Nauru Air Corporation

ABN 54 074 712 351

Annual Report - 30 June 2023

Nauru Air Corporation
Contents
30 June 2023

Nauru Air Corporation
Directors' report
30 June 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Nauru Air Corporation (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

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

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

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- the operation of international air passenger transportation services;
- the provision of freight services and associated support activities; and
- the provision of travel retailing.

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

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

Review of operations
The profit for the consolidated entity after providing for income tax amounted to $3,816,125 (30 June 2022: $8,507,075).

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

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

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

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

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

Nauru Air Corporation
Directors' report
30 June 2023

Proceedings on behalf of the company
On 2 September 2021, a statement of claim was lodged in the Federal Court of Australia by a former supplier of the company alleging various claims in respect of their commercial relationship with the company. The company intends to vigorously defend against the claims made and believes it is probable of success and accordingly no liability or contingent liability has been recorded.

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

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

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

On behalf of the directors

Director

26 Oct 2023

Director

William Buck
ACCOUNTANTS & ADVISORS

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2023 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck.

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

J. C. Luckins
Director

Melbourne, 26 October 2023

Level 20, 181 William Street, Melbourne VIC 3000
+61 3 9824 8555
vic.info@williambuck.com
williambuck.com.au

Nauru Air Corporation
Statements of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $	Parent 2023 $	Parent 2022 $
Revenue					
Foreign exchange gains/(losses)	4	140,514	(37,318)	101,146	(37,318)
Sale of services		72,984,977	58,103,440	73,557,007	58,373,487
Sale of travel services		1,301,613	421,557	-	-
Other operating revenue		294	2,204,253	294	2,204,253
Community service obligations		4,680,000	4,840,000	4,680,000	4,840,000
Grant revenue		479,434	1,247,821	265,389	1,247,821
Interest revenue		578,714	70,269	556,316	70,387
Other income		-	382,252	-	382,252
		80,165,546	67,232,274	79,160,152	67,080,882
Expenses					
Employee benefits expense		(28,104,301)	(22,661,850)	(27,611,902)	(22,450,794)
Depreciation and amortisation expense		(3,002,026)	(2,072,793)	(1,591,340)	(1,118,084)
Gain/(loss) on disposal of assets		(101,327)	675	(101,327)	675
Administrative expenses		(4,308,634)	(4,192,229)	(5,434,419)	(5,220,075)
Aircraft lease		(1,406,701)	(1,817,576)	(1,730,721)	(1,817,576)
Aircraft major overhaul		(9,765,989)	(7,682,717)	(9,765,989)	(7,682,717)
Aircraft operating expenses		(29,183,859)	(20,205,260)	(29,183,859)	(20,205,260)
Finance costs		(449,272)	(93,449)	(173,025)	(46,732)
Profit before income tax expense		3,843,437	8,507,075	3,567,570	8,540,319
Income tax expense	5	(27,312)	-	(5,274)	-
Profit after income tax expense for the year		3,816,125	8,507,075	3,562,296	8,540,319
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		3,816,125	8,507,075	3,562,296	8,540,319

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

Nauru Air Corporation
Statements of financial position
As at 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $	Parent 2023 $	Parent 2022 $
Assets					
Current assets					
Cash and cash equivalents	6	22,304,197	25,031,724	21,232,217	23,994,287
Trade and other receivables	7	6,424,793	2,109,909	11,393,127	2,205,005
Inventories	8	3,919,629	2,889,807	3,919,629	2,889,807
Other assets	11	2,645,881	1,890,697	2,579,394	1,840,126
Total current assets		35,294,500	31,922,137	39,124,367	30,929,225
Non-current assets					
Investments	9	-	-	400	300
Property, plant and equipment	12	33,476,040	3,646,731	3,362,611	3,645,065
Right-of-use assets	10	2,917,391	1,953,856	797,126	1,238,593
Total non-current assets		36,393,431	5,600,587	4,160,137	4,883,958
Total assets		71,687,931	37,522,724	43,284,504	35,813,183
Liabilities					
Current liabilities					
Trade and other payables	13	9,181,273	7,524,811	8,954,637	6,946,883
Contract liabilities		7,256,193	5,403,319	7,256,193	5,403,319
Borrowings	14	2,587,643	-	-	-
Lease liabilities	15	1,851,199	1,392,522	674,059	601,862
Provision for income tax	16	22,038	-	-	-
Employee benefits		2,734,504	2,510,380	2,734,504	2,510,380
Total current liabilities		23,632,850	16,831,032	19,619,393	15,462,444
Non-current liabilities					
Borrowings	14	17,644,756	-	-	-
Lease liabilities	15	1,143,415	658,396	179,556	658,396
Employee benefits		906,696	675,780	906,696	675,780
Provisions	17	400,000	400,000	400,000	400,000
Total non-current liabilities		20,094,867	1,734,176	1,486,252	1,734,176
Total liabilities		43,727,717	18,565,208	21,105,645	17,196,620
Net assets		27,960,214	18,957,516	22,178,859	18,616,563
Equity					
Issued capital	18	12,673,849	12,673,849	12,673,849	12,673,849
Reserves	19	5,186,573	-	-	-
Retained profits		10,099,792	6,283,667	9,505,010	5,942,714
Total equity		27,960,214	18,957,516	22,178,859	18,616,563

