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NAURU MARITIME & PORT AUTHORITY

Annual Report

1st July 2021 to 30th June 2022

Authorization			
Function	Person	Date	Signed
Originator	Naveen Kumar	25th August 2022	✓
Checked	Brian Leighs	25th August 2022	✓
Authorized	Michael Nye	26th August 2022	✓
	Final Audited Report	14th December 2022	

INTRODUCTION

Pursuant to section 77 of the Public Enterprises Act 2019, the Board has the pleasure of presenting this annual report to the Government.

During this financial year, the Government paid NMPA **$801,169.35** to cover the Port project-related expenses like PMU staff salary, auditing fees, land rental etc.

In addition, a top-up fund of **$1,986,000.00** was paid to cover the cost of Location relocation housing projects which is part of the current Port project. Subsequently, the ADB has agreed to fund the relocation of temporary house expenses, which are reflected in the balance sheet as a receivable for $1,286,470. The Government declared covid19 ex-gratia allowance for the Nauruan employees in both December 2021 and June 2022 and made a payment to NMPA of **$89,100.00** to cover this additional expense.

1. FINANCIAL RESULTS

This NMPA annual financial report to 30 June 2022 is audited by the external agency Ernst & Young, Fiji.

The revenue for the twelve months to 30 June 2022 totalled **$6,187,054.00**. Total expenses for the period ended 30 June 2022 totalled **$6,790,980.00.** The operating loss for the year was **$603,926.00** (2021: operating profit of **$350,550**) after providing for an income tax benefit of **$171,397.00** (2021: income tax expense of **$171,377.00**).

Detailed audit reports and notes are attached with this report.

2. PORT OPERATIONS UPDATE

Include a summary of shipping volumes during the financial year period.

Vessel Type	Number of Visits		Cargo Volume			
			Jun-22		Jun-21	
	Jun-22	Jun-21	Discharge	Backload	Discharge	Backload
Cargo Vessel	13	18	20FT - 2311 40FT - 51 BBK - 1310.25	20FT - 2405 40FT - 45	2088	1846
Phosphate Vessel	11	9	-	298,602.97 MT	-	232,571.00 MT
Fuel Vessel	5	6	18,886.73 MT	-	21617.39 MT	-
Total Number of Vessel	29	33				

Tugboats were chartered from Silent world Shipping & Logistics (Vanuatu) Ltd to assist with the mooring of the fuel ships (1 tugboat per ship) and the phosphate ships (2 tugboats per ship). The cost of the tugboat charters was paid directly by the government.

The NMPA Tugboat is used for mooring assistance for both Phosphate and Fuel vessels from December 2021 and we only chartering 1 Tugboat from Vanuatu which is only for the Phosphate vessel operations.

The charter of the tugboat was necessary due to the partial failure of the mooring system which failed in July/August 2019 when the outer B1 & B2 buoys parted connection with the mooring system and drifted out of position.

Plans are currently under consideration for the re-design and re-establishment of the mooring system to consider the layout of the entrance to the new port under construction.

3. HUMAN RESOURCES

During July 2021 to June 2022 period HR division recruited 24 new employees into positions in various divisions, as detailed below.

Sl.No	Employee Names	Position	Commencement Date
1	Misha Kaelah Maeladuzu	PMU – Coordination Officer	14/10/2021
2	Jurong Batiua	Barge Driver	08/11/2021
3	Roy Detabene	Storeman Assistant	08/11/2021
4	Robin Teimitsi	Barge Assistant	09/11/2021
5	Renide Atsime	Container Logistics Controller	17/01/2022
6	Jacob Masiwou	Tug Engineer	17/01/2022
7	William Daffe	Tug Master	17/01/2022
8	Marissa Dongobir	Payroll Coordinator	18/01/2022
9	Luciano Dagan	Mechanic / Crane Operator Trainee	07/02/2022
10	Johnfij Agege	Stevedore Clerk	14/02/2022
11	Rakesh Kumar Pillay	Workshop Manager	07/03/2022
12	Taralyn Hiram	Human Resource Manager	07/03/2022
13	Aotr Hilo	Washer	04/04/2022
14	Canaan Hiram	Washer	04/04/2022
15	Fernelia Bill	Washer Leading Hand	04/04/2022
16	Napoleon Temaki	Bus Driver	04/04/2022
17	Why Julie Agir	Senior HR Advisor	21/04/2022
18	Jeshua Agege	Bus Driver	04/05/2022
19	Taitusi Motusa	Bus Driver	04/05/2022
20	Yadul Krishna	Assist Accounts Manager	16/05/2022
21	Angelo Mwareow	Mechanic	20/05/2022
22	Taratoba Redfern	Mechanic	20/05/2022
23	Trever Hiram	Fabricator Senior Supervisor	26/05/2022
24	Loki Limen	PFSO/HSSE	13/06/2022

Current Employee Statistics

Division & Category	Male	Percentage	Female	Percentage	Total Staff	Percentage
Nauru Maritime Port Authority						
Nauruan	55	65%	14	16%	69	81%
Expatriate	7	8%		0%	7	8%
Project Management Unit	1	1%	3	4%	4	5%
Nauru Shipping Line						
Nauruan		0%		0%	0	0%
Expatriate	2	2%	1	1%	3	4%
Diployed from NAC	1	1%	1	1%	2	2%
Total	**66**	**78%**	**19**	**22%**	**85**	**100%**

4. PORT DEVELOPMENT PROGRESS

Progress on the construction is at 50% and has not increased significantly since last reporting progress. In December 2021 the contractor agreed to progress completion to meet three milestones. The delivery of a cargo berth by the 30 th April 2022, the delivery of a fuel products discharge facility by 31st August 2022 and completion of the project by the 30 th June 2023 were agreed upon between the contractor and the Government of Nauru. Milestone 1 was not met by the contractor. Progress is significantly behind schedule and delays are creating an extensive cost burden for the Port Authority.

