

Nauru Air Corporation

ABN 54 074 712 351

Annual Report - 30 June 2022

Nauru Air Corporation
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30 June 2022

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**Nauru Air Corporation
Directors' report
30 June 2022**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Nauru Air Corporation (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Nauru Air Corporation during the whole of the financial year and up to the date of this report, unless otherwise stated:

Kieren Keke
Vodrick Detsiogo - resigned 28 June 2022
Annie Malupo
Novena Itsimaera (Ex Officio Gov Rep)
Nodel Neneiya (ex Officio Dep of Transport)
Richard Aremwa
Geoffrey Bowmaker – Appointed 5 August 2022
David DeLuckner – Appointed 5 August 2022

Principal activities

During the financial year the principal continuing activities of the consolidated entity 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.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$8,507,075 (30 June 2021: \$4,778,011).

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 principal activities, the results of which are disclosed in the attached financial statements.

Significant changes in the state of affairs

The Global Corona virus pandemic that hit the world in March 2020 continued to impact International Travel, and the Border restrictions affected the normal operations of the business. With continued business response, diversification of the freighter business and shareholder support, the impact was minimised.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report as the directors believe the operations of the airline dynamic in nature.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnity and insurance of officers

The directors and officers are covered by directors and officer's insurance with an aggregate limited liability of \$10,000,000.

**Nauru Air Corporation
Directors' report
30 June 2022**

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

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. The company intends to vigorously defend against the claims made and believes it is probable of success and accordingly no liability or contingent liability has been recorded.

The group was not party to any other proceedings during the year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors


Director *Kieren Keke*
26 Oct 2022


Director

**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 2022 there have been:

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

William Buck

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

J. C. Luckins

J. C. Luckins
Director

Melbourne, 26 October 2022

Nauru Air Corporation
Statements of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated		Parent	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenue					
Sale of services		58,103,440	42,054,305	58,373,487	42,011,955
Sale of travel services		421,557	100,548	-	-
Other operating revenue		2,204,253	790,886	2,204,253	790,886
Community service obligations		4,840,000	4,680,000	4,840,000	4,680,000
Grant revenue		1,247,821	1,231,324	1,247,821	1,231,324
Interest revenue		70,269	49,197	70,387	48,452
		<u>66,887,340</u>	<u>48,906,260</u>	<u>66,735,948</u>	<u>48,762,617</u>
Expenses					
Employee benefits expense		(22,661,850)	(19,354,804)	(22,450,794)	(19,162,279)
Depreciation and amortisation expense		(2,072,793)	(2,032,241)	(1,118,084)	(1,076,892)
Gain/(loss) on disposal of assets		675	(267,908)	675	(267,908)
Administrative expenses		(4,192,229)	(2,902,647)	(5,220,075)	(3,920,356)
Aircraft lease		(1,817,576)	(1,284,300)	(1,817,576)	(1,284,300)
Aircraft major overhaul		(7,682,717)	(3,765,225)	(7,682,717)	(3,765,225)
Aircraft operating expenses		(20,205,260)	(14,351,995)	(20,205,260)	(14,351,995)
Other expenses		344,942	(67,927)	344,934	(67,927)
Finance costs		(93,457)	(101,202)	(46,732)	(20,701)
		<u>8,507,075</u>	<u>4,778,011</u>	<u>8,540,319</u>	<u>4,845,034</u>
Profit before income tax expense		8,507,075	4,778,011	8,540,319	4,845,034
Income tax expense	4	-	-	-	-
Profit after income tax expense for the year		8,507,075	4,778,011	8,540,319	4,845,034
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		<u>8,507,075</u>	<u>4,778,011</u>	<u>8,540,319</u>	<u>4,845,034</u>

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Nauru Air Corporation
Statements of financial position
As at 30 June 2022

