Nauru Shipping Line

Annual Report 2023

NSL

NAURU SHIPPING LINE

Introduction

Founded on June 29, 2020, Nauru Shipping Line (NSL) was established with a core mission to provide the people of Nauru with a dedicated and environmentally conscious cargo shipping service. NSL's incorporation marked a pivotal moment in the commitment to ensure secure and sustainable transportation of goods. The primary focus lay in catering to the specific needs of Nauru, fostering a reliable framework for the conveyance of cargo while prioritizing ecological responsibility. This initiative aimed to strengthen Nauru's trade ecosystem and enhance the community's access to secure and enduring shipping solutions.

Celebrating its three-year milestone, Nauru Shipping Line (NSL) has made substantial progress since its inception. Over this period, NSL meticulously fine-tuned its services, facilitating the establishment of a consistent flow of sea-freight cargoes to Nauru. This operational enhancement has been instrumental in ensuring the timely arrival of vital provisions like food, household goods, vehicles and medical supplies, broadening the spectrum of available products for the Nauruan community. The successful dry docking of the Micronesian Pride between November 2022 and January 2023 marked a significant milestone, furthering Nauru Shipping Line's ongoing accomplishments.

Under section 70 of the Public Enterprises Act 2019, the Board has the pleasure in presenting this 2022/23 Annual Report to the Government of Nauru.

Income statement

In 2023, Nauru Shipping Line showcased promising financial performance. Despite encountering challenges such as the mandatory Dry Dock certification for the vessel Micronesian Pride, raising fuel expenses, and an increase in charter vessel hire rates, the company has showed resilience. NSL has maintained financial stability and achieved creditable performance, showcasing its ability to navigate industry challenges while ensuring sustained financial strength and operational success.

By harnessing the ability of its workforce, the company adeptly adjusted to dynamic market shifts. This initiative-taking approach allowed NSL to sustain competitiveness and ensure ongoing financial stability, highlighting the company's agility in navigating adverse conditions while utilizing employee proficiency to adapt to market instability.

The Company achieved a net profit of $0.28 million as of June 30, 2023. With operating revenue amounting to $15.76 million and total expenses at $15.48 million, this yielded a moderate profit margin. This consistent improvement from prior performances shows a positive trajectory, affirming the Company's prudent direction toward sustained growth.

Financial position

As of June 30, 2023, the Company's total assets stand at $8.84 million. The current assets amount to $2.87 million while noncurrent assets in the balance sheet were $5.97 million.

As of June 30, 2023, there were no interest-bearing debts in the company’s balance sheet. Current liabilities totaled $0.89 million, while noncurrent liabilities were recorded at $4.47 million.

As of June 30, 2023, total equity reached $3.47 million, marking a moderate rise from the previous year, mainly attributed to the $0.28 million net profit. Notably, the Company successfully met its obligations without raising any debt.

Cash flow

During the financial year, the company generated a negative cash flow from operating activities of $0.24 million. Additionally, the cash flow from investing activities stood at a negative $3.58 million, mainly due to investment in the dry docking of the Micronesian Pride vessel. Conversely, there was a positive cash flow of $2.80 million from financing activities.

Consequently, the Company recorded an overall negative net cash flow of $1.02 million, primarily attributed to the necessary investment in the vessel's mandatory dry docking for operational purposes. Despite these challenges, the company managed to sustain performance amid challenging economic circumstances.

Corporate Governance

The shared leadership of the CEO and Board of Directors between the Nauru Maritime & Port Authority and Nauru Shipping Line exemplifies their collaborative approach, enabling synergies that drive heightened operational efficiency, cost-effectiveness, and elevated customer service standards.

Board

The Board of Directors assumes a pivotal responsibility in shaping corporate strategy and safeguarding shareholder interests. The Board plays a pivotal role in overseeing the governance structure and implementing guidelines that uphold ethical standards, ensuring transparency in operations, and fostering a culture of accountability throughout the organization.

The Board currently consists of six directors (including the CEO as an Ex-Officio director). The Chairmanship of the Board is held by an independent director. All board members of the Company bring extensive experience in business, investment and management.

