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# NAURU MARITIME & PORT AUTHORITY

Annual Report for FY 2022-23



Authorization			
Function	Person	Date	Signed
Originator	Naveen Kumar	30 <sup>th</sup> August 2023	✓
Checked	Brian Leighs	31 <sup>st</sup> August 2023	✓
Authorized	NMPA Board	28 <sup>th</sup> December 2023	✓
	Final Audited Report	31 <sup>st</sup> January 2024	





## 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 of Nauru paid NMPA **\$1,932,000** as a Community Service Obligation (CSO) subsidy and **\$602,086.35** to cover the Port project-related expenses like PMU staff salary, auditing fees, land rental etc.

In addition, a top-up fund of **\$638,000.00** was paid to cover the cost of Location relocation housing projects, which is part of the current Port project. ADB has agreed to refund the relocation of temporary house expenses, totalling **\$1,226,302.79** for this financial year, and it is reflected in the balance sheet as receivable. The Government declared COVID-19 ex-gratia allowance for the Nauruan employees in July 2022 and December 2022 and paid NMPA **\$142,000.00** to cover this additional expense.

## 1. FINANCIAL RESULTS

This NMPA annual financial report to 30 June 2023 is audited by the external agency Ernst & Young, Fiji.

The revenue for the twelve months to 30 June 2023 totalled **\$8,506,108.00**. Total expenses for the period ended 30 June 2022 totalled **\$8,790,807.00**. The operating loss for the year was **\$284,699.00** (2022: operating loss of **\$603,926.00**) after providing for an income tax benefit of **\$192,800.00** (2022: income tax expense of **\$171,397.00**).

Detailed audit reports and notes are attached with this report.

## 2. PORT OPERATIONS UPDATE

Include a summary of shipping volumes during the financial year.

Vessel Type	Number of Visits		Cargo Volume			
			Jun-23		Jun-22	
	Jun-23	Jun-22	Discharge	Backload	Discharge	Backload
Cargo Vessel	15	13	20FT - 1543 40FT - 97 BBK - 1092.82	20FT - 2019 40FT - 91	20FT - 2311 40FT - 51 BBK - 1310.25	20FT - 1058 40FT - 28
Phosphate Vessel	8	11	-	123148.44 MT		298,602.97 MT
Fuel Vessel	5	5	14205.698 MT	-	18,886.73 MT	
Total Number of Vessels	28	29				

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

The NMPA Tugboat has been used for mooring assistance for both Phosphate and Fuel vessels since December 2021, and the Government is paying the cost for the operational days.

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.

### 3. HUMAN RESOURCES

#### Current Employee Statistics

Division & Category	Male	Percentage	Female	Percentage	Total Staff	Percentage
<b>Nauru Maritime Port Authority</b>						
Nauruan	57	66%	17	20%	74	86%
Expatriate	8	9%		0%	8	9%
Project Management Unit		0%	2	2%	2	2%
Casual (Nauruan)		0%	2	2%	2	2%
<b>Total</b>	<b>65</b>	<b>76%</b>	<b>21</b>	<b>24%</b>	<b>86</b>	<b>100%</b>

During July 2022 to June 2023 period HR division recruited 17 new employees into positions in various divisions, as detailed below.

Recruitment Report - 01/07/2022 to 30/06/23					
Sl.No	First Name	Surname	Gender	Position Title	Start Date
1	Shynia	Daoc	Female	TOS - Leading Hand	01/08/22
2	Ero-dabug	Scotty	Female	TOS Data Officer	01/08/22
3	Eddie	Tsitsi	Male	Barge General Labour	05/09/22
4	El-coshay	Peo	Male	Barge General Labour	05/09/22
5	Gad	Teabuge	Male	Transport Supervisor	05/09/22
6	Jagger	Peo	Male	Tug Deckhand - Cadet	05/09/22
7	Lincoln	Denuga	Male	Tug Engineer - Cadet	05/09/22
8	Billy	Ika	Male	Stores Admin	05/09/22
9	Jordan	Kepae	Male	Barge General Labour	05/09/22
10	Payton	Agiangang	Male	Barge General Labour	05/09/22
11	Abraham	Roland	Male	Stevedore	10/10/22
12	Sheeva	Cook	Female	PFSO	25/10/22
13	Renide	Atsime	Male	Yard Clerck	30/01/23
14	Liberty	Engar	Male	IT Assistant	06/02/23
15	Frederick	Pitcher	Male	C.E.O	20/03/23
16	Rageesh	Paramakavil	Male	Accounts Assistant Manager	03/05/23
17	Sioeli	Fifita	Male	Pilot	22/05/23

## 4. PORT DEVELOPMENT PROGRESS

Progress on the construction of the port is at 65% and significantly behind schedule. Construction has not progressed significantly since the last reporting period. The port is still only partially completed, and limited operations continue out of the new berth.

The construction contract period ended on 30 June 2023, and the Contractor has recently nominated June 2024 to achieve partial completion, though based on current progress, this timing is doubtful.

The delays in completion of the project include:

- Contractor's lack of experienced on-site staff
- Poor programming of construction activities
- Lack of appropriate machinery, materials, and resources on-site
- Delays in provision of Government in-kind contributions (Armour Rock and Road Base aggregates)

The progress, performance and experience of the Contractors staff is extremely disappointing.





# **Nauru Maritime and Port Authority formerly known as Port Authority of Nauru**

**Financial Statements**

**For the Year Ended 30 June 2023**

NAURU MARITIME AND PORT AUTHORITY  
formerly known as Port Authority of Nauru  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023

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# NAURU MARITIME AND PORT AUTHORITY

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2023

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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 2023, 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, Hon. Lionel Rouwen Aingimea, MP is the Responsible Minister for Nauru Maritime and Port Authority, and the Accountable Minister is the Hon. Russ J Kun, MP.

#### 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. Charleston Deiye

Director (Experience in Shipping) - Mr. Monte Depaune

Director Ex-Officio (Government) - Mr. Nodel Neneiya (Secretary of 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 \$284,699 (2022: operating loss of \$603,926) after providing for income tax benefit of \$192,800 (2022: \$171,397).