		Consolidated		Parent	
	Note	2022	2021	2022	2021
		\$	\$	\$	\$
Assets					
Current assets					
Cash and cash equivalents	5	25,031,724	15,351,635	23,994,287	14,694,586
Trade and other receivables	6	2,109,909	1,678,530	2,205,005	1,880,165
Inventories	7	2,889,807	2,509,548	2,889,807	2,509,548
Other assets	8	1,890,697	1,943,910	1,840,126	1,892,528
Total current assets		<u>31,922,137</u>	<u>21,483,623</u>	<u>30,929,225</u>	<u>20,976,827</u>
Non-current assets					
Investments	9	-	-	300	300
Property, plant and equipment	10	3,646,731	2,839,636	3,645,065	2,836,945
Right-of-use assets	11	1,953,856	1,892,227	1,238,593	223,280
Total non-current assets		<u>5,600,587</u>	<u>4,731,863</u>	<u>4,883,958</u>	<u>3,060,525</u>
Total assets		<u>37,522,724</u>	<u>26,215,486</u>	<u>35,813,183</u>	<u>24,037,352</u>
Liabilities					
Current liabilities					
Trade and other payables	12	7,548,631	8,329,647	6,970,703	8,309,048
Contract liabilities		5,379,499	2,569,273	5,379,499	2,569,273
Lease liabilities	13	1,392,522	1,123,366	601,862	131,097
Income tax	4	-	1	-	-
Employee benefits		2,510,380	1,961,573	2,510,380	1,961,573
Total current liabilities		<u>16,831,032</u>	<u>13,983,860</u>	<u>15,462,444</u>	<u>12,970,991</u>
Non-current liabilities					
Lease liabilities	14	658,396	908,805	658,396	117,737
Employee benefits		675,780	472,380	675,780	472,380
Provisions	15	400,000	400,000	400,000	400,000
Total non-current liabilities		<u>1,734,176</u>	<u>1,781,185</u>	<u>1,734,176</u>	<u>990,117</u>
Total liabilities		<u>18,565,208</u>	<u>15,765,045</u>	<u>17,196,620</u>	<u>13,961,108</u>
Net assets		<u>18,957,516</u>	<u>10,450,441</u>	<u>18,616,563</u>	<u>10,076,244</u>
Equity					
Issued capital	16	12,673,849	12,673,849	12,673,849	12,673,849
Retained profits/(accumulated losses)		<u>6,283,667</u>	<u>(2,223,408)</u>	<u>5,942,714</u>	<u>(2,597,605)</u>
Total equity		<u>18,957,516</u>	<u>10,450,441</u>	<u>18,616,563</u>	<u>10,076,244</u>

The above statements of financial position should be read in conjunction with the accompanying notes

Nauru Air Corporation
Statements of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 July 2020	12,673,849	(7,001,419)	5,672,430
Profit after income tax expense for the year	-	4,778,011	4,778,011
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	4,778,011	4,778,011
Balance at 30 June 2021	12,673,849	(2,223,408)	10,450,441
Consolidated	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 July 2021	12,673,849	(2,223,408)	10,450,441
Profit after income tax expense for the year	-	8,507,075	8,507,075
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	8,507,075	8,507,075
Balance at 30 June 2022	12,673,849	6,283,667	18,957,516
Parent	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 July 2020	12,673,849	(7,442,639)	5,231,210
Profit after income tax expense for the year	-	4,845,034	4,845,034
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	4,845,034	4,845,034
Balance at 30 June 2021	12,673,849	(2,597,605)	10,076,244
Parent	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 July 2021	12,673,849	(2,597,605)	10,076,244
Profit after income tax expense for the year	-	8,540,319	8,540,319
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	8,540,319	8,540,319
Balance at 30 June 2022	12,673,849	5,942,714	18,616,563

The above statements of changes in equity should be read in conjunction with the accompanying notes