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

Nauru Air Corporation
Statements of changes in equity
For the year ended 30 June 2023

Consolidated	**Issued capital $**	**Capital reserves $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2021	12,673,849	-	(2,223,408)	10,450,441
Profit after income tax expense for the year	-	-	8,507,075	8,507,075
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	8,507,075	8,507,075
Balance at 30 June 2022	12,673,849	-	6,283,667	18,957,516

Consolidated	**Issued capital $**	**Capital reserves $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2022	12,673,849	-	6,283,667	18,957,516
Profit after income tax expense for the year	-	-	3,816,125	3,816,125
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	3,816,125	3,816,125
Transactions with owners in their capacity as owners:				
Reserves (note 19)	-	5,186,573	-	5,186,573
Balance at 30 June 2023	12,673,849	5,186,573	10,099,792	27,960,214

Parent	**Issued capital $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2021	12,673,849	(2,597,605)	10,076,244
Profit after income tax expense for the year	-	8,540,319	8,540,319
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	8,540,319	8,540,319
Balance at 30 June 2022	12,673,849	5,942,714	18,616,563

Parent	**Issued capital $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2022	12,673,849	5,942,714	18,616,563
Profit after income tax expense for the year	-	3,562,296	3,562,296
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	3,562,296	3,562,296
Balance at 30 June 2023	12,673,849	9,505,010	22,178,859

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

Nauru Air Corporation
Statements of cash flows
For the year ended 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $	Parent 2023 $	Parent 2022 $
Cash flows from operating activities					
Receipts from customers		77,315,680	69,752,195	71,459,446	69,709,319
Payments to suppliers and employees		(72,442,988)	(57,126,822)	(73,033,186)	(58,503,855)
Interest received		387,856	70,269	365,458	70,387
Interest paid		(449,272)	(93,457)	(173,025)	(46,732)
Income tax paid		(5,274)	(1)	(5,274)	-
Net cash from/(used in) operating activities		4,806,002	12,602,184	(1,386,581)	11,229,119
Cash flows from investing activities					
Payments for investments		-	-	(100)	-
Payments for property, plant and equipment		(31,408,421)	(1,491,409)	(904,129)	(1,491,409)
Proceeds from disposal of property, plant and equipment		17,440	117,383	17,440	117,383
Net cash used in investing activities		(31,390,981)	(1,374,026)	(886,789)	(1,374,026)
Cash flows from financing activities					
Proceeds from borrowings		20,232,399	-	-	-
Receipt of aircraft reserve funds		5,186,573	-	-	-
Repayment of lease liabilities		(1,561,520)	(1,548,069)	(488,700)	(555,392)
Net cash from/(used in) financing activities		23,857,452	(1,548,069)	(488,700)	(555,392)
Net increase/(decrease) in cash and cash equivalents		(2,727,527)	9,680,089	(2,762,070)	9,299,701
Cash and cash equivalents at the beginning of the financial year		25,031,724	15,351,635	23,994,287	14,694,586
Cash and cash equivalents at the end of the financial year	6	22,304,197	25,031,724	21,232,217	23,994,287

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

1. General information

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

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

Level 2, 99 Creek St
Brisbane QLD 4000

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

2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Going concern

The financial report has been prepared on a going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

Basis of preparation

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

Historical cost convention
The financial statements have been prepared under the historical cost convention.