#### 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.

NAURU MARITIME AND PORT AUTHORITY  
DIRECTORS' REPORT *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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Significant Events

There were no significant matter or circumstances that had arisen during the financial year which significantly affected or may significantly affect the operations of the Company, the results or cash flows of those operations, or the state of affairs of the Authority in future financial years.

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 27th day of December 2023.

  
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Director



NAURU MARITIME AND PORT AUTHORITY  
STATEMENT BY THE DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2023

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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 2023;
- (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 2023;
- (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 2023;
- (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 2023;
- (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 27th day of December 2023.



Director

## 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 2023, 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 2023, 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.

#### 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.

## **INDEPENDENT AUDITOR'S REPORT *continued***

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

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.
- 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.

## INDEPENDENT AUDITOR'S REPORT *continued*

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

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

27 December 2023

NAURU MARITIME AND PORT AUTHORITY  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$	2022 \$
Revenue			
Revenue from contracts with customers	2	7,065,014	5,751,178
Direct costs	4(c)	<u>(2,229,822)</u>	<u>(1,853,515)</u>
Gross profit		4,835,192	3,897,663
Employee related expenses	4(a)	(1,445,919)	(1,048,757)
Expected credit losses		(1,695,648)	(1,129,494)
Administration expense	4(d)	<u>(2,118,795)</u>	<u>(1,533,243)</u>
Operating loss		(425,170)	186,169
Other income	3	<u>1,441,094</u>	<u>435,876</u>
Earnings before interest, tax, depreciation and amortisation (EBITDA)		1,015,924	622,045
Depreciation and amortisation expense	4(b)	(1,496,733)	(1,385,534)
Net finance income/(cost)	4(e)	<u>3,310</u>	<u>(11,834)</u>
Loss before income tax		(477,499)	(775,323)
Income tax benefit	5	192,800	171,397
Net loss after tax		<u>(284,699)</u>	<u>(603,926)</u>
Add: Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year, net of tax		<u><u>(284,699)</u></u>	<u><u>(603,926)</u></u>

*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 2023

	Notes	2023 \$	2022 \$
Accumulated losses			
Opening balance		(3,303,922)	(2,699,996)
Net loss for the year		<u>(284,699)</u>	<u>(603,926)</u>
Balance at 30 June		<u>(3,588,621)</u>	<u>(3,303,922)</u>
Capital contribution			
Opening balance		6,463,577	11,364,968
Contribution during the year		-	801,167
Prior year reclassification adjustment	21	<u>-</u>	<u>(5,702,558)</u>
Balance at 30 June	11	<u>6,463,577</u>	<u>6,463,577</u>
Total equity		<u><u>2,874,956</u></u>	<u><u>3,159,655</u></u>

*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 2023

	Notes	2023 \$	Restated* 2022 \$
Current assets			
Cash and cash equivalents	6	1,669,367	2,746,602
Trade and other receivables	7	3,288,229	2,174,332
Inventories	8	214,713	100,471
Advance to related entity	9	235,500	235,500
		<u>5,407,809</u>	<u>5,256,905</u>
Non-current assets			
Property, plant and equipment	10	84,780,076	75,073,517
Right-of-use assets	14(a)	1,116,725	1,267,827
Deferred tax asset	5	623,762	265,058
		<u>86,520,563</u>	<u>76,606,402</u>
Total assets		<u>91,928,372</u>	<u>81,863,307</u>
Current liabilities			
Trade and other payables	13	695,981	593,562
Lease liabilities	14(b)	118,769	147,517
		<u>814,750</u>	<u>741,079</u>
Non-current liabilities			
Deferred income	12	86,684,377	76,480,172
Provisions	15	107,337	82,583
Deferred tax liability	5	427,108	261,204
Lease liabilities	14(b)	1,019,844	1,138,614
		<u>88,238,666</u>	<u>77,962,573</u>
Total liabilities		<u>89,053,416</u>	<u>78,703,652</u>
Net assets		<u>2,874,956</u>	<u>3,159,655</u>
Equity			
Capital contribution	11	6,463,577	6,463,577
Accumulated losses		<u>(3,588,621)</u>	<u>(3,303,922)</u>
Total equity		<u>2,874,956</u>	<u>3,159,655</u>

For and on behalf of Nauru Maritime and Port Authority.



Director

\*Certain amounts shown here do not correspond to the 2022 financial statements and reflect adjustments made. Refer to Note 21.

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 2023

	Note	2023 \$	2022 \$
Operating activities			
Loss before tax		(477,499)	(775,323)
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation and amortisation expense		1,496,733	1,385,534
Estimated credit loss		1,695,648	1,129,494
Release of deferred income		(355,136)	(181,173)
Interest on leases paid by RON		12,053	13,521
<i>Working capital adjustments:</i>			
Increase in trade receivables		(2,809,545)	(1,932,220)
(Increase)/decrease in inventories		(114,242)	88,023
Increase in trade and other payables		102,419	434,699
Increase in provisions		24,754	20,499
Increase/(decrease) in deferred income		8,943,957	(1,071,540)
Net cash flows from/(used in) operating activities		8,519,142	(888,486)
Investing activities			
Purchase of property, plant and equipment		(9,596,377)	(1,215,273)
Net cash flows used in investing activities		(9,596,377)	(1,215,273)
Financing activities			
Government contributions received		-	801,167
Net cash flows from financing activities		-	801,167
Net decrease in cash and cash equivalents		(1,077,235)	(1,302,592)
Cash and cash equivalents at beginning of the year		2,746,602	4,049,194
Cash and cash equivalents at 30 June	6	1,669,367	2,746,602

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

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023

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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 Board of Nauru Maritime and Port Authority on 27 December 2023.

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:

Determining the lease term of contracts with renewal and termination options – Authority as lessee

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.

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).

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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1.3 Significant accounting judgements, estimates and assumptions *continued*

(a) Judgements

Determining the lease term of contracts with renewal and termination options – Authority as lessee *continued*

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 2023, 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.