By relying on the expertise of its members, the Board of Directors is able to provide valuable guidance and advice to management, as well as provide oversight on the financial performance of the company. This includes regular assessment of the management's performance and the financial results of the Company's affairs.

Board meetings focus on deliberations concerning capital projects, financial performance against budgetary benchmarks, editorial and operational concerns, adherence to corporate governance standards, management reports, and the Company's financial outcomes.

The Board is also responsible for the appointment and oversight of the senior management team, setting the corporate culture and ensuring that the Company is compliant with all legal and regulatory requirements.

The Board is supported by the company's management team, which is responsible for agency management, container control, customer service, producing financial information and other reports, monitoring external audits, reviewing monthly & annual financial reports, and ensuring compliance with all relevant laws and regulations.

Overall, the Board of directors play a critical role in setting corporate strategies and strategic direction to ensure the interests of shareholders are protected and value is enhanced. Through their expertise, the Board is able to provide valuable insights, advice, and .

NSL Operation Data

The table presents a summary of vessel charters and container movements to and from Nauru from July 2022 to June 2023. Over this period, 12 vessels were utilized, managing a total of 3,334 containers. Of these, 1,629 containers were loaded into Nauru, while 1,705 containers were back-loaded. Additionally, the average incoming containers per vessel amounted to 136, with an average of 142 back-loaded containers per vessel. The operation succeeded in facilitating efficient and timely goods transportation, indicating its overall success in managing container movements to and from Nauru.

Voyage details

NAURU SHIPPING LINE
VOYAGE CARGO DISCHARGE REPORT

No.	VESSEL NAME	GRT (t)	VOY. #	DATE / TIME		DAYS AT PORT	ROTATION DAYS	TOTAL UNIT DISCHARGED	TOTAL UNIT BACKLOAD
				ARR	DEP				
1	Micronesian Pride	3838	021N	29/07/22	06/08/22	8	29	136	223
2	Micronesian Pride	3838	022N	03/09/22	09/09/22	6	36	183	173
3	Micronesian Pride	3838	023N	24/09/22	07/10/22	13	21	137	189
4	Micronesian Pride	3838	024N	20/10/22	23/10/22	3	26	113	0
5	Capitaine Magellan	7775	022N	19/11/22	23/11/22	4	30	174	100
6	Capitaine Magellan	7775	023N	06/01/23	09/01/23	3	48	161	110
7	Capitaine Magellan	7775	024N	26/01/23	29/01/23	3	20	169	0
8	Micronesian Pride	3838	025S	09/02/23	13/02/23	4	14	0	200
9	Micronesian Pride	3838	026N	25/02/23	13/03/23	16	16	154	264
10	Micronesian Pride	3838	027N	03/04/23	26/04/23	23	37	127	243
11	Micronesian Pride	3838	028N	08/05/23	13/05/23	5	35	110	106
12	Micronesian Pride	3838	029N	20/06/23	27/06/23	7	43	165	97
					GRAND TOTAL	**95**	**355**	**1629**	**1705**
					AVERAGE	**8**	**30**	**136**	**142**

NSL Human Resources - Our people

Nauru Shipping Line is committed to attracting, retaining, and nurturing skilled professionals, fostering a dependable and proficient workforce dedicated to the Company's success. As of June 30, 2023, the Company employed nine permanent staff members, including the Deputy CEO, Agency Manager, Financial Controller, Finance Assistant, Customer Service Representative, Container Controller Administrator, Container Logistics Officer, Container Logistics Assistant, and Document Officer. Additionally, the Company benefits from ongoing support provided by the NMPA CEO, an offshore contracted Marine Superintendent, and the Micronesian Pride vessel crew.

NSL staffs by gender and contract category

Category	Male	%	Female	%	Total Staff	Total %
NSL Local Staff	2	50%	4	80%	6	67%
NSL Expatriate Staff	2	50%	1	20%	3	33%
Total	**4**	**44%**	**5**	**56%**	**9**	**100%**

Conclusion

The Management of NSL wishes to express profound gratitude to the Board of Directors for their invaluable counsel and direction over the past year. The unwavering support and firm commitment exhibited by the Board have played a pivotal role in NSL's achievements.

