SOLOMON AIRLINES

STATEMENT OF CORPORATE OBJECTIVES

2024 – 2028

Pacific's best emerging airline, with an exceptional delivery of safe, sustainable, and friendly service

SAL Strategic Plan 2024-2028 Vision Statement

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INTRODUCTION

As the national flag carrier Solomon Airlines continues to provide essential air services throughout the Solomon Islands and internationally. The airline company is registered under the Solomon Islands Companies Act 2009 with the Solomon Islands Government as the only major shareholder through the Investment Corporation of Solomon Islands (ICSI). The company is also a State-Owned Enterprise (SOE) governed by the SOE Act 2007 and SOE Regulations 2001. Solomon Airlines Limited is governed by a Board of Directors (the Board) that is responsible to the Minister of Finance and Treasury. The airline celebrated sixty years of service to Solomon Islands in 2022 and has provided essential services throughout its domestic as well as international routs through challenging periods of its history cyclones, ethnic unrest, social disturbances, and the recent Covid-19 pandemic.

SALs accountability is set out in Part IV of the SOE Act which specifies clear requirements that need to be covered in the SOCO. As per the SOE Act requirement this SOCO provides a high-level description and explanation of SALs operating intentions and performance expectations over the medium term (on a one plus two-year rolling period).

This Statement of Corporate Objective (SOCO) focuses on SAL's specific purpose and objectives and articulates the boards expectations of its management in relation to future financial and non-financial performance. SAL's principle objective pursuant to Section 5(1) of the SOE Act is to: "...operate as a successful business and, to this end, to be:

(a) As profitable and efficient as comparable businesses that are not owned by the Crown.

(b) A good employer; and

(c) An organization that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates."

This SOCO is guided by the recently developed Solomon Airlines Ltd Strategic & Business Plan 2024-2028 which sets out the company purpose, mission, vision and strategic goals and objectives with their associated performance targets and indicators. In summary this SOCO presents:

- SALs key objectives, intentions, and undertakings;
- SALs financial targets,
- SALs dividend statement and taxation exposure; and
- Provide a base against which the SALs performance can be assessed.

The SOCO has been reviewed by the SAL Board, the Investment Corporation of Solomon Islands and the Minister of Finance. During 2025 the SAL Board shall update the Minister of Finance on the progress with implementation of the SOCO by SAL Management and bring to the attention of the Honourable Minister any significant changes anticipated or significant emerging challenges.

PURPOSE STATEMENT

We connect passengers & consignments worldwide, driving economic growth through our secure, efficient, and sustainable air transport service spanning the Solomon Islands and beyond.

MISSION

To deliver exceptional air travel experiences, we connect the Solomon Islands, the Pacific, and beyond with safety and reliability, setting the standard for best practices in airline operations.

VISION

Pacific's best emerging airline, with an exceptional delivery of safe, sustainable, and friendly service.

VALUES

- Safety First
- Integrity in Delivery
- Excellence in Service
- Empowering Human Capital
- Resourceful Innovation
- Cultivating Governance

OPERATING CONTEXT

The Solomon Airlines Business Plan 2024-2028, developed by the Executive Management team and staff, serves as the blueprint for executing the 2024-2028 Strategic Plan. This plan underscores the commitment of Solomon Airlines staff to the company's path to self-sustainability.

The Business Plan complements the 2024-2028 Strategic Plan, ensuring that all initiatives and actions are aligned with the company's long-term goals and objectives. This integrated approach highlights the dedication of Solomon Airlines to achieving sustainable growth and operational excellence.

As part of its Strategic Planning exercise, Solomon Airlines (SAL) has conducted a comprehensive Political, Environmental, Social, Technological, Legal, and Economic (PESTLE) analysis, alongside a Strength, Weakness, Opportunity, and Threat (SWOT) analysis. These analyses collectively portray the external and internal contexts in which SAL operates, providing a robust foundation for informed decision-making and strategic direction.

1) **PESTLE ANALYSIS**

Political Factors

- Regulatory Landscape: Adherence to evolving aviation safety and security regulations impacting operational processes and costs.
- Sustainability Policies: Government initiatives promoting sustainable aviation practices influencing fleet decisions and operational strategies.

