

Nauru Air Corporation

ABN: 54 074 712 351

Financial Statements

For the Year Ended 30 June 2021

Nauru Air Corporation

ABN: 54 074 712 351

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Nauru Air Corporation

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Directors' Report For the Year Ended 30 June 2021

Your directors present their report on the Group consisting of Nauru Air Corporation ('the Corporation') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

1. Directors

The names of the directors in office during this financial year and subsequently are:

Names

Kieren Keke
Voderick Detsiogo
Robert Eoe (Ceased 3 September 2020)
Annie Malupo
Novena Itsimaera (Ex Officio Gov Rep)
Nodel Neneiya (Ex Officio Dep of Transport)
Richard Aremwa (Appointed 3 September 2020)

Directors have been in office since the start of the year to the date of this report unless otherwise stated.

2. Principal Activities

The principal activities of the Group during the course of the year consisted of:

- the operation of international air passenger transportation services;
- the provision of freight services and associated support activities; and
- the provision of travel retailing.

There were no significant changes in the nature of the Group's principal activities during the financial year.

3. Operating Results

The profit of the Group after providing for income tax amounted to \$4,778,011 (2020: \$352,626)

A review of the operations of the Group during the financial year and the results of those operations found that during the year, the Group continued to engage in its principle activities, the results of which are disclosed in the attached financial statements.

4. Other items

a Significant Changes in State of Affairs

The Global Corona virus pandemic that hit the world in March 2020 had a significant impact on International Travel, and the Border restrictions affected the normal operations of the business. With immediate business response and shareholder support, the impact was minimised.

No other significant change in the Group's state of affairs occurred during the financial year.

b Events After the End of the Reporting Period

On 2 September 2021, a statement of claim was lodged in the Federal Court of Australia by a former supplier of the company alleging various claims in respect of their commercial relationship with the company. While the matter is in the early stages of process, the company intends to vigorously defend against the claims made and accordingly, no provision has been recorded in the accounts for this matter. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operation of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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Directors' Report For the Year Ended 30 June 2021

4. Other items *(continued)*

c Future developments

The Group expects to maintain the present status and the level of operations and hence there are no likely developments in the operations in future financial years.

d Environmental Issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

e Dividends paid or declared

No dividends were paid or declared since the start of the financial year.

f Options

No options over issued shares or interests in the Group were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

5. Indemnifying Officers or Auditors

The Directors and Officers are covered by Directors and Officer's insurance with an aggregate limited liability of \$10,000,000. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the Group.

6. Proceedings on Behalf of Corporation

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

7. Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Signed in accordance with a resolution of the Board of Directors:

Date: 20 October 2021



Date: 20 October 2021



**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF NAURU AIR CORPORATION**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2021 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J. C. Luckins

J. C. Luckins
Director

Melbourne, 20 October 2021

ACCOUNTANTS & ADVISORS

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Nauru Air Corporation

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Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2021

		The Group		Parent Entity	
		2021	2020	2021	2020
		\$	\$	\$	\$
Sale of services		42,054,305	62,754,005	42,511,034	63,074,377
Sale of travel services		100,548	679,430	-	-
Other operating revenues		790,886	-	291,807	-
Community service obligations		4,680,000	-	4,680,000	-
Grants		1,231,324	2,600,000	1,231,324	2,600,000
Total revenue from ordinary activities	2	48,857,063	66,033,435	48,714,165	65,674,377
Administrative expenses		(2,902,647)	(5,107,564)	(3,920,356)	(6,078,814)
Aircraft lease		(1,284,300)	(1,611,327)	(1,284,300)	(1,611,327)
Aircraft major overhaul		(3,765,225)	(6,613,796)	(3,765,225)	(6,613,796)
Aircraft operating expenses		(14,351,995)	(25,418,948)	(14,351,995)	(25,418,948)
Depreciation and amortisation		(2,032,241)	(2,082,283)	(1,076,892)	(1,127,063)
Employee benefits cost		(19,354,804)	(24,493,512)	(19,162,279)	(24,138,509)
Other expenses		(67,927)	(150,966)	(67,927)	(150,966)
Profit before income tax	3	5,097,924	555,040	5,085,191	534,954
Gain (Loss) on disposal of assts		(267,908)	(29,745)	(267,908)	(29,745)
Interest income (expense)		(52,005)	(97,283)	27,751	10,925
Income tax recovery (expense)	4	-	(75,385)	-	(24,786)
Profit for the year		4,778,011	352,626	4,845,034	491,348
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year		4,778,011	352,626	4,845,034	491,348