The lack of progress on the project is due to the:

- Lack of contract and port construction experience by the contractor.
- Poor and mostly no planning by the contractor.
- Internal conflict at all levels within the contractor.

The progress performance and experience of the contractor are highly disappointing.

5. NAURU SHIPPING HUB

A Business Development Plan has been created around combining the cargo flow of the Nauru Shipping Line (NSL) and the Nauru Maritime and Port Authority (NMPA) to be processed through the Nauru Port to develop a regional mini shipping hub servicing the Central Pacific Ocean. The benefits of this concept will provide sufficient cargo flow and ship arrivals to ensure long-term viability for the port construction. The contractor’s poor rate of progress will severely impact this business plan and cause high operational costs until the port construction is completed.

NSL continues to be the primary customer of the Port of Nauru. NSL has expanded its position with the purchase of the MV Micronesian Pride in 2021. The NSL vision will position the Port of Nauru as a significant transhipment hub for the region.

6. COVID IMPACTS

During 2021 to 2022 the coronavirus pandemic has resulted in disruption to the port operations and compliance with quarantine and associated restrictions has placed a strain on the number of workers available to provide services to port users.

The NMPA has been fortunate in that all staff have been assisting and covering for workers in quarantine or not fit for duty and management offers thanks to all the frontline workers that have assisted.

NAURU MARITIME AND PORT AUTHORITY *formerly known as Port Authority of Nauru*

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

Contents

In accordance with the Ports and Navigation Act 2019, the Directors herewith submit the statement of financial position of Nauru Maritime and Port Authority (the Authority) formerly known as Port Authority of Nauru as at 30 June 2022, the related statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cashflows for the year then ended and report as follows:

Cabinet

At the time of this report, His Excellency Hon. Russ J Kun, MP is the Responsible Minister for Nauru Maritime and Port Authority.

Directors

The names of the Directors in office at the date of this report are:

Chairman - Mr. Link Uera
Deputy Chairman - Mr. Calistus Cain
Director - Mr. Bure Ika
Director (Experience in Shipping) - Mr. Monte Depaune
Director Ex-Officio (Government) - Mr. Nodel Neneiya (Secretariat Transport)
Director Ex-Officio (Government) - Mrs. Melca Rykers (Finance)

Principal Activities

The principal activities of the Authority during the year was that of operating and managing port services and facilities in Nauru. There were no significant changes in the nature of these activities during the financial year.

Results

The operating loss for the year was $603,926 (2021: operating profit of $350,550) after providing for income tax benefit of $171,397 (2021: income tax expense $171,377).

Bad Debts and Impairment

Prior to the completion of the Authority's financial statements, the Directors took reasonable steps to ascertain that action has been taken in relation to the writing off of bad debts and the allowance for expected credit loss. In the opinion of the Directors, an adequate allowance has been made for expected credit loss.

As at the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts, or the allowance for expected credit losses in the Authority, inadequate to any substantial extent.

Non-current Assets

Prior to the completion of the financial statements of the Authority, the Directors took reasonable steps to ascertain whether any non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Authority. Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to non-current assets in the Authority's financial statements misleading.

Significant Events

Impact of Covid-19 on the Authority

The coronavirus disease (COVID-19) outbreak has developed rapidly, bringing a significant health impact globally. Measures taken to contain the virus are already having a significant impact on global markets and economic activity.

The Authority has remained operational since this declaration and continues to engage in its principal activities. The introduction of these restrictions has not had a material effect on the Authority's financial statements as at 30 June 2022.

The Directors and management believe the Authority has sufficient financial resources together with arrangements with their customers and suppliers at this time to be able to successfully manage their business risks despite the current uncertain economic outlook due to the COVID-19 outbreak.

Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Authority, the results of those operations or the state of affairs of the Authority in the subsequent financial year.

Unusual Transactions

In the opinion of the Directors, the results of the operations of the Authority during the financial year was not substantially affected by any item, transaction or event of a material and unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Authority in the current financial year, other than those reflected in the financial statements.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the Authority has been given since the end of the financial year to secure the liabilities of any other person;

(ii) no contingent liabilities have arisen since the end of the financial year for which the Authority could become liable; and

(iii) no contingent liabilities or other liabilities of the Authority have become or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Authority, will or may substantially affect the ability of the Authority to meet its obligations as and when they fall due.

As at the date of this report, the Directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the Authority's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Authority misleading or inappropriate.

For and on behalf of Nauru Maritime and Port Authority.

Dated this 14th day of December 2022.