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

Parent entity information

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nauru Air Corporation ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Nauru Air Corporation and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

2. Significant accounting policies (continued)

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

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

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

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

Foreign currency translation

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

Foreign currency transactions

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

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

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

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

Passenger revenue

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

Sale of goods

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

2. Significant accounting policies (continued)

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

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

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

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

Aircraft spares

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

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

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

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

2. Significant accounting policies (continued)

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

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

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

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

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

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

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

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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

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

2. Significant accounting policies (continued)

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

Issued capital
Ordinary shares are classified as equity.

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

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

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

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

2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

3. Critical accounting judgements, estimates and assumptions

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

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates. The directors have reviewed the carrying amount of trade receivables at 30 June 2023 and estimated that $45,565 will not be recoverable (2022: $45,565).

3. Critical accounting judgements, estimates and assumptions (continued)

Payment to related party for aircraft maintenance
As described in note 2 the Group has a contractual obligation to pay a related party for estimated future costs of major cyclical maintenance of leased airframes, engines, landing gear and auxiliary power units, calculated by reference to the rectification costs and the number of hours or cycles operated during the period. These calculations require the use of assumptions regarding the timing of maintenance and the cost of repairs. The timing of the future payments is estimated with reference to historical data, industry standards and manufacturing specifications.

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

Contract liabilities
During the year a review was undertaken of the key judgements and estimates impacting the timing of revenue recognition and the measurement of revenue received in advance for tickets. In accordance with ticket terms and conditions and historic experience, the directors estimated that the unearned revenue for the year ended 30 June 2023 amounted to $7,256,193 (2022: $5,403,319).

4. Foreign exchange gains/(losses)

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Realised foreign exchange gains/(losses)	37,480	(27,964)	39,070	(27,964)
Unrealised foreign exchange gains/(losses)	103,034	(9,354)	62,076	(9,354)
	140,514	(37,318)	101,146	(37,318)

5. Income tax

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Numerical reconciliation of income tax expense and tax at the statutory rate				
Profit before income tax expense	3,843,437	8,507,075	3,567,570	8,540,319
Tax at the statutory tax rate of 30%	1,153,031	2,552,123	1,070,271	2,562,096
Current year temporary differences not recognised	(1,125,719)	(2,552,123)	(1,064,997)	(2,562,096)
Income tax expense	27,312	-	5,274	-

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Provision for income tax				
Provision for income tax	22,038	-	-	-

6. Cash and cash equivalents

	Consolidated 2023 $	Consolidated 2022 $	Parent 2023 $	Parent 2022 $
Current assets				
Cash on hand	39,550	16,883	39,550	16,883
Cash at bank	22,264,647	25,014,841	21,192,667	23,977,404
	22,304,197	25,031,724	21,232,217	23,994,287

7. Trade and other receivables

	Consolidated 2023 $	Consolidated 2022 $	Parent 2023 $	Parent 2022 $
Current assets				
Trade receivables	6,279,127	2,146,643	11,247,461	2,243,471
Less: Allowance for expected credit losses	(45,565)	(45,565)	(45,565)	(45,565)
	6,233,562	2,101,078	11,201,896	2,197,906
Other receivables	191,231	8,831	191,231	7,099
	6,424,793	2,109,909	11,393,127	2,205,005

8. Inventories

	Consolidated 2023 $	Consolidated 2022 $	Parent 2023 $	Parent 2022 $
Current assets				
Engineering expendables	3,919,629	2,889,807	3,919,629	2,889,807

9. Investments

	Consolidated 2023 $	Consolidated 2022 $	Parent 2023 $	Parent 2022 $
Non-current assets				
Ordinary shares	-	-	400	300

10. Right-of-use assets

	Consolidated 2023 $	Consolidated 2022 $	Parent 2023 $	Parent 2022 $
Non-current assets				
Land and buildings - right-of-use	4,390,748	5,384,296	1,967,588	1,807,980
Less: Accumulated depreciation	(1,473,357)	(3,430,440)	(1,170,462)	(569,387)
	2,917,391	1,953,856	797,126	1,238,593

10. Right-of-use assets (continued)

Additions to the right-of-use assets during the year were $2,505,216 and depreciation charged to profit or loss was $1,541,683.

