Solomon Airlines Limited

Financial Statements

31 December 2022

Solomon Airlines Limited Incorporated In Solomon Islands
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Solomon Airlines Limited
31 December 2022

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Solomon Airlines Limited
Directors' Report
For the year ended 31 December 2022

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Solomon Airlines Limited ("the Company") as at 31 December 2022 and the related statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows, and report as follows:

Directors

The following were directors of the Company at any time during the financial year and up to the date of this report:

Chairman	-	Mr Frank Wickham
Deputy Chairman	-	Mr Robertus Franciscus Bochman (deceased August 2023)
Director	-	Mr Anthony Makabo (resigned July 2024)
Deputy Chairman	-	Mr Bob Pollard
Director	-	Mrs Rose Sulu (appointed August 2022)
Director	-	Mr Jackson Kiloe (appointed September 2022)
Director	-	Mr Mike Clay (appointed October 2022)
Director	-	Mr Andrew Nihopara (appointed March 2024)
Director	-	Mrs Areau Hivu (appointed March 2024)

Principal Activity

The principal activity of the Company during the course of the financial year was to provide domestic and international air transport services. There were no significant changes in the nature of this activity during the year.

Trading Results

The loss for the year after income tax amounted to $2,241,094 (2021: loss of $7,449,854).

Reserves

The Directors recommend that no amounts be transferred to reserves in respect of the year ended 31 December 2022.

Dividends

It was recommended that no dividends be declared or proposed for the year.

Bad and Doubtful Debts

The Directors took reasonable steps before the financial statements were made out, to ascertain that all known bad debts were written off and adequate provision was made for doubtful debts through the expected credit loss (ECL) approach. At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the ECL for doubtful debts, inadequate to any substantial extend.

Current Assets

The Directors took reasonable steps before the Company's financial statements were made out to ascertain that the current assets of the Company were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business. At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the current assets in the financial statements to be misleading.

Non-Current Assets
Prior to the completion of the Company's financial statements, the Directors took reasonable steps to ascertain whether any non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company. Where necessary these assets have been written down or adequate provision has been made to bring values of such assets to an amount that they will be expected to realise.

Liabilities
Liabilities include borrowings, trade creditors and accrued expenditure and certain provisions.

Events Subsequent to Balance Date

On 1st of March 2023, the Company had received a letter from the Minister of Finance for the equitization of $28,473,617 departure taxes collected but not remitted to Ministry of Civil Aviation (MCA) since 2017, that was approved to be a write-off by the Permanent Secretary for Ministry for Civil Aviation on 6th September 2021. The Company's board had passed a resolution in October 2024 to facilitate this process.

In May 2023 the Company entered into a letter of intent to lease an additional Airbus A320ceo to the fleet from BOC Aviation Limited. The Airbus A320ceo arrived end of July 2023 and was registered as H4-SAL. Additionally, the Company had obtained a USD$3m loan from Solomon Islands National Provident Fund to support the start-up cost for the lease arrangement and cover the cash-flow for the next 6 months. The H4-SAL started full operations from August 2023 while the 1st Airbus -H4-SIB was on its first 6-year C-check. Both have been on full schedule from September 2023 to date.

On 2 Jan 2024, an aviation incident occurred at the Henderson airport involving the Company's Twin Otter H4-SIC) and a refueler truck of South Pacific Oil Limited (SPOL). The Company has shipped the damaged aircraft to the US based manufacturer, Aevex Aerospace, on 7th March 2024 for repairs and is expected to be shipped back to Honiara in May 2025. All damages are expected to be covered by both Companies' insurance providers for insured and uninsured. While H4-SIC was on repairs, the Company entered into a Twin otter lease as a replacement to H4-SIC aircraft for a period of 24 months to serve the domestic gap starting from end of May 2024 from Rocky Mountain. This arrangement is considered as part of uninsured cost estimate of $24m SBD which is expected to be re-covered by SPOL. To date, management is still in the negotiation process about the disbursement schedule to the Company.

In April 2024, a significant competitor, Qantas, entered the market to operate the Brisbane-Honiara-Brisbane route, leading to the termination of the code-share agreement with the Company at the end of March 2024. This development posed a challenge for the Company, necessitating a focus on service differentiation and price competition. In response, a cost review was conducted, resulting in the replacement of certain service providers and adjustments to schedules to address the situation while maintaining business continuity.