....
Director

NAURU MARITIME AND PORT AUTHORITY
STATEMENT BY THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2022

In the opinion of the Directors:

(i) the accompanying statement of profit or loss and other comprehensive income of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 30 June 2022;

(ii) the accompanying statement of changes in equity of the Authority is drawn up so as to give a true and fair view of the changes in equity and capital contributions of the Authority for the year ended 30 June 2022;

(iii) the accompanying statement of financial position of the Authority is drawn up so as to give a true and fair view of the state of affairs of the Authority as at 30 June 2022;

(iv) the accompanying statement of cashflows for the Authority is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 30 June 2022;

(v) at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due; and

(vi) all related party transactions have been adequately recorded in the books of the Authority.

Dated this 14th day of December 2022.

....
Director

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Nauru Maritime and Port Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nauru Maritime and Port Authority (the Authority), which comprise the statement of financial position as at 30 June 2022, the related statement of profit or loss and other comprehensive income, the statement of cashflows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 30 June 2022, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the *International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nauru and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the *Directors' Report* but does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements 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 statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon 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.

INDEPENDENT AUDITOR'S REPORT *continued*

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors and management are responsible for assessing the Authority's ability 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 and management either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud and 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 the financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors and management.

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INDEPENDENT AUDITOR'S REPORT *continued*

Auditor's Responsibilities for the Audit of the Financial Statements *continued*

- Conclude on the appropriateness of the Directors' and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the requirements of the Port and Navigation Act 2019 in all material respects, and;

(a) we have been given all information, explanations and assistance necessary for the conduct of the audit; and

(b) the Authority has kept financial records sufficient to enable the financial statements to be prepared and audited.

Ernst & Young
Chartered Accountants

Steven Pickering
Partner
Suva, Fiji

14 December 2022

NAURU MARITIME AND PORT AUTHORITY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022	2021
		$	$
Revenue			
Revenue from contracts with customers	2	5,751,178	4,834,681
Direct costs	4(c)	(1,853,515)	(1,451,053)
Gross profit		3,897,663	3,383,628
Employee related expenses	4(a)	(1,048,757)	(748,143)
Depreciation and amortisation expense	4(b)	(1,385,534)	(1,115,199)
Administration expense	4(d)	(2,662,737)	(1,252,651)
Operating (loss)/profit		(1,199,365)	267,635
Other income	3	435,876	263,647
Net finance cost	4(e)	(11,834)	(9,355)
(Loss)/profit before income tax		(775,323)	521,927
Income tax benefit/(expense)	5	171,397	(171,377)
Net (loss)/profit after tax		(603,926)	350,550
Add: Other comprehensive income		-	-
Total comprehensive (loss)/income for the year, net of tax		(603,926)	350,550

The accompanying notes form an integral part of this Statement of Profit or Loss and Other Comprehensive Income.

NAURU MARITIME AND PORT AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	2021
		$	$
Retained earnings			
Opening balance		(2,699,996)	(3,050,546)
Net (loss)/profit for the year		(603,926)	350,550
Balance at 30 June		(3,303,922)	(2,699,996)
Capital contribution			
Opening balance		11,364,968	11,235,278
Contribution during the year		801,167	129,690
Balance at 30 June	11	12,166,135	11,364,968
Total equity		8,862,213	8,664,972

The accompanying notes form an integral part of this Statement of Changes in Equity.

NAURU MARITIME AND PORT AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022	2021
		$	$
Current assets			
Cash and cash equivalents	6	2,746,602	4,049,194
Trade and other receivables	7	2,174,332	1,371,611
Inventories	8	100,471	188,494
		5,021,405	5,609,299
Non-current assets			
Investment in associate	9	235,500	235,500
Property, plant and equipment	10	75,073,517	53,063,725
Right-of-use assets	14(a)	1,267,827	1,418,929
Deferred tax asset	5	265,058	31,488
		76,841,902	54,749,642
Total assets		81,863,307	60,358,941
Current liabilities			
Trade and other payables	13	593,563	158,864
Lease liabilities	14(b)	147,517	146,050
		741,080	304,914
Non-current liabilities			
Deferred income	12	70,777,613	49,841,804
Provisions	15	82,583	62,084
Deferred tax liability	5	261,204	199,036
Lease liabilities	14(b)	1,138,614	1,286,131
		72,260,014	51,389,055
Total liabilities		73,001,094	51,693,969
Net assets		8,862,213	8,664,972
Equity			
Capital contribution	11	12,166,135	11,364,968
Retained earnings		(3,303,922)	(2,699,996)
Total equity		8,862,213	8,664,972

For and on behalf of Nauru Maritime and Port Authority.

....
Director

The accompanying notes form an integral part of this Statement of Financial Position.