Economic Factors

- Economic Volatility: Fluctuations in global economies affecting passenger demand and purchasing power, necessitating flexible revenue strategies.
- Fuel Price Dynamics: Unpredictable fuel prices impacting operating costs, driving the need for fuel-efficient technologies and practices.

Social Factors

- Changing Consumer Preferences: Evolving passenger demands for seamless and sustainable travel experiences shaping fleet modernization and customer-centric strategies.
- Brand Reputation: The airline's commitment to safety, sustainability, and customer satisfaction enhancing its brand image and customer loyalty.

Technological Factors

- Digital Transformation: Rapid technological advancements requiring the adoption of digital solutions for operational efficiency, customer engagement, and service delivery.
- Fuel-Efficient Technologies: Innovations in aircraft design and propulsion systems influencing fleet composition and fuel consumption strategies.

Environmental Factors

- Sustainability Imperative: Industry emphasis on reducing carbon emissions and minimizing environmental impact driving the adoption of fuel-efficient technologies and eco-friendly practices.
- Plastic Waste Reduction: Addressing environmental concerns by minimizing single-use plastics on flights aligns with global efforts to reduce plastic pollution.

Legal Factors

- Regulatory Compliance: Stringent aviation regulations requiring adherence to safety, security, and environmental standards shaping operational practices and fleet choices.
- Carbon Emissions Regulations: Environmental mandates necessitating measures to

reduce carbon emissions and mitigate the airline's environmental footprint.

2) **SWOT ANALYSIS**

Strengths

- Recognized Brand: Strong reputation as the "Pacific's best emerging airline" establishes credibility and customer trust.
- Strategic Alliances: Collaborations with global partners enhance network coverage and extend market reach.
- Competent Workforce: Engaged and skilled employees contribute to operational efficiency and passenger satisfaction.
- Efficient Operations: Streamlined processes minimize operational costs and contribute to competitive pricing.
- Modern Fleet: Leveraging strategic modernization for efficiency, sustainability, and market competitiveness.

Weaknesses

- Economic Sensitivity: Vulnerability to economic fluctuations impacts passenger demand and revenue.
- Limited Market Presence: Gaps in network coverage restrict the airline's market reach in certain regions.
- Cost Optimization Opportunities: Further efforts needed to optimize operational costs and enhance financial performance.
- Skills Gap: Potential challenges in filling critical roles with skilled personnel may hinder operational excellence.
- Supplier Dependency: Reliance on external suppliers for key resources presents a risk to operational continuity.

Opportunities

- Emerging Markets: Growth potential in the Asia-Pacific region opens opportunities for expanding market presence.
- Digital Transformation: Adoption of innovative digital technologies enhances customer engagement and operational efficiency.
- Key Destination Expansion: Extending service to new destinations boosts network coverage and revenue streams.
- Ancillary Revenue Boost: Leveraging ancillary services generates additional income and diversifies revenue sources.
- Sustainable Practices: Implementation of eco-friendly initiatives aligns with environmental trends and enhances brand reputation.

Threats

- Intense Competition: Rivalry from regional and global competitors challenges market share and profitability.
- Regulatory Changes: Dynamic aviation regulations impact operational procedures, costs, and compliance efforts.
- Economic Downturns: Economic contractions affect passenger demand and purchasing power, influencing revenue.
- Environmental Impact: Public scrutiny over carbon emissions and environmental concerns can impact brand image.
- Technological Disruptions: Rapid technological shifts may require quick adaptation to meet evolving customer expectations.

SCOPE OF OPERATIONS

Solomon Airlines operates 28 routes across 6 countries, showcasing resilience and innovation during the challenging Covid-19 period. This success has been supported by the airline's major shareholder, the Government of Solomon Islands, along with the Governments of Australia and New Zealand. The airline's fleet consists of 6 aircraft: 2 Airbus A320 jets with an average age of 15 years, 1 Dash-8 aircraft, and 3 Twin Otter aircraft with an average age of 43 years. Solomon Airlines values its dedicated team of 250 professionals working from Honiara, provincial outports, Brisbane, and Nadi, Fiji.

Domestically, the airline serves 24 destinations within the country. Of the 24 airfields across the nine provinces, only 5 have paved runways, with the recent additions being Seghe airfield and Santa Cruz airfield by August 2025. Outside of Honiara, only Munda and Taro airfields have runway lights. The unpaved runways, aging aircraft fleet, and supply chain challenges contribute to low on-time performance due to poor conditions and weather-related issues, leading to high repair and maintenance costs.