Furthermore, in May 2024, a key charter customer, Air Vanuatu (NF), went into liquidation, with Ernst and Young Australia appointed as liquidators. This situation brought about substantial changes to the Company's international schedules and operational budget plans for the year and beyond. The Vanuatu Government fully settled outstanding bills owed by NF. During the liquidation process, the Vanuatu government approached the Company to continue operating some of their routes to support the tourism industry and the movement of seasonal workers, which had been significantly impacted by NF's liquidation. Currently, the Company operates additional routes, including Auckland-Vila, Brisbane-Santo, and most recently, Santo-Vila (Domestic), following further requests from NF management and the government. All other routes continue to be operated by the Company.

Apart from the above, no other matters or circumstances have arisen during the financial period which significantly affected the operations of the Company since the end of the financial period to the date of this report to secure the liabilities of any other person.

Contingent Liability

No contingent liability has arisen since the end of the financial period to the date of this report. No contingent or other liability has become enforceable or is likely to become enforceable within a period of twelve months from the date of this report which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations when they fall due.

Going Concern

The Company recorded a loss of $ 2,241,094 (2021: $7,449,854) for the year, has net current liabilities of $131,298,252 (2021: $129,408,667) and has a deficiency in shareholders' funds of $31,095,454 (2021: $40,032,721). This indicates that there are current uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Solomon Islands Government locked down its borders for a period of five days in February 2022. Operations were suspended for that period except for charters and essential COVID-19 cargo services. The Solomon Islands border was subsequently opened in July 2022 for normal operations.

The Company continued to face liquidity issues since the second quarter of 2024 due to increased competition from Qantas and the lack of Charter business since Air Vanuatu went into Liquidation. In 2025, an interim management has been appointed for a planned restructure for the whole company and changes are expected from July 2025. This includes but not limited to the review of business processes across departments, cost cutting measures and promotion of operational efficiency while exploring potential Charter services and reduction of loss routes services in the next 6 months and onwards. Government support has been critical in providing the funds required to address older creditors including the lease payments of the two Airbuses in June 2025. A total of $7.5m was injected in the Company to address critical 30-day plus liabilities. More funds are expected as equity injection or grants by the Share-holder.

The Directors consider the application of the going concern principle to be appropriate in the preparation of these financial statements as the company will continue to receive ongoing support from their shareholders, lenders and donors, which will enable the company to meet their funding requirements for operations and to meet their obligations as and when they fall due and also believe that the company has sufficient resources to be able to successfully manage its business risks despite the economic uncertainty.

Apart from the above, no other matters or circumstances have arisen during the financial period which significantly affected the operations of the Company.

Other Circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amounts stated in the financial statements misleading.

Unusual / Significant Transactions

The results of the Company's operations during the financial year have not in the opinion of the Directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

Solomon Airlines Limited
Directors' Report (continued)
For the year ended 31 December 2022

Directors Benefits

No Director of the Company has, since the end of the previous financial period, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors as shown in the Company financial statements) by reason of any contracts made by the Company with the Director or with a firm of which he is a member, or with a Company in which he has substantial financial interest.

Signed in accordance with a resolution of the Directors this...23... day of..DECEMBER..2025.

For and on behalf of the Board,

.... Director

.... Director

Solomon Airlines Limited
Directors' Statement
For the year ended 31 December 2022

In the opinion of the Directors:

(a) the accompanying statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the results of the Company for the year ended 31 December 2022;

(b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of the Company's affairs as at 31 December 2022;

(c) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the results of the Company for the year ended 31 December 2022;

(d) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Company for the year ended 31 December 2022;

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

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

For and on behalf of the Board of Directors by authority of a resolution of the Directors, this ....23......... day of ..DECEMBER.......2025.