NAURU MARITIME AND PORT AUTHORITY
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	2021
		$	$
Operating activities			
(Loss)/profit before tax		(775,323)	521,927
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation expense		1,385,534	1,115,199
Estimated credit loss		1,129,494	-
Release of deferred income		(181,173)	(3,822,454)
Interest on leases paid by RON		13,521	12,114
Loss on disposal		-	799
Working capital adjustments:			
Increase in trade receivables		(1,932,220)	(246,585)
Decrease/(increase) in inventories		88,023	(109,692)
Increase/(decrease) in trade and other payables		434,699	(8,662)
Increase in provisions		20,499	62,084
(Decrease)/increase in deferred income		(1,071,540)	5,043,786
Net cash flows (used in)/from operating activities		(888,486)	2,568,516
Investing activities			
Purchase of property, plant and equipment		(1,215,273)	(553,170)
Capital contribution paid to Nauru Shipping Line		-	(235,500)
Net cash flows used in investing activities		(1,215,273)	(788,670)
Financing activities			
Government contributions received		801,167	129,690
Net cash flows from financing activities		801,167	129,690
Net (decrease)/increase in cash and cash equivalents		(1,302,592)	1,909,536
Cash and cash equivalents at beginning of the year		4,049,194	2,139,658
Cash and cash equivalents at 30 June	6	2,746,602	4,049,194

The accompanying notes form an integral part of this Statement of Cashflows.

1.1 Authority information

Nauru Maritime and Port Authority (the Authority) formerly known as Port Authority of Nauru is a public entity established under the Ports and Navigation Act 2019, incorporated on 12 May 2015 and domiciled in the Republic of Nauru (RON). Its registered office is at Aiwo District, Nauru. These financial statements were authorised for issue by the Minister responsible for Nauru Maritime and Port Authority on 14 December, 2022.

The principal activities of the Authority during the year was that of operating and managing port services and facilities in Nauru. There were no significant changes in the nature of these activities during the financial year.

1.2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of accounting

The financial statements have been prepared on a historical cost basis and on the assumption of going concern. The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar, except when otherwise indicated.

1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Authority's financial statements requires management to make judgements, estimates and assumptions that affect reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustments to the carrying amount of the asset or liability affected in future periods.

(a) Judgements

In applying the Authority's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

<u>Determining the lease term of contracts with renewal and termination options – Authority as lessee</u>

The Authority determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

1.3 Significant accounting judgements, estimates and assumptions *continued*

(a) Judgements *continued*

The Authority has several lease contracts that include extension and termination options. The Authority applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Authority reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The renewal periods for leases are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

(b) *Estimates and assumptions*

Impairment of property, plant and equipment

The Authority assesses whether there are any indicators of impairment of all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amount may not be recoverable, a reasonable provision for impairment is created. For the year ended 30 June 2022, no additional provision for impairment has been made as the Authority has incorporated assets on establishment at fair values.

Provision for expected credit losses of trade receivables and contract assets

The Authority uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Authority’s historical observed default rates. The Authority will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the shipping sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Authority’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Authority's trade receivables is disclosed in Note 7.

1.3 Significant accounting judgements, estimates and assumptions *continued*

(b) *Estimates and assumptions continued*

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Leases - Estimating the incremental borrowing rate

The Authority cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Authority would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Authority 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Authority estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

1.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Authority applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Authority has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

1.4 Changes in accounting policies and disclosures *continued*

New and amended standards and interpretations *continued*

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 continued

These amendments had no impact on the financial statements of the Authority. The Authority intends to use the practical expedients in future periods if they become applicable.

1.5 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Authority's financial statements are disclosed below. The Authority intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

New pronouncement	Effective date*	Impact
Reference to the Conceptual Framework – Amendments to IFRS 3	1 Jan 2022	No impact
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 Jan 2022	No impact
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 Jan 2022	No impact
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 Jan 2022	No impact
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 Jan 2022	No impact
AIP IAS 41 Agriculture – Taxation in fair value measurements	1 Jan 2022	No impact
IFRS 17 Insurance Contracts	1 Jan 2023	No impact
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 Jan 2023	No impact
Definition of Accounting Estimates - Amendments to IAS 8	1 Jan 2023	No impact
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 Jan 2023	No impact
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 Jan 2023	No impact

*Effective for annual periods beginning on or after this date.

1.6 Summary of significant accounting policies

(a) Current versus non-current classification

The Authority presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Authority classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(b) Revenue from contracts with customers

Revenue is recognised when the Authority transfers control of goods or services to a customer at an amount which the Authority is entitled to. The performance obligations are identified based on the contracts with customers and by considering the delivery of distinct goods and services to the customers. Revenue is recognised either over time in a manner that aligns the Authority's performance obligations; or at a point in time when the service is fully provided to the customer.

Transaction prices are determined by agreed rates without any estimation. The Authority does not have any contracts with customers where the period between the transfer of the promised services or goods and payment from the customer exceeds one year. As a result, transaction prices have not been adjusted for the time value of money.

Port revenue

Port revenue from pilotage and navigation services, wharfage, site occupation charges, mooring fees and other services are recognised on delivery of the service to the customer.

1.6 Summary of significant accounting policies *continued*

(b) Revenue from contracts with customers *continued*

Other revenue

Other revenue is recognised when the distinct performance obligation is satisfied.

(c) Deferred income

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Authority receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

(d) Expenses

Whilst expenses relating to the Authority are paid from the Treasury Department of RON and disclosed in the notes to these financial statements, they do not form part of the Authority's expenses until such time control over revenue and the Authority's finances are transferred to the Authority.

(e) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed in each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in the statement of profit or loss and other comprehensive income.