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 30 June 2021

	Note	The Group		Parent Entity	
		2021 \$	2020 \$	2021 \$	2020 \$
ASSETS					
Current assets					
Cash and cash equivalents	6	15,351,635	10,757,790	14,694,586	9,873,107
Trade and other receivables	7	1,676,535	1,851,480	1,880,265	2,166,421
Other assets	8	1,943,910	1,597,707	1,892,528	1,547,152
Inventories	9	2,509,548	3,041,555	2,509,548	3,041,555
Income tax receivable		-	35,857	-	-
Total current assets		21,481,628	17,284,389	20,976,927	16,628,235
Non-current assets					
Investment	10	-	-	300	400
Right of use assets	22	1,892,227	3,345,138	223,280	722,506
Property, plant and equipment	11	2,839,636	3,100,941	2,836,945	3,096,586
Total non-current assets		4,731,863	6,446,079	3,060,525	3,819,492
TOTAL ASSETS		26,213,491	23,730,468	24,037,452	20,447,727
LIABILITIES					
Current liabilities					
Trade and other payables	12	8,327,652	9,237,813	8,309,148	9,141,454
Income tax payable		1	-	-	-
Provisions	13	1,961,573	1,391,559	1,961,573	1,378,556
Deferred revenue		2,569,273	3,134,935	2,569,273	3,134,935
Lease liabilities	23	1,123,366	1,466,725	131,097	517,903
Total current liabilities		13,981,865	15,231,032	12,971,091	14,172,848
Non-current Liabilities					
Provisions	13	872,380	794,835	872,380	794,835
Lease liabilities	23	908,805	2,032,171	117,737	248,834
Total non-current liabilities		1,781,185	2,827,006	990,117	1,043,669
TOTAL LIABILITIES		15,763,050	18,058,038	13,961,208	15,216,517
NET ASSETS EQUITY		10,450,441	5,672,430	10,076,244	5,231,210
Issued capital					
Accumulated profit/(loss)	14	12,673,849	12,673,849	12,673,849	12,673,849
		(2,223,408)	(7,001,419)	(2,597,605)	(7,442,639)
TOTAL EQUITY		10,450,441	5,672,430	10,076,244	5,231,210

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the Year Ended 30 June 2021

The Group	Ordinary Shares	Accumulated Profit/(Loss)	Total
2020	\$	\$	\$
Balance at 1 July 2019	12,673,849	(7,354,045)	5,319,804
Issuance of shares	-	-	-
<i>Comprehensive Income</i>			
Profit for the year	-	352,626	352,626
Other comprehensive income	-	-	-
<i>Total comprehensive income for the year</i>	-	352,626	352,626
Balance at 30 June 2020	12,673,849	(7,001,419)	5,672,430
2021			
Balance at 1 July 2020	12,673,849	(7,001,419)	5,672,430
Issuance of shares	-	-	-
<i>Comprehensive Income</i>			
Profit for the year	-	4,778,011	4,778,011
Other comprehensive income	-	-	-
<i>Total comprehensive income for the year</i>	-	4,778,011	4,778,011
Balance at 30 June 2021	12,673,849	(2,223,408)	10,450,441
Parent Entity			
2020			
Balance at 1 July 2019	12,673,849	(7,933,987)	4,739,862
Issuance of shares	-	-	-
<i>Comprehensive Income</i>			
Profit for the year	-	491,348	491,348
Other comprehensive income	-	-	-
<i>Total comprehensive income for the year</i>	-	491,348	491,348
Balance at 30 June 2020	12,673,849	(7,442,639)	5,231,210
2021			
Balance at 1 July 2020	12,673,849	(7,442,639)	5,231,210
Issuance of shares	-	-	-
<i>Comprehensive Income</i>			
Profit for the year	-	4,845,034	4,845,034
Other comprehensive income	-	-	-
<i>Total comprehensive income for the year</i>	-	4,845,034	4,845,034
Balance at 30 June 2021	12,673,849	(2,597,605)	10,076,244