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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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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 listed below, which are effective for annual periods beginning on or after 1 July 2022 (unless otherwise stated). These amendments did not have an impact on the Authority.

- Amendments to IAS 37 – Onerous Contracts: – Cost of Fulfilling a Contract;
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities;
- Amendments to IFRS 3 – Reference to the Conceptual Framework.

The Authority has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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. These amendments are not expected to have a material impact on the Authority.

New standards and amendments	Effective date*
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	1 January 2023
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023

\*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;

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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1.6 Summary of significant accounting policies *continued*

(a) Current versus non-current classification *continued*

- 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.

(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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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1.6 Summary of significant accounting policies *continued*

(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.

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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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1.6 Summary of significant accounting policies *continued*

(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.

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

	<u>Rate</u>
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.



NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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1.6 Summary of significant accounting policies *continued*

(h) Leases *continued*

*Authority as a lessee continued*

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:

	<u>Term</u>
Leasehold land	3 - 15 years

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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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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*

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.

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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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1.6 Summary of significant accounting policies *continued*

(i) Financial assets and financial liabilities *continued*

Financial assets *continued*

i) *Initial recognition and measurement continued*

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.

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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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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)

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.

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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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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 profit or loss continued*

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.

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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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1.6 Summary of significant accounting policies *continued*

(i) Financial assets and financial liabilities *continued*

Financial assets *continued*

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).

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 out 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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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1.6 Summary of significant accounting policies *continued*

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

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.

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.



NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$	\$
2. Revenue from contracts with customers		
Administration fees	50,146	40,020
Berthage fees	96,475	86,016
Environmental levies	7,127	6,910
Equipment hire	3,604,891	1,843,959
Fuel levy	89,606	101,013
General cargo	1,086	1,037
Load on load off service charges	300	-
Marine navigation levies	9,978	9,673
Moorage charges	268,162	211,603
Phosphate	177,654	253,813
Pilotage	279,203	235,004
Port charges	168,105	159,251
Stevedoring	1,293,842	1,523,458
Storage fees	55,110	48,118
Wharfage charge	963,329	1,231,303
	<u>7,065,014</u>	<u>5,751,178</u>
3. Other income	\$	\$
Hire of labour	166,608	29,254
Other revenue	915,350	225,449
Release of deferred revenue	355,136	181,173
Gain on disposal assets	4,000	-
	<u>1,441,094</u>	<u>435,876</u>
4. Expenses	\$	\$
(a) Employee related expenses		
Directors fees	6,900	7,450
Employees service tax	70,906	37,299
Entertainment	96,183	55,677
Long-service leave	24,754	20,499
Rations	181,900	150,574
Salaries and wages	309,951	236,117
Staff training	238,924	117,732
Subscriptions	17,893	5,981
Superannuation	90,271	72,934
Travel	408,237	344,494
	<u>1,445,919</u>	<u>1,048,757</u>

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$	\$
4. Expenses <i>continued</i>		
(b) Depreciation and amortisation expense		
Depreciation - property, plant and equipment	1,345,631	1,234,432
Amortisation - right of use assets	151,102	151,102
	<u>1,496,733</u>	<u>1,385,534</u>
(c) Direct costs		
Labour	1,394,287	1,113,087
Membership fees	10,307	17,757
Plant hire	286,900	384,074
Repairs and maintenance	429,702	336,538
Informs and protective clothing	108,626	2,059
	<u>2,229,822</u>	<u>1,853,515</u>
(d) Administration expenses		
Auditor's remuneration - audit fees	30,250	30,500
Auditor's remuneration - other fees	1,750	1,500
Bad debts	687	-
Bank charges	9,467	2,304
Consultant fees	32,782	34,910
Custom broker fee	63	100
Freight charges	139,912	108,850
Fuel	273,521	243,609
Internet and telephone costs	182,020	161,294
Land rentals	100,543	18,963
Other expenses	190,040	16,694
Printing and stationery	9,793	1,446
Repairs and maintenance	16,925	61,146
Security	612,256	377,676
Special allowance	142,000	194,554
Staff accommodation	219,760	155,632
Stores	36,167	32,314
Subsidies and donations	3,766	1,800
Utilities	117,093	89,951
	<u>2,118,795</u>	<u>1,533,243</u>

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
4. Expenses <i>continued</i>	\$	\$
(e) Net finance cost		
Interest income	(15,363)	(1,687)
Interest expense on leases	<u>12,053</u>	<u>13,521</u>
Net finance cost	<u>(3,310)</u>	<u>11,834</u>
5. Income tax	\$	\$
The prima facie tax (benefit)/expense on the operating loss differs from the income tax provided in the accounts and is reconciled as follows:		
Operating loss before income tax	<u>(477,499)</u>	<u>(775,323)</u>
Prima facie tax benefit thereon at 20% (2022: 20%)	(95,500)	(155,065)
Tax losses utilised	(78,863)	(19,655)
Restatement of deferred tax liability	<u>(18,437)</u>	<u>3,323</u>
Income tax (benefit)/expense attributable to operating loss	<u>(192,800)</u>	<u>171,377</u>
<i>Deferred income tax assets at 30 June relates to the following:</i>		
Expected credit losses	576,508	225,899
Employee entitlements	42,876	35,499
Right-of-use assets	4,378	3,661
Accelerated depreciation	<u>(427,108)</u>	<u>(261,205)</u>
Net deferred tax asset	<u>196,654</u>	<u>3,854</u>
<i>Reflected in the statement of financial position as follows:</i>		
Deferred tax asset	623,762	265,058
Deferred tax liability	<u>(427,108)</u>	<u>(261,204)</u>
	<u>196,654</u>	<u>3,854</u>
6. Cash and cash equivalents	\$	\$
Cash and cash equivalents in the Statement of Financial Position comprise of:		
Cash on hand	1,017	1,693
Cash and cash equivalents	<u>1,668,350</u>	<u>2,744,909</u>
	<u>1,669,367</u>	<u>2,746,602</u>