....
Director

....
Director

Independent Auditor's Report to the shareholders of Solomon Airline Limited

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Solomon Airline Limited ("the Company") which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of my report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty related to going concern

Attention is drawn to Note 2(a) of the financial statements which highlights that the Company recorded a loss of $2,241,094 (2021: loss of $7,449,854) for the year, has net current liabilities of $131,298,252 (2021: $129,408,667) and has a deficiency in shareholders' funds of $31,095,454 (2021: $40,032,721). The Company continues to receive financial support from lenders, its shareholders, and donors. These conditions indicate that material uncertainties exist that may cast a significant doubt on the Company's ability to continue as a going concern and its ability to realize assets and discharge liabilities in the normal course of business. My opinion is not modified in respect of this matter.

Independence

I am independent of the Company in accordance with International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, and the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Other Information

Directors and management are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and my auditors' report thereon.

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

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

Responsibilities of Directors and Management for the Financial Statements

Directors and management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report to the shareholders of Solomon Airline Limited (continued)

Responsibilities of Directors and Management for the Financial Statements (continued)

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

The directors and management are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) 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 these financial statements.

As part of an audit in accordance with ISSAI, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Independent Auditor's Report to the shareholders of Solomon Airline Limited (continued)

Report on Other Legal and Regulatory Requirements

I have obtained all the information and explanations which, to the best of my knowledge and belief, are necessary for the purposes of my audit.

In my opinion:

a) I have been given all information, explanations and assistance necessary for the conduct of the audit; and
b) The Company has kept financial records sufficient to enable the financial statements to be prepared and audited
c) The Company has not complied with the requirements of the State-Owned Enterprises Act, 2007, which requires the audited financial statements submitted to the Minister within three months of the financial year to which the financial statements relate. The signed financial statements were presented to me on 23rd December 2025.

David Teika Dennis
Auditor-General
23rd December 2025

Office of the Auditor General
Honiara, Solomon Islands

Solomon Airlines Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2022

	Notes	2022 $	2021 $
Revenue	4	245,441,448	173,732,743
Other income	5 (a,b,c,d)	24,658,058	23,072,580
Total operating revenue		270,099,506	196,805,323
Staff and related costs	10	(54,718,654)	(51,632,743)
Operations	6	(95,268,965)	(53,311,271)
Selling and marketing expenses	7	(3,468,709)	(1,510,665)
Fuel		(59,701,482)	(30,714,889)
Depreciation - aircraft, property, plant and equipment	19,20	(9,341,558)	(9,395,118)
Amortization - right-of-use assets	27(a)	(15,725,574)	(19,226,042)
Other expenses	8	(31,497,313)	(31,532,641)
Impairment (allowance) / reversal for financial assets	3(i)	2,912,563	(1,528,826)
Impairment reversal on aircraft, property, plant and equipment	9	13,390,902	3,102,163
Total operating expenses		(253,418,790)	(195,750,032)
Profit from operations		16,680,716	1,055,393
Finance expenses – net	11	(8,276,569)	(5,588,953)
Operating profit/ (loss) before income tax		8,404,147	(4,533,662)
Income tax expense	12(a)	(10,645,241)	(2,916,192)
Loss after income tax		(2,241,094)	(7,449,854)
Other comprehensive loss for the year, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of aircraft and land and buildings - net of tax	25(c)	11,178,361	3,455,635
Total comprehensive income / (loss) for the year		8,937,267	(3,994,219)

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

Solomon Airlines Limited
Statement of Changes in Equity
For the year ended 31 December 2022

	Notes	Share capital $	Revaluation reserve $	Accumulated losses $	Total $
Balance at 1 January 2021	25(b)	78,809,801	32,529,935	(147,378,238)	(36,038,502)
Net loss for the year		-	-	(7,449,854)	(7,449,854)
Other comprehensive income for the year			3,455,635		3,455,635
Total comprehensive income for the year		78,809,801	3,455,635	(7,449,854)	(3,994,219)
Balance at 31 December 2021	25(b)	78,809,801	35,985,570	(154,828,092)	(40,032,721)
Balance at 1 January 2022		78,809,801	35,985,570	(154,828,092)	(40,032,721)
Loss on valuation – (net of tax)			11,178,361		11,178,361
Other comprehensive loss for the year				(2,241,094)	(2,241,094)
Total comprehensive loss for the year		-	11,178,361	(2,241,094)	8,937,267
Balance at 31 December 2022		78,809,801	47,163,931	(157,069,186)	(31,095,454)