Internationally, Solomon Airlines' main route is to Brisbane, Australia, with additional services to Nadi, Port Vila, and Auckland. Since the voluntary liquidation of Air Vanuatu in May 2024, Solomon Airlines has been operating on its own ticket, connecting Solomon Islands to New Zealand via Santos and Port Vila, Vanuatu. The airline benefits from an underwriting agreement with the Vanuatu Government for the Brisbane-Santos return rotation and the cabotage rights to carry Vanuatu domestic passengers between Santos and Port Vila.

Future plans include flights to Kieta in Central Bougainville, Apia in Samoa from Auckland, Tongatapu in Tonga from Auckland, and the Trans-Tasman route Auckland-Brisbane-Auckland. Additionally, connections from Brisbane to Munda aim to enhance connectivity for the tourism market from New Zealand to Munda, which is being developed as the Solomons Tourism Hub. Solomon Airlines' Airbus fleet is based out of Honiara and Brisbane, with overnight rotations out of Auckland, New Zealand. The lease of the older Airbus expires in 2027, necessitating a decision on a replacement by 2026. Freight and charter revenue also contribute to the airline's total annual turnover, which is expected to reach SBD 268,890,429 by the end of 2025.

FINANCIAL FORECASTS AND TARGETS

The Tables and Charts below present SALs Financial Forecast and Targets over the duration of this Statement of Corporate Objectives and shows the trend beginning in 2019 (pre-Covid 19)

PROFITABILITY

Yearly Summary	2024	2025	2026	2027	2028
Main Business Revenue					
Pax Revenue	271,784,208.25	349,435,563.77	377,870,690.92	384,246,196.32	393,048,091.72
Other Revenue	74,419,532.03	92,555,951.08	103,842,748.42	103,658,036.73	104,139,228.74
Total Revenue	**346,203,740.28**	**441,991,514.85**	**481,713,439.34**	**487,904,233.05**	**497,187,320.46**
Operating Costs					
Total Direct Operating Cost	**319,536,084.14**	**351,996,176.32**	**381,834,483.48**	**377,391,600.35**	**375,861,382.39**
Gross Profit/(Loss) – Contribution to Overheads	**26,667,656**	**89,995,339**	**99,878,956**	**110,512,633**	**121,325,938**
Overhead Cost					
Total Overhead Costs (Indirect Costs	90,091,049.90	115,945,598.05	118,160,280.77	118,458,234.77	118,288,793.11
Net Profit/(Loss) before overhead revenue	**(63,423,394)**	**(25,950,260)**	**(18,281,325)**	**(7,945,602)**	**3,037,145**
Overhead Revenue					
Total Overhead Revenue	24,562,602.85	27,350,278.36	27,420,121.35	27,874,204.33	27,638,427.44
Net Profit/(Loss)	**(38,860,791)**	**1,400,019**	**9,138,796**	**19,928,602**	**30,675,572**

With support from the national government over the past few years Solomon Airlines was able to survive the impact of covid-19. The voluntary liquidation of Air Vanuatu in May 2024, had a negative flow on effect to the company's forecast profits in 2024 resulting in a net loss of SBD 38,978,469.00

This is reflected in the above Table and Chart. Profitability is forecasted to begin with a profit of **SBD 1.0 million in 2025, SBD 9.3 million in 2026, SBD 21.3 million in 2027 and SBD 31.7 million in 2028.**

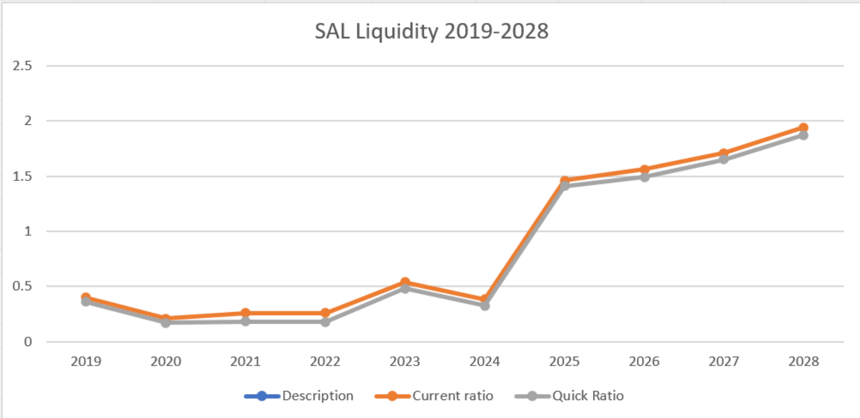
SAL Management is actively pursuing and implementing strategies to minimize both variable and fixed costs. A significant initiative is currently in progress to lower the cost per flying hour on domestic routes, which are presently incurring losses compared to international routes. Additionally, SAL is conducting a comprehensive evaluation of potential aircraft types to identify options that can generate higher revenue while maintaining or reducing the operating costs associated with the current international and domestic fleet.