Throughout this year, NSL encountered several challenges; however, commendable strides were made in expanding its portfolio, pursuing investments, and enhancing customer service. Despite these obstacles and rising costs, NSL continued to deliver exceptional shipping services to the people of Nauru. Looking ahead, both the Management and NSL's Board are committed to maintaining close collaboration with stakeholders while actively pursuing investment and expansion opportunities.

Last but not the least, NSL acknowledges the ongoing support extended by the people of Nauru and the Government. With this strong collaboration and the sustained commitment to corporate governance, NSL remains poised to grow its business in the years to come and improve its service delivery. The Company is enthusiastic about the future and is committed to enhancing its offerings while fostering enduring relationships within the community, affirming its commitment to excellence and reliability for the people of Nauru.

NAURU SHIPPING LINE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Contents

NAURU SHIPPING LINE
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2023

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Nauru Shipping Line (the Company) as at 30 June 2023, the related statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended and report as follows:

Cabinet

At the time of this report, His Excellency Hon. Russ J Kun, MP is the Responsible Minister for Nauru Shipping Line.

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 (Experience in Shipping) - Mr. Monte Depaune
Director Ex-Officio (Government) - Mr. Nodel Neneiya (Secretary for Transport)
Director Ex-Officio (Government) - Mrs. Melca Rykers (Finance)

Principal Activities

The principal activities of the Company during the year was liner shipping service providing sea freight services to the Central Pacific with a focus on servicing the Republic of Nauru. There were no significant changes in the nature of these activities during the financial year.

Results

The operating net profit for the year was $285,062 (2022: $1,284,682) after providing for income tax benefit of $14,189 (2022: income tax expense $12,389).

Bad Debts and Impairment

Prior to the completion of the Company’s financial statements, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the allowance for expected credit losses. 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 Company, inadequate to any substantial extent.

Non-current Assets

Prior to the completion of the financial statements of the Company, 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 Company. 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 Company's financial statements misleading.

Significant Events During the Year

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 Company in future financial years.

Unusual Transactions

In the opinion of the Directors, the results of the operations of the Company 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 Company in the current financial year, other than those reflected in the financial statements.

Events Subsequent To Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the Company 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 Company could become liable; and

(iii) no contingent liabilities or other liabilities of the Company 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 Company, will or may substantially affect the ability of the Company 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 Company's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

For and on behalf of Nauru Shipping Line.

Dated this 15th day of December 2023.

....

NAURU SHIPPING LINE
STATEMENT BY THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2023

In the opinion of the Directors:

(i) the accompanying statement of comprehensive income of Nauru Shipping Line (the Company) is drawn up so as to give a true and fair view of the results of the Company for the year ended 30 June 2023;

(ii) the accompanying statement of changes in equity of the Company is drawn up so as to give a true and fair view of the changes in equity of the Company for the year ended 30 June 2023;

(iii) the accompanying statement of financial position of the Company is drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 2023;

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

(v) all related party transactions have been adequately recorded in the books of the Company.

Dated this 15th day of December 2023.

....

Director

Building a better working world

Pacific House
Level 7
1 Butt Street | PO Box 1359 | Suva | Fiji

Tel: +679 331 4166
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Minister for Nauru Shipping Line

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nauru Shipping Line (the Company), which comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, the statement of cash flows 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 Company as at 30 June 2023, and of its financial performance and cash flows 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 Company 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 and management are responsible for the other information. The other information comprises the *Directors' Report* but does not include the financial statements and the auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT *continued*

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

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

In preparing the financial statements, the Directors and management are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 scepticism 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 Company's internal control.

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

INDEPENDENT AUDITOR'S REPORT *continued*

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

- Conclude on the appropriateness of the Directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the requirements of the Corporation Act 1972 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 Company has kept financial records sufficient to enable the financial statements to be prepared and audited.