1.6 Summary of significant accounting policies *continued*

(e) Income tax *continued*

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Tax-effect accounting is applied whereby income tax expense in the statement of profit or loss and other comprehensive income is matched with the accounting profit after allowing for permanent differences.

To the extent timing differences occur between the time items are recognised in the accounts and till when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or provision for deferred income tax. The future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

(f) Foreign currencies

Transactions in foreign currencies are initially recorded by the Authority at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(g) Property, plant and equipment

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

All property, plant and equipment are shown at cost less accumulated depreciation. Costs include expenditure that is directly attributable to acquisition of the items.

1.6 Summary of significant accounting policies *continued*

(g) Property, plant and equipment *continued*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives using the following rates:

	Rate
Barges and boats	10 - 14%
Forklifts	10 - 20%
Furniture and fittings	33%
ICT equipment	33%
Mooring and port equipment	10 - 33%
Motor vehicles	20 - 33%
JICS equipment	5 - 10%

Gains and losses on disposal of property, plant and equipment are taken into account in determining the results for the year. Capital work in progress is not depreciated. If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

(h) Leases

The Authority assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Authority as a lessee

The Authority applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Authority recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Authority recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Term
Leasehold land	3 - 15 years

1.6 Summary of significant accounting policies *continued*

(h) Leases *continued*

Authority as a lessee continued

i) Right-of-use assets continued

If ownership of the leased asset transfers to the Authority at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 1.6(k) Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Authority recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Authority and payments of penalties for terminating the lease, if the lease term reflects the Authority exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Authority uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Authority applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

1.6 Summary of significant accounting policies *continued*

(h) Leases *continued*

Authority as a lessee continued

iii) Short-term leases and leases of low-value assets continued

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

(i) Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Authority's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Authority has applied the practical expedient, the Authority initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Authority has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Authority's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Authority commits to purchase or sell the asset.

1.6 Summary of significant accounting policies *continued*

(i) Financial assets and financial liabilities *continued*

Financial assets *continued*

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Authority. The Authority measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Authority's financial assets at amortised cost includes trade receivables and investments in associates.

Financial assets at fair value through OCI (debt instruments)

The Authority measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1.6 Summary of significant accounting policies *continued*

(i) Financial assets and financial liabilities *continued*

Financial assets *continued*

ii) Subsequent measurement continued

Financial assets at fair value through OCI (debt instruments) continued

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Authority can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Authority benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

1.6 Summary of significant accounting policies *continued*

(i) Financial assets and financial liabilities *continued*

Financial assets *continued*

iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Authority's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Authority has transferred substantially all the risks and rewards of the asset, or (b) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Authority has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Authority continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Authority could be required to repay.

iv) Impairment of financial assets

The Authority recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

1.6 Summary of significant accounting policies *continued*

(i) Financial assets and financial liabilities *continued*

Financial assets *continued*

iv) Impairment of financial assets continued

For trade receivables, the Authority applies a simplified approach in calculating ECLs. Therefore, the Authority does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Authority has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Authority considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Authority may also consider a financial asset to be in default when internal or external information indicates that the Authority is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Authority. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Authority's inventory consists of spare parts and is accounted for on a first-in-first our basis.

(k) Impairment of non-financial assets

The carrying amounts of the Authority’s non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1.6 Summary of significant accounting policies *continued*

(k) Impairment of non-financial assets *continued*

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(l) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term deposits with a maturity of three months or less.

(m) Trade and other payables

Liabilities for trade payables and other amounts are carried at cost (inclusive of indirect taxes where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Authority.

(n) Employee benefits

Long service leave

The liability for long-service leave is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect to services provided by employees up to the reporting date. Consideration is given to future wage/salary rates, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date.

(o) Comparatives

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

		2022	2021
2.	Revenue from contracts with customers	$	$
	Administration fees	40,020	59,278
	Berthage fees	86,016	148,581
	Covid-19 special levy	-	235,500
	Environmental levies	6,910	9,313
	Equipment hire	1,843,959	957,453
	Fuel levy	101,013	108,087
	General cargo	1,037	133,952
	Load on load off service charges	-	8,125
	Marine navigation levies	9,673	13,038
	Moorage charges	211,603	193,813
	Phosphate	253,813	323,887
	Pilotage	235,004	387,499
	Port charges	159,251	223,507
	Stevedoring	1,523,458	1,066,227
	Storage fees	48,118	6,843
	Wharfage charge	1,231,303	959,578
		5,751,178	4,834,681

3.	Other income	$	$
	Hire of labour	29,254	13,850
	Other revenue	225,449	249,297
	Release of deferred revenue	181,173	-
	Penalties and fines	-	500
		435,876	263,647

4.	Expenses	$	$
(a)	Employee related expenses		
	Directors fees	7,450	10,750
	Employees service tax	37,299	33,631
	Entertainment	55,677	61,311
	Long-service leave	20,499	62,084
	Rations	150,574	69,513
	Salaries and wages	236,117	374,668
	Staff training	117,732	37,708
	Subscriptions	5,981	5,329
	Superannuation	72,934	77,627
	Travel	344,494	15,522
		1,048,757	748,143