Capex

Category	Item	Cost (SBD)	Expected Life Span	Purchase Date
Equipment	2nd Dash 8-100 aircraft	22,765,599.00	30-40 yrs	Q2 2025
Equipment	1st Y12-F aircraft	75,954,780.00	40 yrs	Q2 2025
Equipment	Forklift	250,000.00	20 yrs	Q2 2025
Equipment	2 x Belt Loaders	320,000.00	20 yrs	Q2 2025
Infrastructure	SAL Hangar Office Building	40,509,216.00	50 + yrs	Q1 2025
Infrastructure	1st Property Beach front Development 12 x Rental Housing	43,720,000.00	100 + yrs	Q1 2026

LIQUIDITY

Liquidity	A	A	A	M	M	M	B	B	B	B		
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Key	
Description											A	Audited
Current ratio	0.4	0.21	0.26	0.26	0.54	0.38	1.46	1.56	1.71	1.94	M	Management Account
Quick Ratio	0.36	0.17	0.18	0.18	0.48	0.33	1.41	1.49	1.65	1.87	B	Budget



In 2020, SAL experienced its lowest liquidity levels. Since then, the company has been steadily improving both its current and quick ratios through enhanced profitability. It is anticipated that these ratios will approach 0.7 following the formalization of the conversion of SBD 28 million debt to equity in the SAL 2023 audited financial report. This write-off pertains to the amount owed to the Ministry of Communication and Aviation (MCA) for outstanding departure taxes. Additionally, a significant factor contributing to the Current Liability account and, consequently, the current ratio, is the high level of 'unearned revenue' from tickets sold but not yet flown.

The liquidation of Air Vanuatu in May 2024 had a negative impact on SAL, exacerbating liquidity challenges. In response, SAL has implemented several measures to bring positive liquidity to the business. These measures include optimizing operational efficiencies, renegotiating supplier contracts, and exploring new revenue streams. The airline aims to achieve an ideal ratio of 1:1 within the next 3-5 years.

GOALS, STRATEGIC OBJECTIVES, KEY PERFORMANCE INDICATORS AND TARGETS

Presented in the Tables below are the Goals, Strategic Objectives, Key Performance Indicators and Targets as also outlined in the SAL Strategic Plan 2024-2028. Going forward SAL Management and Board will report to the Minister of Finance on progress with achievement of the Strategic Objectives.

Table A-1: Goal 1 Key Performance Indicators and Performance Targets

Goal / Objective	Description	KPI Baseline	Target/ Trend	Reporting Frequency
Goal 1: Enhance Operational Safety and Security				
Objective 1A: Maintaining High Safety Standards	Number of safety incidents or accidents	≤ 3% of 100,000 flight hours	≤ 2% of 100,000 flight hours	Monthly
	Compliance with safety regulations, emergency preparedness exercises, and audits	≥ 95%	100%	Quarterly
Objective 1B: Strengthen Security Measures	Compliance with security regulations and audits	≥ 50%	100%	Quarterly
	Number of security incidents or breaches	≤ 1% Security incidents per 100,000 flight	≤ 1% Security incidents per 100,000 flight (maintain baseline, target cannot be zero)	Monthly
	Enhance cybersecurity practices by achieving a X% improvement over the next 5 years	Baseline Index score to be carried out	>30%Index Score	6 months