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$	\$
7. Trade receivables		
Trade receivables	4,840,091	1,806,514
Less: allowance for expected credit loss	(2,825,142)	(1,129,494)
	2,014,949	677,020
Prepayments	25,466	198,553
Staff advances	4,193	1,518
Security deposit	1,622	422
Receivables from Asia Development Bank	1,226,303	1,286,470
Receivable from Government of Nauru	5,347	-
Other assets	10,349	10,349
	3,288,229	2,174,332

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:

At the beginning of the year	1,129,494	-
Charge for the year	1,695,648	1,129,494
At 30 June	2,825,142	1,129,494

8. Inventories	\$	\$
Spare parts	214,713	100,471
	214,713	100,471
9. Advance to related entity	\$	\$
<i>Financial asset at amortised cost</i>		
Nauru Shipping Line	235,500	235,500

The Authority granted subsidies to a related entity Nauru Shipping Line. The subsidy has been recognized at amortised cost.

**NAURU MARITIME AND PORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**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 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
Additions	5,494	6,000	104,883	-	35,060	13,386	807,692	10,079,675	11,052,190
Disposals	(5,952)	-	-	-	(47,689)	(900)	-	-	(54,541)
At 30 June 2023	3,836,576	3,414,719	768,148	1,015,443	164,103	77,235	6,412,254	75,847,125	91,535,603
Accumulated depreciation									
At 1 July 2021	1,566,210	1,539,999	324,673	714,439	93,906	29,988	-	-	4,269,214
Depreciation 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
Depreciation for the year	478,529	352,783	118,552	60,025	41,679	16,296	277,767	-	1,345,631
Disposals	(5,952)	-	-	-	(47,689)	(900)	-	-	(54,541)
At 30 June 2023	2,489,001	2,223,232	542,415	884,489	104,780	52,671	458,940	-	6,755,527
Net book value									
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
At 30 June 2023	1,347,575	1,191,487	225,734	130,954	59,323	24,565	5,953,314	75,847,125	84,780,076

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2022

	2023	2022
11. Capital contribution	\$	\$
Contribution by RON	<u>6,463,577</u>	<u>6,463,577</u>
The contributed equity by Government to the Authority represents the assets initially contributed by the Republic of Nauru (RON) for the construction and operation of the port.		
12. Deferred income	\$	\$
a) <u>Other donors</u>		
Opening balance	62,980,070	41,765,551
Add: grant payments received during the year	8,832,314	15,791,130
Add: grant contributions in-kind	807,692	5,604,562
Add: other adjustment	807,692	-
Less: release of deferred income	<u>(355,136)</u>	<u>(181,173)</u>
	<u>73,072,632</u>	<u>62,980,070</u>
b) <u>Republic of Nauru</u>		
Grant contributions in-kind	8,713,206	7,797,544
Subsidies received	2,026,273	2,910,078
Contributions	<u>2,872,266</u>	<u>2,792,480</u>
	<u>13,611,745</u>	<u>13,500,102</u>
Total deferred income	<u>86,684,377</u>	<u>76,480,172</u>
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	49,203	48,516
Staff accruals	107,045	94,911
Income received in advance	327,045	-
Other accruals	<u>212,688</u>	<u>450,135</u>
	<u>695,981</u>	<u>593,562</u>

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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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 2021	1,418,929	1,418,929
Depreciation expense	(151,102)	(151,102)
As at 30 June 2022	1,267,827	1,267,827
Depreciation expense	(151,102)	(151,102)
As at 30 June 2023	1,116,725	1,116,725

(b) Lease liabilities

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

	2023	2022
	\$	\$
As at 1 July	1,286,131	1,432,181
Add: accretion of interest	12,053	13,521
Add: additions	147,517	-
Less: payments made by RON on behalf of the Authority	(159,571)	(159,571)
As at 30 June	1,138,614	1,286,131
Current	118,769	147,517
Non-current	1,019,844	1,138,614
	1,138,613	1,286,131

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	151,102
Interest expense on lease liabilities	12,053	13,521
Total amount recognised in profit or loss	163,155	164,623

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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$	2022 \$
15. Provisions		
<i>Long service leave</i>		
As at 1 July	82,583	62,084
Add: entitlements for the year	24,754	30,275
Less: entitlements utilised during the year	-	(9,776)
As at 30 June	<u>107,337</u>	<u>82,583</u>
Non-current	<u>107,337</u>	<u>82,583</u>

16. Commitments and contingencies

(a) Operating lease commitments contracted.

At balance date, the Authority currently held a lease for the boat harbor 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) Contingent liabilities

The Authority has been added to a civil case between Iddy Detebane and others (plaintiffs) v Eigigu Holdings Corporation (defendant) and Nauru Maritime and Port Authority (Civil suit No.10 of 2019). The plaintiffs (landowners) are claiming for trespass and rental charges of \$1.15 million plus interest for containers left on their land by the defendant (lessee) beyond the end of the lease term. The defendant has added the Authority as a defendant claiming the containers belong to the Authority and sought indemnification from the suit. The Authority has filed to strike out the joinder application on a technicality and a hearing date on this is expected in early 2024. (2022: Nil).

17. Related party

(a) Directors

Directors during the year

Chairman - Mr. Link Uera

Deputy Chairman - Mr. Calistus Cain

Director - Mr. Bure Ika (Resigned 30th March 2023)

Director - Mr. Ipia Gadabu (Revocation on 27th October 2022)

Director Ex-Officio (Government) - Mr. Nodel Neneiya (Secretary of Transport)

Director Ex-Officio (Government) - Mrs. Melca Rykers (Finance)

Director - Mr. Charleston Deiye

Directors as at reporting date

Chairman - Mr. Link Uera

Deputy Chairman - Mr. Calistus Cain

Director - Mr. Charleston Deiye

Director (Experience in Shipping) - Mr. Monte Depaune

Director Ex-Officio (Government) - Mr. Nodel Neneiya (Secretary of Transport)

Director Ex-Officio (Government) - Mrs. Melca Rykers (Finance)



NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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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. Frederick Pitcher	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

	2023	2022
	\$	\$
(c) Transactions with related parties		

Key management remuneration

Transactions with key management personnel during the year ended 30 June 2023 and 30 June 2022 with approximate transaction values are summarised as follows:

Short-term employee benefits for key management (excluding CEO & COO's remuneration)	267,287	228,230
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The CEO's remuneration was paid directly by the Asian Development Bank (ADB) up until February 2023 and is not reflected in these financial statements. From March 2023, the new CEO's remuneration's salary was paid by the Authority and forms part of the expenses for the year. The Chief Operations Officer's remuneration was paid by the Asian Development Bank (ADB).