Ernst & Young
Chartered Accountants

Steven Pickering
Partner
Suva, Fiji

15 December 2023

NAURU SHIPPING LINE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $	2022 $
Revenue	2	13,498,915	16,162,068
Cost of sales		(10,415,065)	(14,780,633)
Gross profit		3,083,850	1,381,435
Other operating income	3	2,256,984	999,547
Depreciation and amortisation expense	9 & 10	(846,181)	(330,883)
Administration expense	4	(4,223,780)	(753,028)
Operating profit before tax		270,873	1,297,071
Income tax benefit/(expense)	5	14,189	(12,389)
Profit after tax		285,062	1,284,682
Add: Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		285,062	1,284,682

The accompanying notes form an integral part of this Statement of Comprehensive Income.

NAURU SHIPPING LINE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022
		$	$
Accumulated losses			
As at 1 July		(245,477)	(1,530,159)
Net profit for the year		285,062	1,284,682
Balance at 30 June		39,585	(245,477)
Contributed capital			
As at 1 July		3,429,397	3,429,397
Balance at 30 June	14	3,429,397	3,429,397
Total equity		3,468,982	3,183,920

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

NAURU SHIPPING LINE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 $	2022 $
Current assets			
Cash and cash equivalents	6(b)	2,069,293	3,090,391
Trade receivables	7	673,637	1,544,098
Prepayments and other receivables	8	128,035	187,382
		2,870,965	4,821,871
Non-current assets			
Intangible assets	9	42,756	-
Plant and equipment	10	5,880,153	3,185,589
Deferred tax asset	5	45,584	-
		5,968,493	3,185,589
Total assets		8,839,458	8,007,460
Current liabilities			
Trade and other payables	11	570,456	2,145,200
Provision for employee benefits	12	22,258	10,407
Deferred revenue	13	288,733	288,733
Current tax liability		12,762	-
		894,209	2,444,340
Non-current liabilities			
Deferred revenue	13	4,476,267	2,366,811
Deferred tax liability	5	-	12,389
		4,476,267	2,379,200
Total liabilities		5,370,476	4,823,540
Net assets		3,468,982	3,183,920
Equity			
Retained earnings/(accumulated losses)		39,585	(245,477)
Contributed capital	14	3,429,397	3,429,397
Total equity		3,468,982	3,183,920

For and on behalf of Nauru Shipping Line

Director

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

NAURU SHIPPING LINE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 Inflows/ (Outflows) $	2022 Inflows/ (Outflows) $
Operating activities			
Receipts from customers		15,995,162	17,077,456
Payments to suppliers and employees		(16,201,737)	(14,246,633)
Income tax paid		(31,022)	-
Net cash flows (used in)/from operating activities	6(a)	(237,597)	2,830,823
Investing activities			
Acquisition of property, plant and equipment		(3,540,745)	(3,479,383)
Acquisition of intangible assets		(42,756)	-
Net cash used in investing activities		(3,583,501)	(3,479,383)
Financing activities			
Receipt of government grants		2,800,000	2,927,434
Net cash from financing activities		2,800,000	2,927,434
Net (decrease)/increase in cash and cash equivalents		(1,021,098)	2,278,874
Cash and cash equivalents at the beginning of the year		3,090,391	811,517
Cash and cash equivalents at 30 June	6(b)	2,069,293	3,090,391

The accompanying notes form an integral part of this Statement of Cash Flows.

1.1 General information

Nauru Shipping Line (the Company) is a state-owned entity incorporated and domiciled in the Republic of Nauru. Its principal place of operation is at Blue Building (near Orro Congregational Church), Aiwo District, Nauru. The financial statements of the Company were authorised for issue by the Directors on 15 December 2023.

The principal activities of the Company during the year was liner shipping service providing sea freight services to the Central Pacific with a focus on servicing the Republic of Nauru. There were no significant changes in the nature of these activities during the financial year.

1.2 Basis of preparation

Statement of compliance

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

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 Company'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.