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the Year Ended 30 June 2021

	Note	The Group		Parent Entity	
		2021	2020	2021	2020
		\$	\$	\$	\$
Cash from operating activities:					
Receipts from customers		48,426,180	71,206,269	48,394,593	71,202,943
Payments to suppliers and employees		(41,763,530)	(66,635,968)	(42,497,029)	(67,437,809)
Interest received		-	-	27,751	-
Interest paid		(52,005)	(75,385)	-	(24,786)
Income tax received		35,858	-	-	-
Net cash provided by/(used in) operating activities	15	6,646,503	4,494,916	5,925,315	3,740,348
Cash flows from investing activities:					
Purchase of plant and equipment	11	(589,933)	(845,422)	(589,933)	(840,476)
Proceeds from disposal of plant and equipment		4,000	-	4,000	-
Net cash provided by/(used in) investing activities		(585,933)	(845,422)	(585,933)	(840,476)
Cash flows from financing activities:					
Proceeds from issuance of shares		-	-	-	-
Lease repayments		(1,466,725)	(1,299,689)	(517,903)	(455,532)
Net cash provided by/(used in) investing activities		(1,466,725)	(1,299,689)	(517,903)	(455,532)
Net increase/ (decrease) in cash and cash equivalents		4,593,845	2,349,805	4,821,479	2,444,340
Cash at the beginning of the year		10,757,790	8,407,985	9,873,107	7,428,767
Cash at the end of the year	6	15,351,635	10,757,790	14,694,586	9,873,107

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Statement of Significant Accounting Policies

Nauru Air Corporation (“the Corporation”) is incorporated under the Nauru Air Corporation Act 1995 and is domiciled in the Republic of Nauru. The Corporation is registered in Australia and prepares and lodges annual financial statements with the Australian Securities and Investments Commission. The Corporation’s ultimate parent entity is the Republic of Nauru.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. These did not have a material impact on the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted, with the exception of AASB 1060, as detailed below.

AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

The Group has early adopted AASB 1060 from 1 July 2020. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. As a result, there is increased disclosure in these financial statements for key management personnel, related parties, tax and financial instruments. As the Group has early adopted these standards, it has taken advantage of certain special transitional disclosure relief relating to comparative information in the current year. Accordingly, the comparatives have not been amended.

Accounting Policies

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nauru Air Corporation (the Corporation) as at 30 June 2021 and the results of all subsidiaries for the year then ended. Nauru Air Corporation and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

InterGroup transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Statement of Significant Accounting Policies *(continued)*

(a) Principles of consolidation *(continued)*

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

(b) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate in Australia, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

(c) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The costs of engineering expendables, consumable stores, and work in progress are assigned to the individual items of inventories on the basis of weighted average cost.

(e) Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(i) for details of impairment).

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

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Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Statement of Significant Accounting Policies *(continued)*

(e) Plant and Equipment *(continued)*

Aircraft Spares

The Group has elected to revalue Aircraft Spares from historical cost basis to fair value basis applying the requirements of AASB 116 'Plant, Property, and Equipment'.

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made by the Group with sufficient regularity to ensure that the carrying amount of the asset does not differ materially from that which would be determined using fair value at the end of the reporting period.