Nauru Air Corporation
Statements of cash flows
For the year ended 30 June 2022

		Consolidated		Parent	
	Note	2022	2021	2022	2021
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		69,752,195	48,426,180	69,709,319	48,394,593
Payments to suppliers and employees		(57,126,822)	(41,763,530)	(58,503,855)	(42,497,029)
Interest received		70,269	-	70,387	27,751
Interest paid		(93,457)	(52,005)	(46,732)	-
Income tax received		(1)	35,858	-	-
Net cash from operating activities	24	<u>12,602,184</u>	<u>6,646,503</u>	<u>11,229,119</u>	<u>5,925,315</u>
Cash flows from investing activities					
Payments for property, plant and equipment	10	(1,491,409)	(589,933)	(1,491,409)	(589,933)
Proceeds from disposal of property, plant and equipment		117,383	4,000	117,383	4,000
Net cash used in investing activities		<u>(1,374,026)</u>	<u>(585,933)</u>	<u>(1,374,026)</u>	<u>(585,933)</u>
Cash flows from financing activities					
Repayment of lease liabilities		(1,548,069)	(1,466,725)	(555,392)	(517,903)
Net cash used in financing activities		<u>(1,548,069)</u>	<u>(1,466,725)</u>	<u>(555,392)</u>	<u>(517,903)</u>
Net increase in cash and cash equivalents		9,680,089	4,593,845	9,299,701	4,821,479
Cash and cash equivalents at the beginning of the financial year		<u>15,351,635</u>	<u>10,757,790</u>	<u>14,694,586</u>	<u>9,873,107</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>25,031,724</u></u>	<u><u>15,351,635</u></u>	<u><u>23,994,287</u></u>	<u><u>14,694,586</u></u>

The above statements of cash flows should be read in conjunction with the accompanying notes

Nauru Air Corporation
Notes to the financial statements
30 June 2022

1. General information

The financial statements cover both Nauru Air Corporation as an individual entity and the consolidated entity consisting of Nauru Air Corporation and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Nauru Air Corporation's functional and presentation currency.

Nauru Air Corporation is a company limited by shares, incorporated and domiciled in Australia. Its registered office of the business is:

Level 2, 99 Creek St
Brisbane QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Going concern

Group revenues for the year of \$58.1m increased by 38% compared to the previous year, and the increase largely attributed to the growth in freighter business.

Passenger air travel services continued to be severely impacted by the ongoing COVID-19 pandemic border closure impacts compared to pre-covid levels \$24.2m for the year ended 30 June 2022 (\$20.3m for the year ended 30 June 2021 and \$46.3m for the pre-covid year ended 30 June 2020).

During the current year, the airline's strategy to increase its' freighter fleet by converting two of the passenger aircraft into freighters, increased freight revenue by 54% to \$33.3m (compared to \$21.5m for the prior year) to offset the subdued passenger air travel services.

Costs were well controlled and increases in the current year were mainly associated with the increased freighter capacity. Current year ended 30 June 2022 total expenses of \$58.4m increased by 32% compared with the prior year (\$44.1m).

The Group has fulfilled a Freight Community Service Obligation Contract for the Government of Nauru during the year of \$4.8m (\$4.7m contracted in the prior year, an increase of \$0.1m) and sought grants during the year of \$1.2m (equal to the prior year). Grants for the current year supported continued employment of Nauruan based employees and included repainting cost of an aircraft. These contributions from the Government of the Republic of Nauru contributed to the profit of \$8.5m for the year ended 30 June 2022 (an increase of \$3.7m from the prior year) and received net cash inflows from operations of \$12.6m for the year. Furthermore, the Group has working capital of \$15.1m at report date (an increase of \$7.6m from the prior year of \$7.5m) 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.

2. Significant accounting policies (continued)

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 20 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.

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.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's and company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

These financial statements include the results of both the parent entity and the consolidated entity in accordance with Class Order 10/654, issued by the Australian Securities and Investments Commission.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nauru Air Corporation ('company' or 'parent entity') as at 30 June 2022 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 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

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.

Where the consolidated entity 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 consolidated entity 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.