Other disclosures relating to the Company’s exposure to risks and uncertainties includes:

- Financial instruments risk management and policies — Note 18
- Capital management — Note 19

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

1.3 Significant accounting judgements, estimates and assumptions *continued*

Estimates and assumptions *continued*

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate Estimated Credit Losses (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 Company's historical observed default rates. The Company 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 manufacturing 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 Company'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 Company's trade receivables is disclosed in Note 7 and Note 18(d).

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.

1.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Company 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 Company.

- 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; and
- Amendments to IFRS 3 – Reference to the Conceptual Framework.

The Company 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 Company's financial statements are disclosed below. The Company 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 Company.

New standards and amendments	Effective date
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice	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 Company presents assets and liabilities in the statement of financial position based on current/ non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

(b) Revenue

The Company is in the business of providing sea freight services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, except for the procurement services below, because it typically controls the goods or services before transferring them to the customer.

Revenue from contracts with customers comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Company's activities. Sales are presented, net of value-added tax, rebates and discounts.

The Company recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Company's activities are met as follows:

1.6 Summary of significant accounting policies *continued*

(b) Revenue *continued*

Rendering of services

Freight logistics management services

The Company renders freight management services for customers. Such services include logistic handling and storage services.

Revenue from these freight services are recognised when services are performed (i.e. at a point in time), where customers have accepted the services and the collectability of the related receivables are reasonably assured. There is no unfulfilled obligation that could affect the customer's acceptance of the services.

Revenue generated from storage services include rental of space at container depot, warehouses and open yards and are recognised over the agreed storage period (i.e. over time), where customers have an obligation to payment as part of the agreement to the services and the collectability of the related receivables is reasonably assured. There is no unfulfilled obligation that could affect the customer's acceptance of the services.

The Company practices monthly billing and payment for the transaction price is due 30 – 60 days after billing.

Interest income

Interest income is recognised using the effective interest method.

(c) Taxes

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

Current tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

1.6 Summary of significant accounting policies *continued*

(c) Taxes *continued*

Deferred tax continued

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.6 Summary of significant accounting policies *continued*

(d) Foreign currencies

Transactions in foreign currencies are initially recorded by the Company 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.

(e) Plant and equipment

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

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

	Rate
Motor vehicles	20%
Office equipment	33%
Marine vessels, barge and tug boats	10%
Docking assets	33%

Gains and losses on disposal of property, plant and equipment are taken into account in determining the results for the period. 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.

(f) 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.

(g) Financial instruments – initial recognition and subsequent measurement

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.

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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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.

1.6 Summary of significant accounting policies *continued*

(g) Financial instruments – initial recognition and subsequent measurement *continued*

i) Financial assets *continued*

Initial recognition and measurement continued

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in section 1.6 (b) Revenue.

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company'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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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.

<u>Financial assets at amortised cost (debt instruments)</u>

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 Company's financial assets at amortised cost includes trade receivables.

<u>Financial assets at fair value through OCI (debt instruments)</u>

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.

The Company does not have any financial asset classified to this category.

1.6 Summary of significant accounting policies *continued*

(g) Financial instruments – initial recognition and subsequent measurement *continued*

i) Financial assets *continued*

Subsequent measurement continued

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

Upon initial recognition, the Company 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 Company 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.

The Company does not have any financial asset classified to this category.

Financial assets at fair value through profit or loss

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.

This category includes listed equity investments that are not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

The Company does not have any financial asset classified to this category.

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 Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1.6 Summary of significant accounting policies *continued*

(g) Financial instruments – initial recognition and subsequent measurement *continued*

i) Financial assets *continued*

Derecognition continued

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through 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 Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions — Note 1.3
- Trade receivables — Note 7

The Company 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 Company 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

1.6 Summary of significant accounting policies *continued*

(g) Financial instruments – initial recognition and subsequent measurement *continued*

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

1.6 Summary of significant accounting policies *continued*

(g) Financial instruments – initial recognition and subsequent measurement *continued*

ii) Financial liabilities *continued*

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(h) Impairment of non-financial assets

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

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

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.

(i) 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 Company.

1.6 Summary of significant accounting policies *continued*

(j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events. It is probable that a transfer of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(k) Contributed capital

The Company receives subsidies from the Government of Nauru and Nauru Maritime & Port Authority. These subsidies received are recognised as contributed capital.