Depreciation

The depreciable amount of all fixed assets is depreciated using the straight line or diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	
Aircraft	12.5 – 20%
Aircraft engines	12.5%
Aircraft engine spares	12.5%
Leasehold building improvements	12.5 - 20% Prime Cost
Motor Vehicle	20 - 25%
Plant and Equipment	8 - 40%
Furniture and Fittings	7.5 – 66.67%

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Corporation. Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amount included in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Statement of Significant Accounting Policies *(continued)*

(f) Employee Benefits *(continued)*

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(g) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(h) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Statement of Significant Accounting Policies *(continued)*

(h) Financial Instruments *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant accounting involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or have expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit and loss.

(i) Impairment of Assets

At the end of each reporting period, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Statement of Significant Accounting Policies *(continued)*

(j) Right-of-use assets *(continued)*

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(k) Repairs and Maintenance

Routine maintenance costs including annual airframe checks are written off to the statement of profit or loss and other comprehensive income as incurred.

An accrual is made for the estimated future costs of major cyclical maintenance of leased airframes, engines, landing gear and auxiliary power units by making charges to the statement of profit or loss, calculated by reference to the current rectification cost and the number of hours or cycles operated during the period. The Group is presently obligated to meet these aircraft rectification requirements pursuant to the operating lease agreements with a related party. The costs of major cyclical maintenance are written off against the accrual when incurred.

(l) Revenue

Passenger revenue comprises revenue from passenger tickets sales. Revenue is recognised when carriage (uplift) is performed. Passenger revenue received in advance, together with any commission thereon, is carried forward in the Statement of financial position as unearned passenger revenue.

Revenue from sales of goods is recognised upon the uplift of goods to customers.

Revenue from the sale of travel services is recorded when travel documents are issued.

Interest revenue is recognised on an effective interest rate basis.

Revenue from the rendering of services including cargo revenue is recognised upon the delivery of the service to the customers.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The gross proceeds of non-current asset sales are included as revenue at the date that control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

All revenue is stated net of the amount of goods and services tax (GST).

(m) 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 Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Nauru Air Corporation

ABN: 54 074 712 351

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Statement of Significant Accounting Policies *(continued)*

(m) Goods and Services Tax (GST) *(continued)*

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Foreign Currency Transaction and Balances

(i) Functional and presentation currency

The functional currency of the Group is measured using the currency of the primary economic environment in which the Group operates. These financial statements are presented in Australian dollars which is the Corporation's functional and presentation currency.

(ii) Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continued to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair value determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(q) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events, based on current trends and economic data, obtained both externally and within the Corporation.

Nauru Air Corporation

ABN: 54 074 712 351

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Statement of Significant Accounting Policies *(continued)*

(q) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events, based on current trends and economic data, obtained both externally and within the Corporation.

The directors have reviewed the carrying amount of the trade receivables during the financial year and estimated \$603,837 of trade receivables will not be recoverable (2020: \$563,671). Refer to Note 7.

(ii) Payment to related party for aircraft maintenance

As described in Note 1(k), the Group has a contractual obligation to pay a related party for estimated future costs of major cyclical maintenance of leased airframes, engines, landing gear and auxiliary power units, calculated by reference to the rectification costs and the number of hours or cycles operated during the period. These calculations require the use of assumptions regarding the timing of maintenance and the cost of repairs. The timing of the future payments is estimated with reference to historical data, industry standards and manufacturing specifications.

(iii) Deferred tax assets

The directors have determined that currently the entity does not meet the recognition criteria to offset its tax losses and temporary tax differences against future taxable income, and on this basis has not recognised a net deferred tax asset in the financial statements.

(iv) Lease payments

Lease commitments have expired under the lease agreements with PALCO for VH – VLI and YALCO for VH - YNU. The directors believe that the entity does not have any obligations to make lease payments to these companies.

(v) Unearned Revenue

During the year a review was undertaken of the key judgements and estimates impacting the timing of revenue recognition and the measurement of revenue received in advance for tickets. In accordance with ticket terms and conditions and historic experience, the directors estimated that the unearned revenue for the year ended 30 June 2021 amounted to \$2,569,273 (2020: \$3,134,935).