		2022	2021
4.	Expenses *continued*	$	$
(b)	Depreciation and amortisation expense		
	Depreciation - property, plant and equipment	1,234,432	996,099
	Amortisation - right of use assets	151,102	119,100
		1,385,534	1,115,199
(c)	Direct costs		
	Labour	1,113,087	853,754
	Membership fees	17,757	17,065
	Plant hire	384,074	2,420
	Repairs and maintenance	336,538	519,704
	Informs and protective clothing	2,059	58,110
		1,853,515	1,451,053
(d)	Administrative expenses		
	Audit fees	32,000	32,000
	Bad debts	-	55,237
	Bank charges	2,304	2,637
	Consultant fees	34,910	71,306
	Custom broker fee	100	1,980
	Expected credit loss	1,129,494	-
	Freight charges	108,850	98,470
	Fuel	243,609	116,983
	Internet and telephone costs	161,294	101,855
	Land rentals	18,963	124,233
	Other expenses	16,694	35,107
	Printing and stationery	1,446	41,967
	Repairs and maintenance	61,146	29,367
	Security	377,676	240,188
	Special allowance	194,554	55,510
	Staff accommodation	155,632	105,072
	Stores	32,314	34,276
	Subsidies and donations	1,800	-
	Utilities	89,951	103,463
		2,662,737	1,249,651

		2022	2021
4.	Expenses *continued*	$	$
(e)	Net finance cost		
	Interest income	(1,687)	(2,759)
	Interest expense on leases	13,521	12,114
	Net finance cost	11,834	9,355

5.	Income tax	$	$

The prima facie tax (benefit)/expense on the operating (loss)/profit differs from the income tax provided in the accounts and is reconciled as follows:

	2022	2021
Operating (loss)/profit before income tax	(775,323)	521,927
Prima facie tax (benefit)/expense thereon at 20% (2021: 20%)	(155,065)	104,385
Tax losses utilised	(19,655)	(102,180)
Other - deferred tax liability understatement from prior year	3,323	169,172
Income tax (benefit)/expense attributable to operating (loss)/profit	(171,397)	171,377
Deferred income tax assets at 30 June relates to the following:		
Expected credit losses	225,899	-
Employee entitlements	35,499	28,838
Right-of-use assets	3,661	2,650
Accelerated depreciation	(261,205)	(199,036)
Net deferred tax asset/(liability)	3,854	(167,548)
Reflected in the statement of financial position as follows:		
Deferred tax asset	265,058	31,488
Deferred tax liability	(261,204)	(199,036)
	3,854	(167,548)

6.	Cash and cash equivalents	$	$

Cash and cash equivalents in the Statement of Financial Position comprise of:

Cash on hand	1,693	770
Cash and cash equivalents	2,744,909	4,048,424
	2,746,602	4,049,194

7. Trade receivables

	2022	2021
	$	$
Trade receivables	1,806,514	1,218,043
Less: allowance for expected credit loss	(1,129,494)	-
	677,020	1,218,043
Prepayments	198,553	87,579
Staff advances	1,518	-
Security deposit	422	-
Receivables from ADB	1,286,470	-
Other assets	10,349	65,989
	2,174,332	1,371,611

In accordance with s.22 of the Ports and Navigation Act 2019, charges that are not paid within 30 days from the due date, will accrue interest at 10% per annum on overdue charges.

Movement in the provision for impairment are as follows:

	2022	2021
At the beginning of the year	-	2,430
Charge for the year	1,129,494	-
Reversal for the year	-	(2,430)
At 30 June	1,129,494	-

8. Inventories

	$	$
Spare parts	100,471	188,494
	100,471	188,494

9. Investment in associate

	$	$
Financial asset at amortised cost		
Nauru Shipping Line	235,500	235,500

Nauru Maritime & Port Authority granted subsidies to Nauru Shipping Line. This contribution has been recognised at amortised cost and is recorded in the accounts of Nauru Shipping Line as contributed capital from the Authority.

10. Property, plant and equipment

	Mooring and port equipment	Barges and boats	Motor vehicles	Forklifts	ICT equipment	Furniture and fittings	Equipment received under JICS	Capital work in progress	Total
Cost	$	$	$	$	$	$	$	$	$
At 1 July 2020	3,706,319	3,040,000	544,613	1,015,443	94,787	32,134	-	37,376,256	45,809,552
Additions	14,896	-	124,675	-	61,378	17,231	-	11,356,335	11,574,515
Disposals	-	-	(47,773)	-	(798)	(2,557)	-	-	(51,128)
At 30 June 2021	3,721,215	3,040,000	621,515	1,015,443	155,367	46,808	-	48,732,591	57,332,939
Additions	136,819	368,719	41,750	-	35,762	21,753	5,604,562	17,034,859	23,244,224
Disposals	(21,000)	-	-	-	(14,397)	(3,812)	-	-	(39,209)
At 30 June 2022	3,837,034	3,408,719	663,265	1,015,443	176,732	64,749	5,604,562	65,767,450	80,537,954
Accumulated depreciation									
At 1 July 2020	1,133,454	1,234,285	276,080	600,361	55,698	23,566	-	-	3,323,444
For the year	432,756	305,714	96,365	114,078	38,208	8,978	-	-	996,099
Disposals	-	-	(47,773)	-	-	(2,557)	-	-	(50,329)
At 30 June 2021	1,566,210	1,539,999	324,673	714,439	93,906	29,988	-	-	4,269,214
For the year	471,214	330,450	99,190	110,025	31,281	11,099	181,173	-	1,234,432
Disposals	(21,000)	-	-	-	(14,397)	(3,812)	-	-	(39,209)
At 30 June 2022	2,016,424	1,870,449	423,863	824,464	110,790	37,275	181,173	-	5,464,437
Net book value									
At 30 June 2021	2,155,005	1,500,001	296,843	301,004	61,461	16,821	-	48,732,591	53,063,725
At 30 June 2022	1,820,610	1,538,270	239,403	190,979	65,942	27,475	5,423,389	65,767,450	75,073,517