Table A-2: Goal 2 Key Performance Indicators and Performance Targets

Goal / Objective	*Description*	*KPI Baseline*	*Target/ Trend*	*Reporting Frequency*
Goal 2: Cultivate Talent Excellence, Nurture Employee Engagement				
Objective 2A: Establish Effective Succession Planning	Percentage of key leadership roles with identified successors.	33%	100% by end of 2023	Quarterly through ExCO/Board
	Average time to fill critical vacant positions from internal talent pool.	3 months	2 months	Quarterly through ExCO/Board
Objective 2B: Promote Employee Development and Engagement	Employee satisfaction and engagement index.	Baseline survey to be carried out	70% or higher per annum	Quarterly through ExCO/Board
	Percentage increase in internal promotions to higher roles.	5% (mgmt.)	12% per annum	Quarterly through ExCO/Board
		9% (total)	12% per annum	Quarterly through ExCO/Board
	Performance appraisal system is monitoring and recognising acceptable performance	10%	12% per annum	Quarterly through ExCO/Board

Table A-3: Goal 3 Key Performance Indicators and Performance Targets

Goal / Objective	*Description*	*KPI Baseline*	*Target/ Trend*	*Reporting Frequency*
Goal 3: Enhance Operational Efficiency and Cost Management				
Objective 3A: Improve On-Time Performance	On-time Departure and Arrival Rate	48% (Dom) 58% (Intl)	80% OTP 80% OTP	Monthly Monthly
	Percentage of Flights Delayed or Cancelled	44% (Dom) 42% (Intl delayed) 0% (Intl cancelled)	below 20% (Dom) below 20% (Intl delayed) 0% (Intl cancelled)	Monthly Monthly Monthly
Objective 3B: Optimize Fleet Utilization	Aircraft Utilization Rate	4055 hours per annum for 2 aircrafts 2316 hours per annum per aircraft (Dom)	260 hours per month per aircraft 230 hours per month per aircraft (Dom)	Monthly/Annually Monthly/Annually
	Turnaround Time at Airports	40 minutes (Dom) 1 hour (Intl)	30 minutes (Dom) 1 hour (Intl)	Monthly Monthly

Table A-4: Goal 4 Key Performance Indicators and Performance Targets

Goal / Objective	*Description*	*KPI Baseline*	*Target/ Trend*	*Reporting Frequency*
Goal 4: Modernize Fleet Composition, Enable Sustainable Growth, and Promote Environmental Responsibility				
Objective 4A: Evaluate and Revise our Fleet Replacement Strategy	Average fleet age (years)	44 years (Dom) 14 years (Intl)	< 5 years Domestic (Fleet renewal plan by end of this year) < 10 years A320	End of 2023 End of 2023
Objective 4B: Align Fleet Composition with Market Demand	Fleet utilization rate	1685FH/2061FC per year (Dom) 1746 FH/717 FC per year per aircraft	1200FH/1600FC per year (Dom) 3120 FH/1300 FC per year per aircraft	Monthly Monthly
	Route profitability index	Jan-June actual negative 40.39(Dom) negative 77.70 (Intl)	Index of Positive 1 and above	Annually
Objective 4C: Implement Phased Fleet Upgrades	Percentage of older aircraft replaced within the next 5 years	100% (Dom) 50% (Intl)	100% (Dom) 1 younger international aircraft replacing H4-SIB	Annually Annually
	Average downtime during fleet transition	2 days or less	Less than 1 month	Annually

Objective 4D: Promote Fleet Growth for Market Expansion	Number of new aircraft acquired for expansion	3 Twin Otters, 1 Dash 8 2 Airbus	Refer to Objective 4A target Refer to Objective 4A target	Annually Annually
	Percentage increase in available seat kilometres (ASK)	Jan-Jun actual 17,359,580 (Dom) 88,020,432 (Int). Based on current feet	10 % increase up to maximum utilization based on current fleet. The question of percentage increase in ASK should have been properly addressed if there was a new fleet investment plan, currently not available	Annually
Objective 4E: Prioritise Fuel efficiency, Environmental impact and Sustainability	Fuel consumption per revenue passenger kilometre (RPK)	Jan-Jun actual SBD1.19 (Dom) SBD0.42 (Intl). Based on current fleet	10 % decrease based on current fleet. Should have been properly addressed if there was a new fleet investment plan, currently not available.	Annually
	Percentage of fleet equipped with fuel-efficient technology	0% pending fleet renewal (Dom) 50% (H4-SAL)	Refer target 4A 100% when H4-SIB is replaced	Annually Annually
	Percentage reduction in single-use plastic items used on flights	3% foam & plastic cups (Dom) 70% (Intl)	100% end of 2023 100% end of 2023	5 months when SUP grace period ends