(r) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Nauru Air Corporation

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Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Statement of Significant Accounting Policies *(continued)*

(s) New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

Nauru Air Corporation

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Notes to the Financial Statements

For the Year Ended 30 June 2021

Note	The Group		Parent Entity	
	2021	2020	2021	2020
	\$	\$	\$	\$
2 Revenue				
Operating Activities				
Sales of services	42,054,305	62,754,005	42,511,034	63,074,377
Sale of travel services	100,548	679,430	-	-
Total operating revenue	42,154,853	63,433,435	42,511,034	63,074,377
Other Revenue				
Other operating revenues	790,886	-	291,807	-
Grants	1,231,324	2,600,000	1,231,324	2,600,000
Community service obligations	4,680,000	-	4,680,000	-
Total other revenues	6,702,210	2,600,000	6,203,131	2,600,000
Total	48,857,063	66,033,435	48,714,165	65,674,377
3 Profit before Income Tax				
(a) Expenses				
Profit before income tax includes the following specific expense:				
Aircraft lease	1,284,300	1,611,327	1,284,300	1,611,327
Depreciation	2,032,241	2,082,283	1,076,892	1,127,063
Doubtful debts expense	40,166	382,253	40,166	382,253
4 Income Tax				
The component of tax expense comprise:				
Current Tax	-	75,385	-	24,786
	-	75,385	-	24,786

Nauru Air Corporation

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Notes to the Financial Statements

For the Year Ended 30 June 2021

4 Income Tax (Continued)

Tax losses generated have been carried forward to offset against future years' taxable income. The benefit of these tax losses has not been recognised as an asset in accordance with Group's accounting policy.

Future income tax benefits relating to timing differences between the recognition of certain income and expense items for accounting and tax purposes will only be recognised where the following criteria is met:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deduction of the losses to be realised;
- conditions of deductibility imposed by the laws continue being complied with; and
- there being no change in the law, which will adversely affect the realisation of the benefit.

The Group		Parent Entity	
2021	2020	2021	2020
\$	\$	\$	\$

5 Auditors' Remuneration

Remuneration of the auditor for the Corporation

Auditing or reviewing the financial report	36,000	36,000	36,000	36,000
Other non-audit services	4,500	4,500	4,500	4,500
Total	40,500	40,500	40,500	40,500

6 Cash and Cash Equivalents

Current

Cash on hand	23,054	39,456	23,054	39,456
Cash at bank	15,328,581	10,718,334	14,671,532	9,833,651
Total	15,351,635	10,757,790	14,694,586	9,873,107

7 Trade and Other Receivables

Current

Trade receivables	1,904,475	2,383,327	2,109,837	2,592,560
Related party receivables	344,073	-	344,073	-
Less: Provision for doubtful debts	(603,837)	(563,671)	(603,837)	(563,671)
	1,644,711	1,819,656	1,850,073	2,028,889
Other receivables	31,824	31,824	30,192	137,532
Total	1,676,535	1,851,480	1,880,265	2,166,421

Nauru Air Corporation

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Notes to the Financial Statements

For the Year Ended 30 June 2021

	The Group		Parent Entity	
	2021	2020	2021	2020
	\$	\$	\$	\$
8 Other Assets				
Current				
Prepayment	633,759	117,077	632,377	116,523
Other deposits	1,310,151	1,480,630	1,260,151	1,430,629
Prepaid lease expense	-	-	-	-
Total	1,943,910	1,597,707	1,892,528	1,547,152

9 Inventory

Engineering Expendables	2,509,548	3,041,555	2,509,548	3,041,555
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10 Investment

Share in subsidiary	-	-	300	400
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Controlled Entity	Country of incorporation	Percentage Owned	
		2021	2020
		%	%
NAC Travel Pty Ltd	Australia	100	100
Nauru Airlines Maintenance Services Pty Ltd	Australia	100	100
Nauru Airlines Hangar (Brisbane) Pty Ltd	Australia	100	100

Nauru Air Corporation

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Notes to the Financial Statements