		2022	2021
11.	Capital contribution	$	$
	Contribution by RON	12,166,135	11,494,658

The contributed equity by Government to the Authority represents the assets contributed by the Republic of Nauru (RON) for the construction and operation of the port.

12.	Deferred income	$	$
	Opening balance	49,841,804	37,472,987
	Add: grant payments received during the year	15,791,130	14,540,598
	Add: grant contributions in-kind	6,103,800	1,650,673
	Less: release of deferred income	(959,121)	(3,822,454)
		70,777,613	49,841,804

Deferred income consists of donor projects funded by Asian Development Bank (ADB), Department of Foreign Affairs (DFAT), Green Climate Fund and RON.

13.	Trade and other payables	$	$
	Trade payables	48,516	-
	Staff accruals	94,911	82,107
	Other accruals	450,136	76,757
		593,563	158,864

Trade payables are non-interest bearing and are normally settled on 30-day terms.

For explanations on the Authority's liquidity risk management processes, refer to Note 18(c).

14. Leases

Authority as a lessee

The Authority has lease contracts for land used in its operations. Land leases generally have lease terms of 15 years. The Authority's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Authority is restricted from assigning and subleasing the leased assets.

The Authority does not have leases that are 12 months or less and leases of low value. The Authority applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

14. Leases *continued*

(a) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Land	Total
	$	$
As at 1 July 2020	1,040,274	1,040,274
Additions	497,755	497,755
Depreciation expense	(119,100)	(119,100)
As at 30 June 2021	1,418,929	1,418,929
Depreciation expense	(151,102)	(151,102)
As at 30 June 2022	1,267,827	1,267,827

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022	2021
	$	$
As at 1 July	1,432,181	1,048,452
Add: accretion of interest	13,521	12,114
Add: additions	-	497,755
Less: payments made by RON on behalf of the Authority	(159,571)	(126,140)
As at 30 June	1,286,131	1,432,181
Current	147,517	146,050
Non-current	1,138,614	1,286,131
	1,286,131	1,432,181

The maturity analysis of lease liabilities are disclosed in Note 18(c).

The following are the amounts recognised in profit or loss:	$	$
Depreciation expense of right-of-use assets	151,102	119,100
Interest expense on lease liabilities	13,521	12,114
Total amount recognised in profit or loss	164,623	131,214

The cash outflows relating to leases are made by RON on behalf of the Authority. The leases payments made are recorded as Government contributions as and when payment is made.

15. Provisions	2022 $	2021 $
Long service leave		
As at 1 July	62,084	-
Add: entitlements for the year	30,275	62,084
Less: entitlements utilised during the year	(9,776)	-
As at 30 June	82,583	62,084
Non-current	82,583	62,084

16. Commitments and contingencies

(a) Operating lease commitments contracted.

At balance date, the Authority currently held a lease for the boat harbour located at Aiwo with an indefinite lease term. The lease repayments are paid under the centralised budget by the Treasury Department of RON. The monthly lease repayment is $11,921.

(b) RON received $21.3 million in grant financing from ADB and $26.91 million and equivalent $14.08 million co-financing grant from Green Climate Fund and the Government of Australia respectively. RON also provided $17.3 million in-kind and cash counterpart financing to implement this project which relates to the construction of the new port. The total cost of the project is $79.59 million. The project is expected to be completed by the end of June 2023. At balance date the Authority has capitalised cost of $6573 million (2021: $48.73 million) with the balance of $13.86 million (2021: $30.97 million) committed to the completion of the project).

(c) Contingent liabilities

Contingent liabilities at balance date $Nil (2021: $Nil).

17. Related party

(a) Directors

<u>Directors during the year</u>
Chairman - Mr. Link Uera
Deputy Chairman - Wanganeen Emiu (Resigned 27th June 2022)
Director - Mr. Bure Ika
Director (Experience in Shipping) - Mr. Ipia Gadabu
Director Ex-Officio - Mr. Isaac Aremwa

<u>Directors as at reporting date</u>
Chairman - Mr. Link Uera
Deputy Chairman - Mr. Calistus Cain
Director - Mr. Bure Ika
Director (Experience in Shipping) - Mr. Monte Depaune
Director Ex-Officio (Government) - Mr. Nodel Neneiya (Secretariat Transport)
Director Ex-Officio (Government) - Mrs. Melca Rykers (Finance)

17. Related party *continued*

(b) Key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the Authority.