(l) 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 Company 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.

(m) Comparatives

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

2. Revenue

	2023 $	2022 $
Administrative management fees	620	3,110
Back load fee	216,430	75,882
Bunker reimbursement	-	(125,885)
Dangerous goods	96,382	73,144
Dry slot	2,382,961	2,445,370
Export documentation and handling fees	15,050	4,400
Freight charge - dry containers	7,257,150	10,974,527
- dry/flat rack container	267,590	231,499
- reefer containers	1,379,500	1,542,738
- high cube containers	1,123,500	338,022
- tank containers	280,825	141,910
- flat racks	111,750	199,259

		2023	2022
2.	Revenue *continued*	$	$
	Interest income	19,585	762
	Out of gauge surcharge	125,916	87,477
	Penalties and fines	103,880	103,825
	Reefer slot	117,776	66,028
		13,498,915	16,162,068

3.	Other operating income	$	$
	Release of deferred revenue - grant income	691,796	332,940
	Vessel charter grant	1,500,000	-
	Miscellaneous	65,188	666,607
		2,256,984	999,547

4.	Administration expense	$	$
	Auditor's remuneration - audit fees	8,400	8,400
	Auditor's remuneration - other fees	1,575	1,575
	Amortisation of vessel dry docking costs	3,077,071	-
	Bank charges	12,339	3,443
	Bond refunds - containers	34,120	30,880
	Business travel	355,778	125,960
	Chairman/Director fees	15,600	7,450
	Consultants fees	118,114	66,783
	Doubtful debts	16,985	-
	Employee costs - others	222,678	148,466
	Employee costs - bonus	3,716	14,466
	Employee costs - expatriates	171,448	144,763
	Employee costs - superannuation	3,742	3,110
	Employee costs - withholding tax	23,173	19,577
	Entertainment	17,967	17,775
	Freight charge	2,375	1,107
	Legal expenses	-	8,842
	Management fee	-	1,360
	Other expenses	134,887	145,726
	Penalty refund fees	720	630
	Subscriptions	3,092	2,715
		4,223,780	753,028

		2023	2022
5.	Income tax	$	$

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

	2023 $	2022 $
Operating profit before income tax	270,873	1,297,071
Prima facie tax benefit thereon at 20%	67,718	259,414
Under provision from prior year caused by variation in permanent differences	15,511	-
Tax effect of temporary differences	(39,445)	-
Tax losses utilised	-	(247,025)
Restatement of deferred tax balances	(48,856)	-
Effect of increase in tax rate	(9,117)	-
Income tax (benefit)/expense attributable to operating profit	(14,189)	12,389

Deferred tax liability as at 30 June relates to the following:

	2023 $	2022 $
Accelerated depreciation	35,773	(14,470)
Provision for annual leave	5,565	2,081
Estimated credit loss	4,246	-
	45,584	(12,389)

Future income tax benefit

In accordance with the policy stated in Note 1.6 (c) an unconfirmed unrecouped future income tax benefit of Nil (2022: $59,027) relating to tax losses has not been brought to account as an asset as the recovery is not virtually certain. This would be realised when the following conditions are met:

i) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit of the deductions to be realised; and
ii) The Company continues to comply with conditions of deductibility imposed by law.

		$	$
6.	Notes to the Statement of Cash Flow		

(a) Reconciliation of net cash provided by operating activities to net profit for the year:

	$	$
Net profit for the year	285,062	1,284,682
Depreciation and amortisation	846,181	330,882
Release of deferred revenue	(690,544)	(271,890)
Changes in assets and liabilities:		
Decrease in trade and other receivables	929,808	187,731
(Decrease)/increase in trade and other payables	(1,574,744)	1,276,622
Increase in provision for employee benefits	11,851	10,407
(Decrease)/increase in deferred tax liability	(57,973)	12,389
Increase in current tax liability	12,762	-
Net cash flows (used in)/from operating activities	(237,597)	2,830,823