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

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

11. Other assets

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Current assets				
Prepayments	1,096,629	572,468	1,080,142	571,897
Other deposits	1,549,252	1,318,229	1,499,252	1,268,229
	2,645,881	1,890,697	2,579,394	1,840,126

12. Property, plant and equipment

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Non-current assets				
Leasehold improvements - at cost	425,966	425,966	425,966	425,966
Less: Accumulated depreciation	(370,420)	(360,109)	(370,420)	(360,109)
	55,546	65,857	55,546	65,857
Plant and equipment - at cost	3,211,565	3,015,240	3,211,565	3,015,240
Less: Accumulated depreciation	(1,843,938)	(1,596,613)	(1,843,938)	(1,596,613)
	1,367,627	1,418,627	1,367,627	1,418,627
Fixtures and fittings - at cost	2,564,283	2,319,325	2,555,022	2,310,064
Less: Accumulated depreciation	(1,740,418)	(1,518,913)	(1,732,190)	(1,511,318)
	823,865	800,412	822,832	798,746
Aircraft - at cost	30,504,291	-	-	-
Less: Accumulated depreciation	(391,895)	-	-	-
	30,112,396	-	-	-
Aircraft spares - at cost	1,558,338	1,408,816	1,558,338	1,408,816
Less: Accumulated depreciation	(503,483)	(87,944)	(503,483)	(87,944)
	1,054,855	1,320,872	1,054,855	1,320,872
Work in progress - at cost	61,751	40,963	61,751	40,963
	33,476,040	3,646,731	3,362,611	3,645,065

12. Property, plant and equipment (continued)

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

Consolidated	Leasehold improvements $	Plant and equipment $	Fixtures and fittings $	Aircraft $	Aircraft spares $	Work in progress $	Total $
Balance at 1 July 2022	65,857	1,418,627	800,412	-	1,320,872	40,963	3,646,731
Additions	-	227,363	272,060	30,504,291	383,918	20,788	31,408,420
Disposals	-	(6,905)	(7,121)	-	(104,741)	-	(118,767)
Depreciation expense	(10,311)	(271,458)	(241,486)	(391,895)	(545,194)	-	(1,460,344)
Balance at 30 June 2023	55,546	1,367,627	823,865	30,112,396	1,054,855	61,751	33,476,040

Parent	Leasehold improvements $	Plant and equipment $	Fixtures and fittings $	Aircraft spares $	Work in progress $	Total $
Balance at 1 July 2022	65,857	1,418,627	798,746	1,320,872	40,963	3,645,065
Additions	-	227,363	272,060	383,918	20,788	904,129
Disposals	-	(6,905)	(7,121)	(104,741)	-	(118,767)
Depreciation expense	(10,311)	(271,458)	(240,853)	(545,194)	-	(1,067,816)
Balance at 30 June 2023	55,546	1,367,627	822,832	1,054,855	61,751	3,362,611

Utilisation relates to the replacement of the aircraft's engineering parts and is expensed as part of the aircraft operating costs during the financial year as well as disposals during the year.

13. Trade and other payables

	Consolidated 2023 $	Consolidated 2022 $	Parent 2023 $	Parent 2022 $
Current liabilities				
Trade payables	2,011,236	901,693	1,840,812	393,251
Other payables	7,170,037	6,623,118	7,113,825	6,553,632
	9,181,273	7,524,811	8,954,637	6,946,883

14. Borrowings

	Consolidated 2023 $	Consolidated 2022 $	Parent 2023 $	Parent 2022 $
Current liabilities				
Loan - Halo	2,587,643	-	-	-
Non-current liabilities				
Loan - Halo	17,644,756	-	-	-
	20,232,399	-	-	-

15. Lease liabilities

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Current liabilities				
Lease liability	1,851,199	1,392,522	674,059	601,862
Non-current liabilities				
Lease liability	1,143,415	658,396	179,556	658,396
	2,994,614	2,050,918	853,615	1,260,258
Future lease payments				
Future lease payments are due as follows:				
Within one year	1,930,104	1,439,758	696,487	637,524
One to five years	1,089,343	676,128	111,374	676,128
	3,019,447	2,115,886	807,861	1,313,652

16. Provision for income tax

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Current liabilities				
Provision for income tax	22,038	-	-	-

17. Provisions

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Non-current liabilities				
Lease make good	400,000	400,000	400,000	400,000

18. Issued capital

	Consolidated			
	2023	2022	2023	2022
	Shares	Shares	$	$
Ordinary shares - fully paid	12,673,849	12,673,849	12,673,849	12,673,849

	Parent			
	2023	2022	2023	2022
	Shares	Shares	$	$
Ordinary shares - fully paid	12,673,849	12,673,849	12,673,849	12,673,849

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

18. Issued capital (continued)

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

19. Reserves

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Aircraft reserve - prepaid grant	5,186,573	-	-	-

20. Financial instruments

Financial risk management objectives

The company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate 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 the financial performance of the company. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the company's operating units. Finance reports to the Board on a bi-monthly basis.