Name	Position
Mr. Michael Nye	Chief Executive Officer
Mr. Siosifa Tuangulu	Harbour Master
Mr. Naveen Kumar	Finance & Commercial Manager
Taralyn Hiram	Human Resource Manager
Mr. Ricky Ellis	Chief Operations Officer
Mrs. Adalane Ika	Director Maritime

(c) Transactions with related parties	2022 $	2021 $
Key management remuneration		
Transactions with key management personnel during the year ended 30 June 2022 and 30 June 2021 with approximate transaction values are summarised as follows:		
Short-term employee benefits for key management (excluding CEO remuneration)	228,230	267,582
The CEO's remuneration is paid directly by the Asian Development Bank (ADB) and it is not reflected in these financial statements.		
Transactions with Republic of Nauru (RON) Government		
Contributions received from RON	801,167	129,690
Contribution for relocation housing project	1,986,000	5,043,790
Contributions in-kind for projects received from RON	1,322,760	1,650,673
Balance owed by RON	327,728	206,278
Transactions with Nauru Shipping Line (NSL)		
Subsidy contribution paid to NSL	-	235,500
Port charges for NSL	1,317,143	568,329
Payroll expenses pad for NSL	-	46,412

18. Financial risk management

The Authority's activities expose it to a variety of financial risks: political risk, credit risk and liquidity risk.

The Authority's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Risk management is carried out by finance executives and management of the Authority. Management and finance executives identify, and evaluate financial risks in close co-operation with the Authority's operating units. The Board of Directors provide direction for overall risk management covering specific areas, such as mitigating credit risks, and investment of excess liquidity.

(a) Political climate

The Authority operates in Nauru and changes to government and the policies they implement affect economic situation and ultimately the revenues of the Authority. To address this, the Authority reviews its pricing and services range regularly and responds to change in policies appropriately.

(b) Credit risk

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Authority's receivables from customers.

The Authority has no significant concentrations of credit risk as its services are to the entire population and business in Nauru. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Credit levels accorded to customers are regularly reviewed to reduce the exposure to risk of bad debts.

Trade receivables

Customer credit risk is managed by the Authority's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on credit rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At 30 June 2022, the Authority had 2 customers (2021:1 customer) that owed it more than $450,000 (2021: $450,000) and accounted for approximately 77% (2021: 59%) of all the receivables outstanding.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed below:

18. Financial risk management *continued*

(b) Credit risk *continued*

Trade receivables continued

Set out below is the information about the credit risk exposure on the Authority's trade receivables using a provision matrix:

Year ended 30 June 2022	Trade receivables				
	Days past due				
	Current	30 - 60 days	61 - 90 days	> 91 days	Total
Expected credit loss rate	0%	0%	0%	98%	
Estimated total gross carrying amount at default	641,354	7,900	2,575	1,154,685	1,806,514
Expected credit loss	-	-	-	1,129,494	1,129,494

Year ended 30 June 2021	Trade receivables				
	Days past due				
	Current	30 - 60 days	61 - 90 days	> 91 days	Total
Expected credit loss rate	0%	0%	0%	0%	
Estimated total gross carrying amount at default	320,548	20,000	1,500	875,995	1,218,043
Expected credit loss	-	-	-	-	-

(c) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

18. Financial risk management *continued*

(c) Liquidity risk *continued*

The table below summarises the maturity profile of the Authority's financial liabilities based on contractual undiscounted payments:

Year ended 30 June 2022	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade and other payables	-	593,563	-	-	-	593,563
Lease liabilities	-	26,595	132,976	500,191	694,394	1,354,156
	-	620,158	132,976	500,191	694,394	1,947,719

Year ended 30 June 2021	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade and other payables	-	158,864	-	-	-	158,864
Lease liabilities	-	26,595	132,976	659,762	694,394	1,513,727
	-	185,459	132,976	659,762	694,394	1,672,591

(d) Capital risk management

The Authority's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Authority's objectives when obtaining and managing capital are to safeguard the Authority's ability to continue as a going concern and provide shareholders with a consistent level of returns and to maintain an optimal capital structure to reduce the cost of capital.

18. Financial risk management *continued*

(d) Capital risk management *continued*

The Authority monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including 'current and non-current borrowing' as shown in the Authority's statement of financial position) less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the Authority's statement of financial position plus net debt.

	2022 $	2021 $
Lease liability (Note 14)	1,286,131	1,432,181
Trade and other payables (Note 13)	593,563	158,864
Less: cash and short-term deposits (Note 6)	(2,746,602)	(4,049,194)
Net debt	(866,908)	(2,458,149)
Equity	8,862,213	8,664,972
Total capital	8,862,213	8,664,972
Capital and net debt	7,995,305	6,206,823
Gearing ratio	-11%	-40%

19. Significant events

Impact of Covid-19 to the Authority

The coronavirus disease (COVID-19) outbreak has developed rapidly, bringing a significant health impact globally. Measures taken to contain the virus are already having a significant impact on global markets and economic activity.

The Authority has remained operational since this declaration and continues to engage in its principal activities. The introduction of these restrictions has not had a material effect on the Authority's financial statements as at 30 June 2022.

The Directors and management believe the Authority has sufficient financial resources together with arrangements with their customers and suppliers at this time to be able to successfully manage their business risks despite the current uncertain economic outlook due to the COVID-19 outbreak.

20. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Authority, the results of those operations or the state of affairs of the Authority in the subsequent financial year.

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