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

Solomon Airlines Limited
Statement of Financial Position
As at 31 December 2022

	Notes	2022 $	2021 $
ASSETS			
Non-Current Assets			
Aircraft, property, plant and equipment	19	136,974,679	132,209,026
Right-of-use assets	27(a)	65,178,722	63,090,043
Intangible asset	20	871,020	1,568,598
Deferred tax asset	12(c)	-	3,745,196
Deposits	15	10,249,422	8,834,914
Total non-current assets		213,273,843	209,447,777
Current Assets			
Cash and cash equivalents	13	24,510,636	21,448,135
Term deposits	14	647,369	645,640
Deposits	15	2,047,230	76,391
Trade receivables	16	7,683,969	8,537,141
Other receivables and prepayments	17	8,488,912	6,886,145
Current tax asset	12(d)	51,960	-
Inventories	18	7,459,855	6,913,183
Total current assets		50,889,931	44,506,635
Total Assets		$264,163,774	$253,954,412
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	25(b)	78,809,801	78,809,801
Revaluation reserve	25(c)	47,163,931	35,985,570
Accumulated losses		(157,069,186)	(154,828,092)
Total capital and reserves		(31,095,454)	(40,032,721)
Non-Current Liabilities			
Deferred tax liability	12(c)	11,704,165	-
Deferred income	21(b)	13,467,009	-
Borrowings	21(a,b)	22,932,784	38,000,000
Employee benefits	24	10,931,344	18,275,866
Lease liabilities	27(b)	54,035,743	63,795,965
Total non-current liabilities		113,071,045	120,071,831
Current Liabilities			
Bank overdraft	13	1,945,407	6,597,890
Borrowings	21(a)	10,620,617	14,434,808
Deferred income	21(b)	1,600,207	-
Lease liabilities	27(b)	14,079,129	17,459,889
Revenue received in advance	31	48,340,293	29,341,492
Trade and other payables	22	94,088,338	94,322,493
Aircraft restoration provision	23	8,278,145	8,090,615
Employee benefits	24	3,236,047	3,668,115
Total current liabilities		182,188,183	173,915,302
Total Liabilities		295,259,228	293,987,133
Total Equity and Liabilities		$264,163,774	$253,954,412

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

Signed on behalf of the Board

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Solomon Airlines Limited
Statement of Cash Flows
For the year ended 31 December 2022

	Notes	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		268,881,110	196,578,451
Payments to suppliers and employees		(250,963,760)	(152,065,953)
Cash generated from operations		**17,917,350**	**44,512,498**
Interest received		30,285	4,838
Interest paid		(126,666)	(514,490)
Interest elements of lease payments		(5,176,881)	(4,837,820)
Grant received (Government)		16,000,000	-
Net cash generated from operating activities		**28,644,088**	**39,165,026**
Cash flows from investing activities			
Acquisition of property, plant and equipment	19	(2,745,536)	(51,118,525)
Net cash used in investing activities		**(2,745,536)**	**(51,118,525)**
Cash flows from financing activities			
Government loan received		-	38,000,000
Principal element of repayments of borrowings		(3,814,188)	(1,318,204)
Interest element of repayment of borrowings		(820,045)	(1,050,562)
Principal elements of lease payments		(13,140,982)	(14,028,469)
Net cash (used in)/ from financing activities		**(17,775,215)**	**21,602,765**
Net increase in cash and cash equivalents		8,123,337	9,649,266
Cash and cash equivalents at 1 January		14,850,245	5,269,760
Cash and cash equivalents at 31 December	13	**$22,565,229**	**$14,850,245**

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

Solomon Airlines Limited
Notes to and Forming Part of the Financial Statements
For the year ended 31 December 2022

Note 1. GENERAL INFORMATION

Solomon Airlines Limited trading as Solomon Airlines, (the "Company") is domiciled in the Solomon Islands. The address of the Company's registered office is Henderson, Honiara, Solomon Islands.

The principal activity of the Company during the year was to provide international and domestic air transport services. There were no significant changes in the nature of this activity during the year.

The financial statements were authorised for issue by the Board of Directors on 23 DECEMBER 2025.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Solomon Islands Companies Act, 2009. The financial statements comply with the International Financial Reporting Standards (IFRS) that were issued and effective at the time of preparing these statements.

