Qantas Group	21,841,918	102,710,208
Less: impairment – Qantas Group	(16,910,681)	(16,910,681)
Total receivables – Qantas Group	4,931,237	85,799,527
Payable – Qantas Group	-	98,239,748
Revenue and other income – Qantas Group	73,477,014	74,453,700

Directors' remuneration

The Directors of the Company are remunerated by the ultimate parent entity, Qantas Airways Limited. This is not on-charged to the Company.

Note 12: Financial instruments

Financial assets

Cash and cash equivalents	144,055,184	139,655,685
Trade and other receivables – related party	4,931,237	85,799,527
Trade and other receivables – third parties	139,310	339,169
Total financial assets	149,125,731	225,794,381

Financial liabilities

Trade and other payables	4,856,311	5,292,002
Other financial liabilities – related party	-	98,239,748
Total financial liabilities	4,856,311	103,531,750

The carrying amount approximates the fair value of the financial assets and liabilities. Financial liabilities are measured at amortised cost.

Jetconnect Limited
Financial Report 2011

Notes to the Financial Statements
for the year ended 30 June 2011

Note 13: Subsequent events

There has not arisen in the interval between 30 June 2011 and the date of this report, any event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the Jetconnect.

Note 14: Other Disclosures

Jetconnect is domiciled in New Zealand. Its registered office and principal place of business are shown below:

Level 30, Vero Centre
48, Shortland Street
Auckland
New Zealand



Independent Auditor's Report

To the Shareholders of Jetconnect Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Jetconnect Limited ("the company") on pages 1 to 13. The financial statements comprise the statement of financial position as at 30 June 2011 and the statement of comprehensive income, and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Our firm has also provided other services to the company in relation to taxation services. Partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.



Opinion

In our opinion the financial statements of Jetconnect Limited on pages 1 to 13:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 30 June 2011 and of its financial performance for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of section 16(1)(d) and section 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Jetconnect Limited as far as appears from our examination of those records.

KPMG

KPMG

17 November 2011

Sydney

17 November 2011

Mal Ramsay
KPMG
10 Shelley Street
Sydney, NSW 2000
Australia

Dear Mal,

Statutory audit of financial statements – 30 June 2011

This representation letter is provided in connection with your audit of the financial statements of Jetconnect Limited ("the Company") for the year ended 30 June 2011, for the purpose of expressing an opinion as to whether the financial statements gives a true and fair view in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as required by the Financial Reporting Act 1993. NZ GAAP in the case of the Company, means New Zealand Equivalents to International Financial Reporting Standards (hereafter referred to as NZ GAAP).

We confirm that the representations we make in this letter are in accordance with the definitions set out in Appendix 1 to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements


- 1 We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 27 May 2009, for the preparation of Financial Statements that give a true and fair view in accordance with NZ GAAP.
- 2 Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 3 Material events subsequent to the date of the financial statements and for which NZ GAAP require adjustment or disclosure have been adjusted or disclosed.
- 4 There are no uncorrected financial statement misstatements.
- 5 We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - We have made available to you all books of account and supporting documentation and all minutes of meetings of shareholders and the Board of Directors, and when applicable, summaries of actions of meetings held after the end of the reporting period for which minutes have not yet been prepared;
 - additional information that you have requested from us for the purpose of the audit; and


- unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence.
- 6 The records maintained by the Company during the year were in compliance with the statutory requirements of the Companies Act 1993, adequate for the preparation of the Company's financial statements and in accordance with the requirements of the Inland Revenue Department.
 - 7 All transactions have been recorded in the accounting records and are reflected in the financial statements.
 - 8 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
 - 9 We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - 10 Included in Appendix 1 to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.
 - 11 There have been no allegations of fraud, or suspected fraud, affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others that involves:
 - management; or
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
 - 12 There have been no communications from regulatory agencies, governmental representatives, tax authorities, employees or other concerning investigations nor any allegations of non-compliance with tax and regulations, deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements.
 - 13 There are no:
 - Other liabilities that are required to be recognised and contingent liabilities that are required to be disclosed in the financial statements in accordance with NZ IAS 37 Provisions, Contingent Liabilities, and Contingent Assets, including liabilities or contingent liabilities arising from illegal or possible illegal acts have been appropriately recognised and disclosed in the financial statements.
 - There are no other environmental matters that may have an impact on the financial statements.
 - 14 We have disclosed to you the identity of the Company's and all the related party relationships and transactions and outstanding balances to/from related parties of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with NZ GAAP.
 - 15 The Company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, for example debt covenants.
 - 16 There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.
 - 17 We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

- 18 The Company has satisfactory title to all assets and there are no liens or encumbrances on the Company's assets.
- 19 We have reviewed all financial assets and financial liabilities within the scope of NZ IAS 39 *Financial Instruments: Recognition and Measurement*, and confirm they have been classified appropriately in accordance with NZ IAS 39 as either:
- financial assets or liabilities held for trading; or
 - financial assets or liabilities designated at fair value through profit or loss; or
 - held-to-maturity investments; or
 - loans and receivables; or
 - available-for-sale financial assets; or
 - other liabilities.
- 20 There are no significant matters that have arisen that would require a restatement of the comparative figures.
- 21 We have no non-current assets or disposal groups that are required by NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*, to be classified as held for sale.

This letter was tabled and agreed at the meeting of the Board of Directors on 17 November 2011.

Yours faithfully


Alan Joyce
Director


Gareth Evans
Director

Appendix to the Management Representation Letter of Jetconnect Limited

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users. [ISA NZ 240.A2]

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization. [ISA NZ 240.A5]

be read as "management and, where appropriate, those charged with governance". [ISA NZ 580.8]

Related party

Definition

Related party - A party is related to an entity if:

- a) directly, or indirectly through one or more intermediaries, the party:
 - i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - ii) has an interest in the entity that gives it significant influence over the entity; or
 - iii) has joint control over the entity;
- b) the party is an associate (as defined in NZ IAS 28 *Investments in Associates*) of the entity;
- c) the party is a joint venture in which the entity is a venturer (see NZ IAS 31 *Interests in Joint Ventures*);
- d) the party is a member of the key management personnel of the entity or its parent;
- e) the party is a close member of the family of any individual referred to in (a) or (d);
- f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.