2. Significant accounting policies (continued)

Foreign currency translation

The financial statements are presented in Australian dollars, which is Nauru Air Corporation's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Passenger 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 a contract liability.

Sale of goods

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

Sale of travel services

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

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Government grants

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.

Sale of non-current assets

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.

2. Significant accounting policies (continued)

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 for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

2. Significant accounting policies (continued)

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.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the consolidated entity has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Aircraft	12.5 - 20%
Aircraft engines	12.5%
Aircraft engine spares	12.5%
Leasehold building improvements	12.5 - 20%
Motor vehicles	20 - 25%
Plant and equipment	8 - 40%
Furniture and fittings	7.5 - 66.67%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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.

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.

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.

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 consolidated entity 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 consolidated entity 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.

2. Significant accounting policies (continued)

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

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 consolidated entity'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.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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 wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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 measured at 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

2. Significant accounting policies (continued)

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 principal 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 interests. 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.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

2. Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates. The directors have reviewed the carrying amount of trade receivables at 30 June 2022 and estimated that \$45,565 will not be recoverable (2021: \$603,837).

Payment to related party for aircraft maintenance

As described in note 2 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.

Recovery of 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.

Contract liabilities

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 2022 amounted to \$5,403,319 (2021: \$2,569,273).

Lease payments

Lease commitments have expired under the lease agreements with YALCO for VH - YNU. The directors believe that the entity does not have any obligations to make lease payments to this company.

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4. Income tax

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>				
Profit before income tax expense	8,507,075	4,778,011	8,540,319	4,845,034
Tax at the statutory tax rate of 30%	2,552,123	1,433,403	2,562,096	1,453,510
Current year temporary differences not recognised	(2,552,123)	(1,433,403)	(2,562,096)	(1,453,510)
Income tax expense	-	-	-	-
	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
<i>Provision for income tax</i>				
Provision for income tax	-	1	-	-

5. Cash and cash equivalents

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash on hand	16,883	23,054	16,883	23,054
Cash at bank	25,014,841	15,328,581	23,977,404	14,671,532
	25,031,724	15,351,635	23,994,287	14,694,586

6. Trade and other receivables

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Trade receivables	2,146,643	2,250,543	2,243,471	2,453,910
Less: Allowance for expected credit losses	(45,565)	(603,837)	(45,565)	(603,837)
	2,101,078	1,646,706	2,197,906	1,850,073
Other receivables	8,831	31,824	7,099	30,092
	2,109,909	1,678,530	2,205,005	1,880,165

7. Inventories

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Engineering expendables	2,889,807	2,509,548	2,889,807	2,509,548

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8. Other assets

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Prepayments	572,468	633,759	571,897	632,377
Other deposits	1,318,229	1,310,151	1,268,229	1,260,151
	<u>1,890,697</u>	<u>1,943,910</u>	<u>1,840,126</u>	<u>1,892,528</u>