Transactions with Republic of Nauru (RON) Government

Contributions received from RON	79,786	801,167
Contribution for relocation housing project	638,000	1,986,000
Contributions in-kind for projects received from RON	1,296,281	1,322,760
Balance owed by RON	-	327,728

Transactions with Nauru Shipping Line (NSL)

Port charges for NSL	1,057,613	1,317,143
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NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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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 2023, the Authority had 2 customers (2022: 2 customers) that owed it more than \$450,000 (2022: \$450,000) and accounted for approximately 83% (2022: 77%) 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:

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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 2023	Trade receivables				
	Days past due				
	Current	30 - 60 days	61 - 90 days	> 91 days	Total
Expected credit loss rate	0%	0%	0%	84%	
Estimated total gross carrying amount at default	999,917	458,417	10,964	3,370,793	4,840,091
Expected credit loss	-	-	-	2,825,142	2,825,142
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

(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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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 2023	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade and other payables	-	695,981	-	-	-	695,981
Lease liabilities	-	26,504	102,976	549,482	526,334	1,205,296
	-	722,485	102,976	549,482	526,334	1,901,277
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

(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.

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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.

	2023 \$	2022 \$
Lease liability (Note 14)	1,138,614	1,286,131
Trade and other payables (Note 13)	695,981	593,562
Less: cash and short-term deposits (Note 6)	(1,669,367)	(2,746,602)
Net debt	165,228	(866,909)
Equity	2,874,956	3,159,655
Total capital	2,874,956	3,159,655
Capital and net debt	3,040,184	2,292,746
Gearing ratio	5%	-38%

19. Significant events

There were no significant matter or circumstances that had arisen during the financial year which significantly affected or may significantly affect the operations of the Company, the results or cash flows of those operations, or the state of affairs of the Authority in future financial years.

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.

21. Prior year adjustment

In prior years the Authority had incorrectly disclosed government grants received from RON as capital contributions (equity). This had resulted in an overstatement of capital contributions and understatement of deferred income of \$5,702,558. This correction has been made retrospectively.

Impact on the Statement of Profit or Loss and Other Comprehensive Income

The change did not have an impact on the statement of profit or loss and other comprehensive income.

	30 June 2022 \$	Adjustments Increase/ (decrease) \$	30 June 2023 \$
<u>Impact on the Statement of Changes in Equity</u>			
Capital contribution	12,166,135	(5,702,558)	6,463,577
Net impact	12,166,135	(5,702,558)	6,463,577

NAURU MARITIME AND PORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

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21. Prior year adjustment *continued*

<u>Impact on the Statement of Financial Position</u>	30 June 2022 \$	Adjustments Increase/ (decrease) \$	30 June 2023 \$
<i>Liabilities</i>			
Deferred income	70,777,613	5,702,558	76,480,171
<i>Equity</i>			
Capital contribution	12,166,135	(5,702,558)	6,463,577
Net impact	<u>82,943,748</u>	<u>-</u>	<u>82,943,748</u>

Impact on the Statement of Cash Flows

The change did not have an impact on the statement of cash flows.





**Nauru Maritime and Port Authority**  
**Sustainable and Climate-Resilient Connectivity**  
**Project Grant 0564/0565/0566**

**Special Purpose Financial Statements**  
**For the Year Ended 30 June 2023**

NAURU MARITIME AND PORT AUTHORITY  
SUSTAINABLE AND CLIMATE-RESILIENT CONNECTIVITY PROJECT Grant 0564/0565/0566

SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023

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## INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for Nauru Maritime and Port Authority

### Report on the Audit of the Special Purpose Financial Statements

#### Opinion

We have audited the special purpose financial statements of the Sustainable and Climate-Resilient Connectivity Project ("the Project") implemented by the Nauru Maritime and Port Authority ("the Authority") for the year ended 30 June 2023, which comprise of the statement of income and expenditure, including a summary of significant accounting policies and other explanatory information. The Financial Statements have been prepared by management in accordance with International Public Sector Accounting Standards: Financial Reporting under the Cash Basis of Accounting (Cash Basis IPSAS) as set out in Note 1 to the Financial Statements.

In our opinion, the grant proceeds have been used in all material respects in accordance with the conditions of the Memorandum of Understanding between Nauru Maritime and Port Authority and the Asian Development Bank (ADB) and the accompanying special purpose Financial Statements presents fairly, in all material respects, the Income and Expenditure of the Project for the year ended 30 June 2023 in accordance with the financial reporting provisions of the Cash Basis IPSAS described in Note 1 (a) to the Financial Statements.

#### 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 and the Project 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.

#### Emphasis of matter - Basis of accounting and restriction on distribution and use

We draw attention to Note 1 (a) to the Financial Statements, which describes the basis of accounting. The Financial Statements have been prepared to assist the Authority in connection with the requirements set out in the Memorandum of Understanding dated 14 February 2019 and the financial reporting provisions of the Cash Basis IPSAS. As a result, the Financial Statements may not be suitable for another purpose. Our report is intended solely for the information and use of the Project, Nauru Maritime and Port Authority Management and the Asian Development Bank and should not be used by parties other than the Project, Nauru Maritime and Port Authority Management and the Asian Development Bank. Our opinion is not modified in respect of this matter.