		2023	2022
6.	Notes to the Statement of Cash Flow *continued*	$	$

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

	2023	2022
Cash at bank	2,068,525	3,090,321
Cash on hand	768	70
	2,069,293	3,090,391

7. Trade receivables

	$	$
Trade receivables	690,622	1,544,098
Less: provision for expected credit losses	(16,985)	-
	673,637	1,544,098

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

8. Prepayments and other receivables

	$	$
Prepayments	128,035	187,382

9. Intangible assets

	$	$
Cost		
At 1 July	-	-
Additions	45,000	-
At 30 June	45,000	-
Amortisation		
At 1 July	-	-
Amortisation during the year	2,244	-
At 30 June	2,244	-
Net book value		
At 30 June	42,756	-

10. Plant and equipment

	Vessel, barge and tug boats	Motor vehicles	Office equipment	Shipping containers	Docking assets	Total
	$	$	$	$	$	$
Cost						
At 1 July 2021	-	37,500	-	-	-	37,500
Additions	3,474,203	-	5,180	-	-	3,479,383
At 30 June 2022	3,474,203	37,500	5,180	-	-	3,516,883
Additions	-	-	12,070	118,518	3,407,913	3,538,501
At 30 June 2023	3,474,203	37,500	17,250	118,518	3,407,913	7,055,384
Accumulated depreciation						
At 1 July 2021	-	411	-	-	-	411
Depreciation for the year	322,664	7,500	719	-	-	330,883
At 30 June 2022	322,664	7,911	719	-	-	331,294
Depreciation for the year	347,429	7,500	3,899	942	484,167	843,937
At 30 June 2023	670,093	15,411	4,618	942	484,167	1,175,231
Net book value						
At 30 June 2022	3,151,539	29,589	4,461	-	-	3,185,589
At 30 June 2023	2,804,110	22,089	12,632	117,576	2,923,746	5,880,153

		2023	2022
11.	Trade and other payables	$	$
	Trade creditors	475,233	1,350,140
	Accruals	25,223	725,060
	Refundable deposits	70,000	70,000
		570,456	2,145,200

Trade payables are non-interest bearing and are normally settled on 60-day terms

12.	Provision for employee benefits	$	$
	Annual leave		
	Opening balance	10,407	-
	Movement for the year	11,851	10,407
	As at 30 June	22,258	10,407

13.	Deferred revenue	$	$
	Opening balance	2,655,544	-
	Add: grant payments received during the year	2,800,000	2,927,434
	Less: release of deferred income	(690,544)	(271,890)
		4,765,000	2,655,544
	Current	288,733	288,733
	Non-current	4,476,267	2,366,811
		4,765,000	2,655,544

Deferred revenue consists of grant provided by the Government of the Republic of Indonesia to purchase a marine vessel, Micronesian Pride and major dry docking during the financial year.

14.	Contributed capital	$	$
	Government of Nauru		
	Opening balance	3,193,897	3,193,897
	Balance as at 30 June	3,193,897	3,193,897
	Nauru Maritime & Port Authority		
	Opening balance	235,500	235,500
	Balance as at 30 June	235,500	235,500
		3,429,397	3,429,397

15. Commitments

Capital expenditure commitments as at 30 June 2023 was $Nil (2022: $Nil).

16. Contingent liabilities

Container Detention Charges

The Company received communication from a major shipping agency that Container Detention Charges will be applied as per the agency's policy. The Company has endeavoured to improve its operating efficiency to avoid these charges. To date, the Company has yet to be charged for any containers that are held for longer than the free holding period. Management of the Company have been working closely with the shipping agency to improve container turnaround time. The Directors and management believe that due to its efforts and its relationship with the shipping agency that the likelihood of the Company being charged with this cost is remote (2022: $Nil).

17. Related party

(a) Directors

The Directors of the Company during the financial year were:

Chairman - Mr. Link Uera
Deputy Chairman - Mr. Calistus Cain
Director - Mr. Monte Depaune
Director Ex-Officio - Mr. Nodel Neneiya
Director Ex-Officio - Mrs. Melca Rykers

(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 Company.