For the Year Ended 30 June 2021

	The Group		Parent Entity	
	2021	2020	2021	2020
	\$	\$	\$	\$
11 Plant and Equipment				
Leasehold Improvement				
- at cost	362,188	362,188	362,188	362,188
- accumulated depreciation	(317,490)	(242,786)	(317,490)	(242,786)
	44,698	119,402	44,698	119,402
Plant and Equipment				
- at cost	2,689,294	2,480,197	2,689,294	2,480,197
- accumulated depreciation	(1,361,462)	(1,162,926)	(1,361,462)	(1,162,926)
	1,327,832	1,317,271	1,327,832	1,317,271
Aircraft Spares				
- at cost	676,565	696,872	676,565	696,872
- accumulated depreciation	(68,474)	(60,149)	(68,474)	(60,149)
	608,091	636,723	608,091	636,723
Aircraft				
- at cost	-	-	-	-
- accumulated depreciation	-	-	-	-
	-	-	-	-
Capital Works in progress				
- at cost	93,111	4,555	93,111	4,555
Furniture and Fittings				
- at cost	2,038,035	2,148,461	2,139,200	2,139,200
- accumulated depreciation	(1,272,131)	(1,125,471)	(1,375,987)	(1,120,565)
	765,904	1,022,990	763,213	1,018,635
Total Plant and Equipment – at net book value	2,839,636	3,100,941	2,836,945	3,096,586

Nauru Air Corporation

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Notes to the Financial Statements

For the Year Ended 30 June 2021

11 Plant and Equipment (continued)

a. Movement in Carrying Amounts

The Group	Leasehold Provision \$	Plant & Equipment \$	Aircraft & Aircraft Spares \$	Capital Works in Progress \$	Furniture & Fittings \$	Total \$
2021						
Balance as at 1 July 2020	119,402	1,317,271	636,723	4,555	1,022,990	3,100,941
Additions	-	228,603	101,535	88,556	171,239	589,933
Disposals	-	(4,045)	-	-	(165,427)	(169,472)
Utilisation (i)	-	-	(102,436)	-	-	(102,436)
Depreciation expense	(74,704)	(213,997)	(27,731)	-	(262,898)	(579,330)
Balance as at 30 June 2021	44,698	1,327,832	608,091	93,111	765,904	2,839,636
2020						
Balance as at 1 July 2019	91,468	1,183,614	627,278	139,626	1,056,239	3,098,225
Additions	92,103	343,828	150,824	(63,857)	323,064	845,422
Disposals	-	-	-	(71,214)	(32,538)	(103,752)
Utilisation (i)	-	-	(110,118)	-	-	(110,118)
Depreciation expense	(64,169)	(210,171)	(30,721)	-	(323,775)	(628,836)
Balance as at 30 June 2020	119,402	1,317,271	636,723	4,555	1,022,990	3,100,941
Parent Entity						
2021						
Balance as at 1 July 2020	119,402	1,317,271	636,723	4,555	1,018,635	3,096,586
Additions	-	228,603	101,535	88,556	171,239	589,933
Disposals	-	(4,045)	-	-	(165,427)	(169,472)
Utilisation (i)	-	-	(102,436)	-	-	(102,436)
Depreciation expense	(74,704)	(213,997)	(27,731)	-	(261,234)	(577,666)
Balance as at 30 June 2021	44,698	1,327,832	608,091	93,111	763,213	2,836,945
2020						
Balance as at 1 July 2019	91,468	1,183,614	627,278	139,626	1,055,294	3,097,280
Additions	92,103	343,828	150,824	(63,857)	318,118	840,476
Disposals	-	-	-	(71,214)	(32,538)	(103,752)
Utilisation (i)	-	-	(110,118)	-	-	(110,118)
Depreciation expense	(64,169)	(210,171)	(30,721)	-	(322,239)	(628,836)
Balance as at 30 June 2020	119,402	1,317,271	636,723	4,555	1,018,635	3,096,586

(i) This amount relates to the replacement of the aircraft's engineering parts and is expensed as part of the aircraft operating costs during the financial year as well as disposals during the year.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