#### Responsibilities of management and the Directors for the Financial Statements

The Directors and management of the Authority are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Public Sector Accounting Standards: Financial Reporting under Cash Basis IPSAS and the memorandum of understanding, and for such internal control as management determines is necessary to enable the preparation of the Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, the management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

The Directors and management are responsible for overseeing the Project's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT *continued*

### 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 Authorities' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's and Directors' 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 Project'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 Project to cease to continue as a going concern.

We communicate with management and the Directors 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.

  
Ernst & Young  
Chartered Accountants  
Steven Pickering  
Partner  
Suva, Fiji

30 January 2024

SUSTAINABLE AND CLIMATE-RESILIENT CONNECTIVITY PROJECT Grant 0564/0565/0566  
STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023	2023	2022	2022	Cumulative
		AUD	USD	AUD	USD	Figures USD
INCOME						
External assistance						
ADB Grant 0564	3	3,358,198	2,816,679	6,396,714	4,406,545	16,426,756
DFAT Grant 0565	3	1,012,322	688,482	2,596,971	1,788,991	7,038,292
GCF Grant 0566	3	3,308,223	2,189,571	7,590,276	5,228,759	20,080,483
ADB Grant 0833	3	2,455,249	1,636,860	-	-	1,636,860
TOTAL INCOME		10,133,992	7,331,592	16,583,961	11,424,295	45,182,391
EXPENDITURE						
Contractor's Claim	4	10,133,992	7,331,592	16,583,961	11,424,295	45,182,391
TOTAL EXPENDITURE		10,133,992	7,331,592	16,583,961	11,424,295	45,182,391
Surplus/(deficit)		-	-	-	-	-

Signed for and on behalf of the Nauru Port Development Project - SCRC

  
Frederick Pitcher



**Chief Executive Officer**  
**Nauru Maritime & Port Authority**  
Mobile: +674 557 3090  
Email: fwpitcher@nauruport.com

*This Statement of Income and Expenditure should be read in conjunction with the notes to the special purpose Financial Statements set out on pages 5 to 9.*

SUSTAINABLE AND CLIMATE-RESILIENT CONNECTIVITY PROJECT Grant 0564/0565/0566  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

This special purpose financial statements have been prepared in accordance with International Public Sector Accounting Standards: Financial Reporting under the Cash Basis of Accounting (Cash Basis IPSAS) as issued by the International Public Sector Accounting Standards Board.

The accounting policies have been applied consistently throughout the year.

b) Reporting entity

This special purpose financial statements is for the Sustainable and Climate-Resilient Connectivity Project (funded by the ADB, DFAT and GCET) which is supervised by the Government of Nauru Planning and Aid Division (PAD) and implemented by the Nauru Maritime and Port Authority (NMPA) with the services of Cardno Emerging Markets Australia Pte Limited. The program commenced on 14 February 2019, with the signing of the contract between the Asian Development Bank and Government of Nauru's PAD. Funding is received from the Asian Development Bank (ADB) when requested in accordance with a pre-approved budget.

The special purpose financial statements covers the financial period 1 July 2022 to 30 June 2023

c) Reporting currency

The amounts are stated in Australian dollars (AUD) and United States dollars (USD). Australian dollars (AUD) is the currency is used for all Project reports. Draw downs are received in United States dollars (USD). Foreign currency equivalents are converted at the spot rate at year end for ease of comparison as follows:

2023  
USD to AUD 1.51090

d) Budget

The Project has a multi-year financing plan, as opposed to annual budgets that place limits on the spending in one year. As a result, budget information for the Project is presented below:

Cost Estimates by Financier	ADF Grant \$millions	AUS Grant \$millions	GCF Grant \$millions	Govt of Nauru \$millions	ADF Grant AF \$millions
Investment Costs					
1 Civil Works (Advance Payment)	2.38	1.40	3.23	-	-
2 Civil Works - Offshore (USD Payments)	1.74	-	23.68	3.50	-
3 Civil Works - Offshore (AUD Payments)	3.62	10.28	-	1.50	-
4 Civil Works - Onshore (USD and AUD Payments)	9.55	-	-	2.70	-
5 Civil Works - Additional Costs	-	-	-	-	5.10
6 Consultant Services and Port Reforms	4.01	0.20	-	-	-
7 Consultant Services - Additional Costs	-	-	-	-	5.40
8 Temporary Relocation	-	-	-	-	1.94
Subtotal	21.30	11.88	26.91	7.70	12.44
Recurrent Costs					
1 Salaries	-	-	-	0.46	-
2 Audit Fees	-	-	-	0.35	-
3 Taxes and Duties	-	-	-	0.80	-
4 Aggregate Supply	-	-	-	1.59	-
Subtotal	-	-	-	3.20	-
Contingencies (Resource Buffer)	-	2.20	-	6.60	2.56
Total Project Cost	21.30	14.08	26.91	17.50	15.00

## 2 CASH

Payments to suppliers were made directly from ADB and no cash is transferred to NMPA. The grants were disbursed in accordance with ADB's Loan Disbursement Handbook (2015). Disbursements from ADB and ADB administered grant procedures were through direct payment procedures only.

## 3. EXTERNAL ASSISTANCE - GRANT RECEIVED

All grants received from ADB were in the form of direct payments made to suppliers. The total services and products received by NMPA were of the following value:

Summary information on grants received during the year is as follows:

ADB Grant 0564	Value Date	2023	2023	2022	2022
		AUD	USD	AUD	USD
W00154	14/07/2021	-	-	53,902	37,132
W00155	12/07/2021	-	-	163,187	112,416
W00157	28/09/2021	-	-	102,931	70,907
W00158	24/09/2021	-	-	491,158	338,347
W00159	18/10/2021	-	-	132,752	91,450
W00160	20/10/2021	-	-	217,611	149,907
W00163	01/11/2021	-	-	109,739	75,596
W00164	29/10/2021	-	-	406,841	280,263
W00165	29/10/2021	-	-	36,720	25,296
W00166	02/11/2021	-	-	61,285	42,218
W00169	03/12/2021	-	-	46,161	31,799
W00170	07/12/2021	-	-	72,215	49,747
W00171	03/12/2021	-	-	3,821	2,633
W00172	07/12/2021	-	-	1,573	1,083
W00175	17/12/2021	-	-	24,944	17,184
W00176	07/12/2021	-	-	50,364	34,695
W00177	06/12/2021	-	-	241,797	166,568
W00178	10/12/2021	-	-	40,367	27,808
W00179	14/12/2021	-	-	63,955	44,057
W00180	10/12/2021	-	-	282,031	194,284
W00181	14/12/2021	-	-	117,542	80,972
W00184	15 Dec 2021	-	-	75,018	51,678
W00185	14 Jan 2022	-	-	95,722	65,941
W00186	13 Jan 2022	-	-	234,701	161,680
W00187	18/01/2022	-	-	26,087	17,971
W00188	19/01/2022	-	-	41,645	28,688
W00189	18/01/2022	-	-	12,684	8,737
W00190	19/01/2022	-	-	5,326	3,669
W00193	07/02/2022	-	-	120,282	82,859
W00194	09/02/2022	-	-	188,231	129,668
W00195	07/02/2022	-	-	1,054,200	726,213
W00196	09/02/2022	-	-	433,973	298,954
W00199	14/01/2022	-	-	58,195	40,089
W00200	13/01/2022	-	-	234,022	161,212
W00202	22/02/2022	-	-	30,854	21,255
W00203	24/02/2022	-	-	49,091	33,818
W00204	22/02/2022	-	-	88,617	61,046
W00205	24/02/2022	-	-	37,090	25,550
W00208	09/05/2022	-	-	64,627	44,520
W00209	05/05/2022	-	-	192,414	132,549
W00210	27/04/2022	-	-	58,337	40,187
W00211	25/04/2022	-	-	250,353	172,462
W00212	21/04/2022	-	-	36,061	24,842
W00213	22/04/2022	-	-	59,265	40,826
W00217	06/06/2022	-	-	27,761	19,124
W00218	08/06/2022	-	-	44,230	30,469
W00221	06/06/2022	-	-	36,562	25,187
W00222	08/06/2022	-	-	58,255	40,131

SUSTAINABLE AND CLIMATE-RESILIENT CONNECTIVITY PROJECT Grant 0564/0565/0566  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 30 JUNE 2023

3. EXTERNAL ASSISTANCE - GRANT RECEIVED *continued*

<u>ADB Grant 0564</u>	<u>Value Date</u>	2023	2023	2022	2022
		AUD	USD	AUD	USD
W00225	28/06/2022	-	-	24,562	16,920
W00226	30/06/2022	-	-	37,653	25,938
W00229	16/03/2022	178,008	122,771	-	-
W00230	12/04/2022	264,973	175,374	-	-
W00230	22/03/2022	249,443	165,096	-	-
W00230	19/05/2022	220,206	145,745	-	-
W00231	29/06/2022	51,532	36,590	-	-
W00232	29/06/2022	91,988	91,988	-	-
W00233	15/07/2022	15,951	24,101	-	-
W00234	15/07/2022	45,490	32,300	-	-
W00237	19/08/2022	18,925	28,594	-	-
W00238	19/08/2022	56,638	38,419	-	-
W00241	22/07/2022	3,820	2,518	-	-
W00242	22/07/2022	48,481	31,426	-	-
W00243	29/06/2022	80,813	80,813	-	-
W00243	22/07/2022	176,891	176,891	-	-
W00244	14/10/2022	4,176	6,310	-	-
W00245	14/10/2022	10,237	6,993	-	-
W00248	29/08/2022	56,732	38,421	-	-
W00249	29/08/2022	138,653	138,653	-	-
W00252	30/09/2022	10,000	6,917	-	-
W00253	30/09/2022	55,000	55,000	-	-
W00256	11/11/2022	74,120	111,988	-	-
W00257	11/11/2022	165,613	113,142	-	-
W00260	23/12/2022	9,898	14,955	-	-
W00261	23/12/2022	33,104	23,033	-	-
W00262	23/12/2022	268,931	268,931	-	-
W00263	23/12/2022	156,598	108,958	-	-
W00266	04/01/2023	5,596	8,455	-	-
W00267	04/01/2023	18,715	13,022	-	-
W00268	04/01/2023	33,411	33,411	-	-
W00269	04/01/2023	19,455	13,536	-	-
W00280	03/02/2023	15,790	23,857	-	-
W00281	03/02/2023	52,809	35,390	-	-
W00282	03/02/2023	141,539	141,539	-	-
W00283	03/02/2023	82,418	55,233	-	-
W00287	28/11/2022	51,262	51,262	-	-
W00288	28/11/2022	4,347	2,902	-	-
W00290	15/03/2023	2,900	4,382	-	-
W00291	15/03/2023	9,700	6,496	-	-
W00292	15/03/2023	274,307	274,307	-	-
W00293	15/03/2023	159,728	106,960	-	-
		<u>3,358,198</u>	<u>2,816,679</u>	<u>6,396,714</u>	<u>4,406,545</u>

SUSTAINABLE AND CLIMATE-RESILIENT CONNECTIVITY PROJECT Grant 0564/0565/0566  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS continued  
FOR THE YEAR ENDED 30 JUNE 2023