9. Investments

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Ordinary shares	-	-	300	300

10. Property, plant and equipment

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Leasehold improvements - at cost	425,966	362,188	425,966	362,188
Less: Accumulated depreciation	(360,109)	(317,490)	(360,109)	(317,490)
	<u>65,857</u>	<u>44,698</u>	<u>65,857</u>	<u>44,698</u>
Plant and equipment - at cost	3,015,240	2,689,294	3,015,240	2,689,294
Less: Accumulated depreciation	(1,596,613)	(1,361,462)	(1,596,613)	(1,361,462)
	<u>1,418,627</u>	<u>1,327,832</u>	<u>1,418,627</u>	<u>1,327,832</u>
Fixtures and fittings - at cost	2,319,325	2,038,035	2,310,064	2,028,774
Less: Accumulated depreciation	(1,518,913)	(1,272,131)	(1,511,318)	(1,265,561)
	<u>800,412</u>	<u>765,904</u>	<u>798,746</u>	<u>763,213</u>
Aircraft spares - at cost	1,408,816	676,565	1,408,816	676,565
Less: Accumulated depreciation	(87,944)	(68,474)	(87,944)	(68,474)
	<u>1,320,872</u>	<u>608,091</u>	<u>1,320,872</u>	<u>608,091</u>
Work in progress - at cost	40,963	93,111	40,963	93,111
	<u>3,646,731</u>	<u>2,839,636</u>	<u>3,645,065</u>	<u>2,836,945</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Leasehold improvements	Plant and equipment	Fixtures and fittings	Aircraft spares	Work in progress	Total
	\$	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 July 2021	44,698	1,327,832	765,904	608,091	93,111	2,839,636
Additions	63,778	326,853	285,002	867,925	(52,148)	1,491,410
Disposals	-	(171)	-	-	-	(171)
Utilisation	-	-	-	(116,537)	-	(116,537)
Depreciation expense	(42,619)	(235,887)	(250,494)	(38,607)	-	(567,607)
Balance at 30 June 2022	<u>65,857</u>	<u>1,418,627</u>	<u>800,412</u>	<u>1,320,872</u>	<u>40,963</u>	<u>3,646,731</u>

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10. Property, plant and equipment (continued)

Parent	Leasehold improvements \$	Plant and equipment \$	Fixtures and fittings \$	Aircraft spares \$	Work in progress \$	Total \$
Balance at 1 July 2021	44,698	1,327,832	763,213	608,091	93,111	2,836,945
Additions	63,778	326,853	285,002	867,925	(52,148)	1,491,410
Additions through business combinations	-	(171)	-	-	-	(171)
Utilisation	-	-	-	(116,537)	-	(116,537)
Depreciation expense	(42,619)	(235,887)	(249,469)	(38,607)	-	(566,582)
Balance at 30 June 2022	<u>65,857</u>	<u>1,418,627</u>	<u>798,746</u>	<u>1,320,872</u>	<u>40,963</u>	<u>3,645,065</u>

Utilisation 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.

11. Right-of-use assets

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Land and buildings - right-of-use	5,384,296	4,798,585	1,807,980	1,222,269
Less: Accumulated depreciation	(3,430,440)	(2,906,358)	(569,387)	(998,989)
	<u>1,953,856</u>	<u>1,892,227</u>	<u>1,238,593</u>	<u>223,280</u>

Additions to the right-of-use assets during the year were \$1,566,816 and depreciation charged to profit or loss was \$1,505,186.

The consolidated entity 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 consolidated entity leases office equipment under agreements of less than 2 years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

12. Trade and other payables

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Trade payables	901,693	1,582,519	393,251	1,472,468
Other payables	6,646,938	6,747,128	6,577,452	6,836,580
	<u>7,548,631</u>	<u>8,329,647</u>	<u>6,970,703</u>	<u>8,309,048</u>

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13. Lease liabilities

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Lease liability	<u>1,392,522</u>	<u>1,123,366</u>	<u>601,862</u>	<u>131,097</u>
<i>Future lease payments</i>				
Future lease payments are due as follows:				
Within one year	1,439,758	1,177,459	637,524	138,059
One to five years	<u>676,128</u>	<u>926,124</u>	<u>676,128</u>	<u>261,949</u>
	<u>2,115,886</u>	<u>2,103,583</u>	<u>1,313,652</u>	<u>400,008</u>

14. Lease liabilities

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Lease liability	<u>658,396</u>	<u>908,805</u>	<u>658,396</u>	<u>117,737</u>

15. Provisions

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Lease make good	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>

16. Issued capital

	Consolidated		Parent	
	2022	2021	2022	2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>12,673,849</u>	<u>12,673,849</u>	<u>12,673,849</u>	<u>12,673,849</u>
	Parent		Parent	
	2022	2021	2022	2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>12,673,849</u>	<u>12,673,849</u>	<u>12,673,849</u>	<u>12,673,849</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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17. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2022	2021
	\$	\$
Aggregate compensation	<u>910,568</u>	<u>989,571</u>

18. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the company:

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
<i>Audit services -</i>				
Audit of the financial statements	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>
<i>Other services -</i>				
Assistance with preparation of financial statements	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>
	<u>40,500</u>	<u>40,500</u>	<u>40,500</u>	<u>40,500</u>

19. Contingent assets

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

20. Contingent liabilities

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. The company intends to vigorously defend against the claims made and believes it is probable of success and accordingly no liability or contingent liability has been recorded.