Table A-5: Goal 5 Key Performance Indicators and Performance Targets

Goal / Objective	*Description*	*KPI Baseline*	*Target/ Trend*	*Reporting Frequency*
Goal 5: Elevate Customer Experience, Drive Digital Transformation				
Objective 5A: Enhance Customer Satisfaction and Loyalty	Increase overall customer satisfaction score by X%.	Google business and Facebook rating: 3.4 out of 5	3% per annum	Annually
	Achieve a Net Promoter Score (NPS) of X or higher.	-17%	0 or higher	Annually
Objective 5B: Drive Digital Transformation and Innovation	Increase online bookings by X%.	8.5% passengers, 10% of revenue	By 2% per annum	Annually
	Launch X new e-commerce initiatives or services within the next 5 years	2 per year	10 in the next 5 years	Annually
	Launch X new digital initiatives or services within the next 5 years	Baseline index score to be carried out	5 in the next 5 years	6 months
	Achieve a X% increase in the Digital Adoption and Innovation Index Score over the next 5 years	Baseline index score to be carried out	>20%Index Score	6 months

Table A-6: Goal 6 Key Performance Indicators and Performance Targets

Goal / Objective	***Description***	***KPI Baseline***	***Target/ Trend***	***Reporting Frequency***
Goal 6: Drive Financial Performance and Optimize Revenue Generation				
Objective 6A: Enhance Revenue Streams and Yield Management	Revenue Growth Rate (%)	$277m (Aug YTD)	10%+ growth per annum	6 monthly/annually
	Yield Improvement Rate (%)	Jan-June actual SBD4.9 (Dom) SBD2.90 (Intl)	15% passenger yield (Dom & Intl)	6 monthly/annually
Objective 6B: Optimize Cost Management and Efficiency	Cost Per Available Seat Kilometre (CASK)	Jan – June actual: SBD3.09 (Dom) SBD1.65 (Intl)	Cost reduction by 10% per annum (Dom & Intl)	6 monthly/annually
	Operating Efficiency Index	Jan-June actual 63% breakeven LF (Dom) 56% breakeven LF (Intl)	Reduction by 4% per annum (Dom & Intl)	6 monthly/annually
Objective 6C: Increase Ancillary Revenue Streams	Ancillary Revenue per Passenger	SBD1396 per pax	By 10% per annum	6 monthly/annually

	Percentage of Ancillary Revenue to Total Revenue	3.3% of total pax	By 10% per annum	6 monthly/annually
Objective 6D: Optimize Pricing and Revenue Management	Revenue per Available Seat Kilometre (RASK)	Jan-June actual SBD2.64 (Dom) SBD0.77 (Intl)	By 10% annum (Dom & Intl)	6 monthly/annually
	Load Factor Optimization	Jan-June actual 54% LF (Dom) 58 % LF (Intl)	Increase by 4% per annum (Dom & Intl)	6 monthly/annually
Objective 6E: Strengthen Balance Sheet Resilience	Debt-to-Equity Ratio	Less than 50% (August YTD)	Reduce 10% plus per annum (Dom & Intl)	6 monthly/annually
	Cash Reserve Coverage	SBD500,000	SBD500,000 per 6 months (on top of what we have already)	6 monthly/annually

Table A-7: Goal 7 Key Performance Indicators and Performance Targets

Goal / Objective	*Description*	*KPI Baseline*	*Target/ Trend*	*Reporting Frequency*
Goal 7: Achieve Sustainable Growth and Market Expansion				
Objective 7A: Identify and Evaluate New Market Opportunities	Market Share Growth Rate (%)	64% (Intl) 100% (Dom – current due to no competitors)	60% share 100% (plan to maintain this)	Annually Annually
	Number of New Partnerships Established	NA	4 per annum	Annually
Objective 7B: Develop Comprehensive Marketing and Branding Strategy	Brand Awareness Index	Organic search 6400 users per month. Direct channel 2850 per month on flysolomons.com	Increase vs. prior 6 months	Bi-annually
Objective 7C: Develop Strategic Partnerships and Expand Key Destinations	Increase in New Routes from Strategic Partnerships		1 per annum	Annually
	Load Factor on New Routes		30%	12 months from start of operation