	The Group		Parent Entity	
	2021	2020	2021	2020
	\$	\$	\$	\$
12 Trade and Other Payables				
Current				
<i>Unsecured liabilities</i>				
Trade and other payables	6,750,303	9,199,781	6,731,799	9,103,422
Related party payables	1,577,349	38,032	1,577,349	38,032
	8,327,652	9,237,813	8,309,148	9,141,454
13 Provisions				
Current				
Employee entitlements	1,961,573	1,391,559	1,961,573	1,378,556
Non-Current				
Employee entitlements	472,380	394,835	472,380	394,835
Lease make good	400,000	400,000	400,000	400,000
Total	2,833,953	2,186,394	2,833,953	2,173,391
14 Issued and Paid Up Capital				
12,673,849 (2017: 7,773,849) ordinary shares	12,673,849	12,673,849	12,673,849	12,673,849
	12,673,849	12,673,849	12,673,849	12,673,849

The Group has 12,673,849 shares on issue. Ordinary shares participate in the proceeds on winding up of the Group in proportion to the number of shares held.

At shareholders meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

Nauru Air Corporation

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Notes to the Financial Statements

For the Year Ended 30 June 2021

15 Cash Flow Information	<i>The Group</i>		<i>Parent Entity</i>	
	2021	2020	2021	2020
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax	\$	\$	\$	\$
Profit /(loss) after income tax	4,778,011	352,626	4,845,034	491,348
Non-cash flows in profit:				
Depreciation – property, plant and equipment	2,032,241	2,082,283	1,076,892	1,127,063
Disposal of assets	267,908	213,870	267,908	213,870
Bad and doubtful debts	40,166	382,253	40,166	382,253
Changes in assets and liabilities, net of the effects of purchase and disposal of assets:				
- (Increase) / decrease in trade and term debtors	134,779	5,821,182	246,090	6,176,914
- (Increase) / decrease in other assets	(346,203)	803,052	(345,376)	718,714
- (Increase) / decrease in consumables	532,007	(6,981)	532,007	(6,981)
- Increase / (decrease) in taxes payable	35,858	-	-	-
- Increase / (decrease) in trade and other payables	(910,161)	(5,123,707)	(832,306)	(5,329,216)
- Increase / (decrease) in other liabilities	(565,662)	(497,382)	(565,662)	(497,382)
- Increase / (decrease) in provisions	647,559	467,720	660,562	463,765
Net cash provided by (used in) operating activities	6,646,503	4,494,916	5,925,315	3,740,348

16 Events After the End of the Reporting Period

On 2 September 2021, a statement of claim was lodged in the Federal Court of Australia by a former supplier of the company alleging various claims in respect of their commercial relationship with the company. While the matter is in the early stages of process, the company intends to vigorously defend against the claims made and accordingly, no provision has been recorded in the accounts for this matter. There were no other events subsequent to balance date requiring further disclosure or amendment to the financial position or performance of the Group for the period since 30 June 2021.

17 Contingent Liabilities and Contingent Assets

As noted in note 16 regarding events after the end of the reporting period, on 2 September 2021, a statement of claim was lodged in the Federal Court of Australia by a former supplier of the company alleging various claims in respect of their commercial relationship with the company. While the matter is in the early stages of process, the company intends to vigorously defend against the claims made and accordingly, no provision has been recorded in the accounts for this matter.

As at the date of the financial report, there were no contingent assets known to the Group.

Nauru Air Corporation

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Notes to the Financial Statements

For the Year Ended 30 June 2021

18 Going Concern Basis

Group revenues for air travel services have been severely impacted by the ongoing COVID-19 pandemic falling by 33% to \$42.1m for the year ended 30 June 2021 (a fall of \$20.7m).