Name	Position
Freddie Pitcher	Chief Executive Officer
Nigel Kumar	Deputy Chief Executive Officer
Prashil Kumar	Financial Controller
Davina Prasad	Agency Manager

(c) Transactions with related parties

Key management remuneration

Key management remuneration is paid by Nauru Maritime & Port Authority.

	2023 $	2022 $
Transactions with Republic of Nauru (RON) Government		
Subsidies received from RON Government	-	-
Transactions with Nauru Maritime & Port Authority (NMPA)		
Port charges incurred from NMPA	1,057,613	1,317,143

18. Financial instruments risk management objectives and policies

The Company’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Company’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 Company. Management and finance executives identify, and evaluate financial risks in close co-operation with the Company'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) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(b) Political climate

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

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company’s exposure to the risk of changes in foreign exchange rates relates primarily to the Company’s operating activities. The Company’s exposure to foreign currency changes for all other currencies is not material.

Foreign currency sensitivity

As at year end, assets and liabilities denominated in foreign currencies are minimal and hence changes in the Australian dollars by 10% (increase or decrease) is expected to have minimal impact on the net profit and equity balances currently reflected in the Company's financial statements. Because of the minimal asset and liability balances in overseas currencies, there has been little sensitivity to movements in the Australian dollar in 2023.

(d) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

18. Financial instruments risk management objectives and policies *continued*

(d) Credit risk *continued*

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions. At 30 June 2023, the Company had 1 customer (2022: 1 customer) that owed it more than $1,000,000 (2022: $1,000,000) and accounted for approximately 68% (2022: 68%) of all the receivables and 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 in Note 7. The Company does not hold collateral as security.

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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

30 June 2023	Trade receivables					
		Days past due				
	Current	<30 days	30–60 days	61–90 days	> 90 days	Total
Expected credit loss rate	0%	2%	0%	0%	0%	
Estimated total gross carrying amount at default	-	690,622	-	-	-	690,622
Expected credit loss	-	16,985	-	-	-	16,985

18. Financial instruments risk management objectives and policies *continued*

(d) Credit risk *continued*

30 June 2022

	Trade receivables					
		Days past due				
	Current	<30 days	30–60 days	61–90 days	> 90 days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	-	622,194	527,560	348,774	45,570	1,544,098
Expected credit loss	-	-	-	-	-	-

The Company's credit risk exposure as at 30 June 2023 was $16,985 (2022: $Nil).

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

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

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

30 June 2023	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	> 5 years $	Total $
Trade and other payables	-	570,456	-	-	-	570,456

30 June 2022	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	> 5 years $	Total $
Total liabilities	-	4,823,540	-	-	-	4,823,540

19. Capital management

The Company'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 Company’s objectives when obtaining and managing capital are to safeguard the Company'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.

The Company 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 Company's statement of financial position) less cash and cash equivalent. Total capital is calculated as ‘equity’ as shown in the Company's statement of financial position plus net debt.

	2023 $	2022 $
Trade and other payables (Note 11)	570,456	2,145,200
Less: cash and cash equivalents (Note 6(b))	(2,069,293)	(3,090,391)
Net debt	(1,498,837)	(945,191)
Equity	3,468,982	3,183,920
Capital and net debt	1,970,145	2,238,729
Gearing ratio	-76%	-42%

20. Company details

Company Incorporation

Nauru Shipping Line (the Company) is a state-owned entity incorporated and domiciled in the Republic of Nauru. Its principal place of operation is at Blue Building (near Orro Congregational Church), Aiwo District, Nauru.

Registered office and principal place of business

The registered office of the Company is located at:

Nauru Maritime & Port Authority/Nauru Shipping Line Office
Blue Building (near Orro Congregational Church)
Aiwo District
Republic of Nauru.

Number of employees

As at balance date, the Company employed 8 staff (2022: 7 staff).

21. 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 Company in future financial years.

22. Subsequent events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NAURU SHIPPING LINE (NSL)

Old Bookshop Building, Near Orro Congregational Church Aiwo
District, Republic of Nauru.
website: www.naurushippingline.com