SAL BUSINESS MODEL

SAL Management and Board will review its Business Model in the first quarter of 2025 and present to its Shareholder by June 2025. The Business Model will align with the Strategic Goals, Objectives and Targets set out in this Statement of Corporate objectives. The scope of the Business Model will include but not restricted to:

- Review of Target Market and Market Positioning Strategy to influence consumer perception by effectively communicating SAL brand's competitive advantage.
- Route network and scheduling
- Fleet renewal and aircraft acquisition strategy
- Ground Operations Infrastructure and investment requirements
- Aligning Human Resources Strategy with Business model and Strategic plan

COMMUNITY SERVICE OBLIGATIONS (CSO)

Solomon Airlines continues to provide an essential service to 22 airports scattered across the nation's archipelago and fills a vital role by providing quick air transport for business, Government Travel, carrying parts, food, mail, medical supplies etc. In many instances the airline provides the only way a person in a village can obtain essential medical treatment. Adding to the cost flying to remote uneconomical routes is the poor state of many airfield surfaces giving rise to high repair and maintenance costs.

On average SAL incurs a loss of SBD 11 million per year servicing unprofitable routes. SAL received from the Solomon Islands Government SBD 6 million in 2024 as CSO to support the airline fly and provide a service to unprofitable routes. In 2024, SAL total loss providing this service is SBD 23,957,255.00. While Solomon Airlines regularly reviews the routes and the pricing, many routes simply cannot absorb the direct operating costs never mind a portion of the overheads. Solomon Airlines shall prepare to sign a CSO contract with the Minister of Finance for the year 2025 and undertakes to provide necessary information.

ACCOUNTING POLICIES

Solomon Airlines has adopted the International Financial Reporting Standards (IFRS) as the basis of its accounting policies in the measurement and reporting of profit, cash flow, movements in equity and financial position.

ACCOUNTING PERIOD

The financial statements cover the performance and position in respect of the financial year ending 31 December

SOLOMON AIRLINES ESTMATED COMMERCICAL VALUE

The current commercial valuation and statement of assessment is required pursuant to Section 13 (3) of the SOE Act. The boards estimate of the current commercial value of Solomon Islands Government investment in Solomon Airlines as of 31 December 2023 will be determined after the SAL 2024 budget is finalized and a commercial value is determined by the Company Secretary firm engaged by ICSI, Morris and Sojnocki.

ANNUAL DIVIDEND AND ESTIMATED TAX OBLIGATIONS

Dividends

With the carry over losses from previous years and need to consider prioritizing on-going capital expenditures on the airline fleet the SAL Board and Shareholder (ICSI) will be in a position to pay dividends for profits during the period 2027- 2028. The SAL Board will also approve a Dividends Policy in consultation with ICSI in 2025.

Taxation

The company's tax status regarding company tax is current based on audited numbers. The most recent audited numbers are from 2021, with the 2022 audit nearing completion and the 2023 audit already in progress. Other tax obligations are being addressed as cash flow allows.

Audit

We aim to begin the 2024 audit on or before the end of the year to bring the company's audited financial activities up to date. The delay has been due mainly to the time taken to engage a new auditing firm (Ernest and Young) and the mobilization and audit work of the new auditor. SAL intends to be audit compliant as per SOE Act by March 2026Morris & Sojnocki is our current tax service provider, and no issues have been reported to date.

REPORTING

Quarterly Reports

Solomon Airlines generates quarterly financial reports which are available to the Minister should it is requested. These quarterly reports will detail the actual quarterly performance of the business, provide comparisons to Statement of Corporate Objectives targets and highlight any significant issues.

Half Yearly Report

Solomon Airlines will continue to provide the Minister a Half Yearly Report within two months following end of the first half of this financial year by end of August 2025. The half yearly report will provide a summary of progress made against the objectives and performance targets stated in this document.

Annual Report

Solomon Airlines will prepare and deliver an annual report on its performance for the full year to the Minister. The report will follow the end of the financial year and will be provided to the Minister in accordance with the requirements of the SOE Act. The report will include: - consolidated statutory financial statements and other statutory information required under the SOE Act and the Companies Act; - an overview of major achievements and an appraisal of future prospects; - a comparison of performance with the Statement of Corporate Objectives; - any significant risks; and - other information required by law to be included, such as the particulars of any directions given by the Minister