21. 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 22.

Key management personnel

Disclosures relating to key management personnel are set out in note 17.

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21. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Sale of goods and services:				
Sale of services to controlling entity	6,803,714	5,650,368	6,432,449	5,606,745
Sale of services to subsidiaries	-	-	270,047	69,900
Other income:				
Grant funding from controlling entity	2,302,539	831,324	2,302,539	831,324
Payment for goods and services:				
Payment for services to commonly controlled entity	8,782,076	5,049,555	8,782,076	5,049,555
Payment for services to controlling entity	178,658	321,318	178,658	321,318
Payment for services to subsidiaries	-	-	1,181,704	1,083,420

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Current receivables:				
Trade receivables from commonly controlled entity	3,015,409	-	3,015,409	-
Trade receivables from controlling entity	1,360,184	344,073	1,360,184	344,073
Trade receivables to subsidiaries	-	-	145,438	55,255
Current payables:				
Trade payables to commonly controlled entities	5,536,089	426,700	5,536,089	426,700
Trade payables to controlling entity	357,014	1,150,649	357,014	1,150,649
Trade payables to subsidiaries	-	-	-	147,172

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Waiver of landing fees and office space rental

In March 2022, the Republic of Nauru waived landing fees and office space rental effective March 2020 to April 2022. May and June 2022 were billed at 40% and 80% of the original fees to be paid. Fees reverted back to the original fee amounts commencing 1 July 2022

22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022	2021
		%	%
NAC Travel Pty Ltd	Australia	100.00%	100.00%
Nauru Airlines Maintenance Services Pty Ltd	Australia	100.00%	100.00%
Nauru Airlines Hangar (Brisbane) Pty Ltd	Australia	100.00%	100.00%

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30 June 2022

23. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

24. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Profit after income tax expense for the year	8,507,075	4,778,011	8,540,319	4,845,034
Adjustments for:				
Depreciation and amortisation	2,072,793	2,032,241	1,118,084	1,076,892
Net loss/(gain) on disposal of property, plant and equipment	(675)	267,908	(675)	267,908
Bad and doubtful debts	(558,272)	40,166	(558,272)	40,166
Change in operating assets and liabilities:				
Decrease in trade and other receivables	124,898	134,779	233,532	246,090
Decrease/(increase) in inventories	(380,259)	532,007	(380,259)	532,007
Decrease/(increase) in income tax refund due	(1)	35,858	-	-
(Increase)/decrease in other assets	53,213	(346,203)	52,402	(345,376)
Decrease in trade and other payables	(779,021)	(910,161)	(1,338,445)	(832,306)
Increase/(decrease) in contract liabilities	2,810,226	(565,662)	2,810,226	(565,662)
Increase/(decrease) in employee entitlements	752,207	647,559	752,207	660,562
Net cash from operating activities	<u>12,602,184</u>	<u>6,646,503</u>	<u>11,229,119</u>	<u>5,925,315</u>

Nauru Air Corporation
Directors' declaration
30 June 2022

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, the Public Enterprises Act 2019 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2022 and of their performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001 and section 70(3)(c)(ii) of the Public Enterprises Act 2019

On behalf of the directors


Director *Kieren Keka*
26 Oct 2022


Director

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 2022, 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 2022 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 (including Independence Standards)* (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

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 2022 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:

https://www.auasb.gov.au/auditors_responsibilities/ar3.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 appears to be "J.C. Luckins".

J.C. Luckins
Director

Melbourne, 26 October 2022