Market risk

Foreign currency risk
The company undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The company had net liabilities denominated in foreign currencies of $18,319,719 (assets of $2,684,056 less liabilities of $21,003,775) as at 30 June 2023 (2022: $175,817 (assets of $84,362 less liabilities of $260,179)). Based on this exposure, had the Australian dollar weakened or strengthened by 1.7% against these foreign currencies with all other variables held constant, the company's profit before tax for the year ended 30 June 2023 would have been $311,435 (2022: $2,167) lower/higher and equity for the year ended 30 June 2023 would have been $311,435 (2022: $2,167) lower/ higher. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange profit/(loss) for the year ended 30 June 2023 was $140,514 (2022: ($37,318)).

Interest rate risk
The company's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the company to interest rate risk. Borrowings obtained at fixed rates expose the company to fair value risk.

The company's loans outstanding, totalling $20,232,399 (2022: Nil), are principal and interest payment loans. Monthly cash outlays of approximately $172,000 (2022: Nil) per month are required to service the interest payments. An official increase/decrease in interest rates of 1.5 basis points would have an adverse/favourable effect on profit before tax of $283,554 (2022: Nil) per annum. The percentage change is based on the expected volatility of interest rates which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months and market data and analysts forecasts. In addition, minimum principal repayments of $2,587,643 (2022: Nil) are due during the year ending 30 June 2024 (2022: 30 June 2023).

20. Financial instruments (continued)

Liquidity risk
Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

21. Key management personnel disclosures

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

	Consolidated	
	2023	2022
	$	$
Aggregate compensation	904,593	910,568

22. Remuneration of auditors

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

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Audit services -				
Audit of the financial statements	40,000	36,000	40,000	36,000
Other services -				
Assistance with preparation of financial statements	4,750	4,500	4,750	4,500
	44,750	40,500	44,750	40,500

23. Contingent assets

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

24. Contingent liabilities

On 2 September 2021, a statement of claim was lodged in the Federal Court of Australia by a former supplier of the company alleging various claims in respect of their commercial relationship with the company. The company intends to vigorously defend against the claims made and believes it is probable of success and accordingly no liability or contingent liability has been recorded.

25. Related party transactions

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

Subsidiaries
Interests in subsidiaries are set out in note 26.

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

25. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Sale of goods and services:				
Sale of services to controlling entity	6,837,084	6,803,714	5,748,479	6,432,449
Sale of services to subsidiaries	-	-	572,030	270,047
Other income:				
Grant funding from controlling entity	2,875,000	2,302,539	875,000	2,302,539
Payment for goods and services:				
Payment for services to commonly controlled entity	11,098,712	8,782,076	11,098,712	8,782,076
Payment for services to controlling entity	1,901,412	178,658	1,901,412	178,658
Payment for services to subsidiaries	-	-	1,542,444	1,181,704

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

	Consolidated		Parent	
	2023	2022	2023	2022
	$	$	$	$
Current receivables:				
Trade receivables from commonly controlled entity	625,526	3,015,409	625,526	3,015,409
Trade receivables from controlling entity	146,788	1,360,184	146,788	1,360,184
Trade receivables from subsidiaries	-	-	4,756,982	145,438
Current payables:				
Trade payables to commonly controlled entities	424,670	5,536,089	424,670	5,536,089
Trade payables to controlling entity	397,563	357,014	397,563	357,014

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

26. Interests in subsidiaries

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

		Ownership interest	
	Principal place of business /	2023	2022
Name	**Country of incorporation**	%	%
NAC Travel Pty Ltd	Australia	100.00%	100.00%
Nauru Airlines Maintenance Services Pty Ltd	Australia	100.00%	100.00%
Nauru Airlines Hangar (Brisbane) Pty Ltd	Australia	100.00%	100.00%
Nauru Lease 33003	Australia	100.00%	-

27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Nauru Air Corporation
Directors' declaration
30 June 2023

In the directors' opinion.

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Simplified Disclosures, the Corporations Regulations 2001, the Public Enterprises Act 2019 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2023 and of their performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Director

Director

26 Oct 2023

Nauru Air Corporation
Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Nauru Air Corporation (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our independent auditor's report.

William Buck

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

J.C. Luckins
Director

Melbourne, 26 October 2023