3. EXTERNAL ASSISTANCE - GRANT RECEIVED *continued*

		2023	2023	2022	2022
		AUD	USD	AUD	USD
<u>DFAT Grant 0565</u>	<u>Value Date</u>				
W00156	16/11/2021	-	-	24,316	16,751
W00161	19/10/2021	-	-	618,962	426,388
W00167	01/11/2021	-	-	173,172	119,294
W00169	10/12/2021	-	-	2,840	1,957
W00173	06/12/2021	-	-	206,202	142,047
W00182	13/12/2021	-	-	182,022	125,390
W00191	18/01/2022	-	-	119,450	82,286
W00197	08/02/2022	-	-	540,021	372,007
W00206	23/02/2022	-	-	139,222	95,907
W00214	22/04/2022	-	-	167,185	115,170
W00216	16/05/2022	-	-	22,540	15,527
W00219	07/06/2022	-	-	126,791	87,344
W00223	07/06/2022	-	-	167,002	115,044
W00227	29/06/2022	-	-	107,246	73,879
W00235A	14/09/2022	121,234	82,936	-	-
W00239	19/08/2022	154,116	104,614	-	-
W00246	14/10/2022	25,292	17,059	-	-
W00258	11/11/2022	386,960	263,559	-	-
W00264	23/12/2022	94,022	65,035	-	-
W00270	04/01/2023	53,155	36,768	-	-
W00284	03/02/2023	149,990	99,834	-	-
W00294	18/04/2023	27,551	18,677	-	-
		<u>1,012,320</u>	<u>688,482</u>	<u>2,596,971</u>	<u>1,788,991</u>

		2023	2023	2022	2022
		AUD	USD	AUD	USD
<u>ADB Grant 0566</u>	<u>Value Date</u>				
W00162	18/10/2021	-	-	1,805,239	1,243,586
W00168	29/10/2021	-	-	499,344	343,986
W00174	03/12/2021	-	-	627,724	432,424
W00183	10/12/2021	-	-	548,938	378,150
W00192	18/01/2022	-	-	354,744	244,375
W00198	07/02/2022	-	-	1,635,656	1,126,764
W00207	22/02/2022	-	-	419,572	289,033
W00215	21/04/2022	-	-	490,381	337,812
W00220	06/06/2022	-	-	377,480	260,037
W00224	06/06/2022	-	-	497,196	342,506
W00228	28/06/2022	-	-	334,002	230,086
W00236	15/07/2022	396,188	262,220	-	-
W00240	19/08/2022	503,645	333,341	-	-
W00247	14/10/2022	82,653	54,704	-	-
W00259	11/11/2022	1,264,570	836,965	-	-
W00265	23/12/2022	307,260	203,363	-	-
W00271	04/01/2023	173,710	114,971	-	-
W00285	03/02/2023	490,162	324,417	-	-
W00295	18/04/2023	90,035	59,590	-	-
		<u>3,308,223</u>	<u>2,189,571</u>	<u>7,590,276</u>	<u>5,228,759</u>

3. EXTERNAL ASSISTANCE - GRANT RECEIVED *continued*

		2023	2023	2022	2022
		AUD	USD	AUD	USD
<u>ADB Grant 0833</u>	<u>Value Date</u>				
W00250	15/08/2022	894,373	599,284	-	-
W00251	15/08/2022	214,878	143,981	-	-
W00254	30/09/2022	42,317	29,270	-	-
W00255	30/09/2022	126,402	83,660	-	-
W00272	31/10/2022	56,732	38,057	-	-
W00273	31/10/2022	223,587	147,983	-	-
W00274	23/11/2022	54,902	37,206	-	-
W00275	23/11/2022	267,778	177,231	-	-
W00276	23/12/2022	57,044	37,510	-	-
W00277	23/12/2022	247,366	163,721	-	-
W00278	28/11/2022	1,763	1,183	-	-
W00279	28/11/2022	30,078	19,907	-	-
W00286	26/01/2023	181,316	120,005	-	-
W00289	26/01/2023	56,713	37,863	-	-
		<u>2,455,249</u>	<u>1,636,860</u>	<u>-</u>	<u>-</u>
		<u>10,133,990</u>	<u>7,331,592</u>	<u>16,583,961</u>	<u>11,424,295</u>

4. EXTERNAL ASSISTANCE - PAYMENTS TO THIRD PARTIES

Payments to third parties relate to costs paid directly by the ADB to Cardno Emerging Markets (Aust) Pty Ltd for UXO clearance, geotechnical investigations, surveys and detailed engineering services, costs paid to China Harbour Engineering Company Limited (CHEC) for contractor payments and GHD PTY LTD (formerly known as Gutteridge Haskins & Davey), for independent technical project audit services.

	2023	2023	2022	2022
	AUD	USD	AUD	USD
ADB Contributions - Civil Works Offshore USD Payments	147,357	222,641		
ADB Contributions - Civil Works Offshore AUD Payments	392,305	268,794		
ADB Contributions - Civil Works On shore (US and AUD payments)	1,136,387	1,002,875	6,396,714	4,406,545
ADB Contributions - Consultant Services	4,137,398	2,959,225		
DFAT Contributions - Civil Works Offshore AUD Payments	1,012,321	688,482	2,596,971	1,788,991
Green Climate Fund Contributions - Civil Works Offshore USD Payments	3,308,223	2,189,571	7,590,276	5,228,759
Total payments paid or payable to third parties at balance date	<u>10,133,992</u>	<u>7,331,588</u>	<u>16,583,961</u>	<u>11,424,295</u>

5. EXTERNAL ASSISTANCE - PAYMENTS TO THIRD PARTIES

	AUD	USD	AUD	USD
Republic of Nauru	1,296,280	857,952	1,322,760	911,218
	<u>1,296,280</u>	<u>857,952</u>	<u>1,322,760</u>	<u>911,218</u>

During the period, the Republic of Nauru (RON) provided financial assistance to the Project in the form of tax exemptions and in-kind contributions.



6. Bank Account

The project holds a separate bank account for the counterpart support related to the funding for the contract works. A Term-Deposit account is held with Bendigo Bank in Australia with account number 162673529.

7. COMMITMENTS	AUD	USD	AUD	USD
Commitments to Purchase:				
ADB	-	-	-	-
DFAT	-	-	-	-
GCF	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The project received invoices for claims during the year. These claims were processed after balance date and have been excluded from this special purpose financial statement due to the accounting policies outlines in Note 1. No commitments were noted for as at 30 June 2023.







Nauru Maritime & Port Authority [NMPA]  
Old Bookshop Building, Near Orro Congregational Church  
Aiwo District, Republic of Nauru.  
Web: [www.nauruport.com](http://www.nauruport.com)