In order to address the falling revenues, the Group has actively managed its operations, reducing operational costs by \$21.7m or 33% to \$43.8m for the year ended 30 June 2021. The Group has fulfilled a Freight Community Service Obligation Contract for the Government of Nauru during the year of \$4.7m (nil contracted in the prior year) and sought grants during the year of \$1.2m (a decrease of \$1.4m from the \$2.6m received in the prior year). Grants for the current year supported continued employment of Nauruan based employees. These contributions from the Government of the Republic of Nauru contributed to the profit of \$4.8m for the year ended 30 June 2021 (an increase of \$4.4m from the prior year) and received net cash inflows from operations of \$6.6m for the year. Furthermore, the Group has working capital of \$7.5m at report date (an increase of \$5.4m from the prior year of \$2.1m) and with supportive cash flow forecasting, the Directors are confident that the Group, with the ongoing support of the Government of the Republic of Nauru if necessary, will achieve sufficient cash inflows from its operations to satisfy all contractual and other financial obligations. As such this financial report has been prepared on a going concern basis.

Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary if the consolidated entity does not continue as a going concern.

With the ongoing impacts of COVID-19, the matters outlined in note 17 and in the event that the Group requires further support from the Government of the Republic of Nauru and such support is not obtained, there might be uncertainty as to whether it will be able to continue as a going concern, and it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

19 Group Details

The registered office of the Group is:

Level 2, 99 Creek Street,
Brisbane QLD 4000,
Australia.

Nauru Air Corporation

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Notes to the Financial Statements

For the Year Ended 30 June 2021

20 Related party transactions

Parent entity

The parent entity of the Corporation is the Republic of Nauru.

Subsidiaries

Interests in subsidiaries are set out in Note 10.

Key management personnel

Disclosures relating to key management personnel are set out in Note 21.

2021

\$

Transactions with related parties

The following transactions occurred with related parties:

Provision of goods and services:

Government of Nauru 5,650,368

Payment of goods and services:

Sunco Holdings Limited Inc 5,049,555

Government of Nauru 1,471,967

6,521,522

Grant funding received:

NAC' s COVID 19 redeployment package 831,324

Receivable from (payable to) related parties

Government of Nauru 344,073

Sunco Holdings Limited Inc (330,562)

Nauru Leasing Corporation (96,138)

Government of Nauru (1,150,649)

(1,577,349)

21 Key management personnel disclosures

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below.

2021

\$

For services as directors 13,400

For services as employees 976,171

Aggregate compensation 989,571

Nauru Air Corporation

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Notes to the Financial Statements

For the Year Ended 30 June 2021

	The Group		Parent Entity	
	2021	2020	2021	2020
	\$	\$	\$	\$
22 Right of use assets				
Land and buildings				
- at cost	4,798,595	4,798,595	1,222,269	1,222,269
- accumulated depreciation	(2,906,368)	(1,453,457)	(998,989)	(499,763)
	1,892,227	3,345,138	223,280	722,506

Additions to right or use assets during the year were Nil.

The Group leases land and buildings for its offices and hangars under agreements of between three to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The Group leases office equipment under agreements of less than two years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

	The Group		Parent Entity	
	2021	2020	2021	2020
	\$	\$	\$	\$
23 Lease liabilities				
<i>Current</i>				
Lease liability	1,123,366	1,466,725	131,097	517,903
	1,123,366	1,466,725	131,097	517,903
<i>Non-current</i>				
Lease liability	908,805	2,032,171	117,737	248,834
	908,805	2,032,171	117,737	248,834
<i>Future lease payments</i>				
Future lease payments are due as follows:				
Within one year	1,177,459	1,177,459	138,059	138,059
One to five years	926,124	3,281,042	123,890	400,008
More than five years	-	-	-	-
	2,103,583	4,458,501	261,949	538,067

Nauru Air Corporation

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Directors Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Simplified Disclosures, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Date: 20 October 2021



Date: 20 October 2021

Nauru Air Corporation

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Nauru Air Corporation (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Corporation in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Corporation, would be in the same terms if given to the directors as at the time of this auditor's report.

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

ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

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williambuck.com

Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2021 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136

A handwritten signature in blue ink that reads 'J.C. Luckins'.

J.C. Luckins

Director

Melbourne, 20 October 2021