The financial statements have been prepared using the historical cost basis except for assets held for sale which are measured at fair value and aircraft which is measured using the revaluation model. The financial statements are presented in SBD (Solomon Bokolo Dollar) and all values are rounded to the nearest dollar, except when otherwise indicated.

Going Concern

The Company recorded a loss of $ 2,241,094 (2021: loss of $7,449,854) for the year, has net current liabilities of $131,298,252 (2021: $129,408,667) and has a deficiency in shareholders' funds of $31,095,454 (2021: $40,032,721). This indicates that there are current uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Solomon Islands Government locked down its borders for a period of five days in February 2022. Operations were suspended for that period except for charters and essential COVID-19 cargo services. The Solomon Islands border was subsequently opened in July 2022 for normal operations.

The Company continued to face liquidity issues since the second quarter of 2024 due to increased competition from Qantas and the lack of Charter business since Air Vanuatu went into Liquidation. In 2025, an interim management has been appointed for a planned restructure for the whole Company and changes are expected from July 2025. This includes but not limited to the review of business processes across departments, cost cutting measures and promotion of operational efficiency while exploring potential Charter services and reduction of loss routes services in the next 6 months and onwards. Government support has been critical in providing the funds required to address older creditors including the lease payments of the two Airbuses in June 2025. A total of $7.5m was injected in the Company to address critical 30-day plus liabilities. More funds are expected as equity injection or grants by the Share-holder.

The Directors consider the application of the going concern principle to be appropriate in the preparation of these financial statements as the Company will continue to receive ongoing support from their shareholders, lenders and donors, which will enable the Company to meet their funding requirements for operations and to meet their obligations as and when they fall due and also believe that the Company has sufficient resources to be able to successfully manage its business risks despite the economic uncertainty.

Apart from the above, no other matters or circumstances have arisen during the financial period which significantly affected the operations of the Company.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Preparation (continued)

(i) New and amended standards adopted by the company

There have been a number of new standards, interpretations and amendments to the IFRS that came into effect for periods beginning on 1 January 2022. The adoption of these had no material impact on the financial statements and the accounting policies are consistent with those used in the prior year.

(ii) New standards, amendments and interpretations issued and effective for financial years beginning after 1 January 2022 and early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023, and have not been applied in preparing these financial statements. The Company is yet to assess the impact of these standards and intends to adopt the standard no later than the accounting period in which it becomes effective.

Title	**Key Requirements**	**Effective Date**
Classification of Liabilities as Current or Non-Current- Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.	1 January 2023
Business Combination IAS 22. Board further replaced IAS 22 and three related Interpretations (SIC-9 Business Combinations	The International Accounting Standards Board (Board) adopted IAS 22 Business Combinations. Core principles in IFRS 3 are that an acquirer measures the cost of the acquisition at the fair value of the consideration paid; allocates that cost to the acquired identifiable assets and liabilities on the basis of their fair values; allocates the rest of the cost to goodwill; and recognises any excess of acquired assets and liabilities over the consideration paid (a 'bargain purchase') in profit or loss immediately. Further amendment includes three interpretations on classification either as Acquisitions or uniting of Interests, SIC-22 Business Combinations, Subsequent Adjustment of Fair Values and Goodwill Initially Reported and SIC-28 Business Combinations, 'Date of Exchange' and Fair Value of Equity Instruments) when it issued IFRS 3 Business Combinations. At this point nil effect to SAL accounts.	1st March 2024

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Preparation (continued)

Topic	Key Requirements	Effective Date
Annual Improvements to IFRS Standards 2018–2024	The following improvements were finalised in May 2020: • IFRS 9 *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 *Agriculture* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. • IFRS 16 *Leases*- Amendments on Lease Liability in a Sale and Leaseback • IAS 1- Amendments on *Presentation of Financial Statements*- Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants • IAS 7- *Amendments on Statement of Cash Flows and IFRS 7 Financial Instruments*: Disclosures – Supplier Finance Arrangements.	1st January 2022 1st January 2024

b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Solomon dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to exercise judgments, use of certain accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of estimates and judgments (continued)

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 2(k)	-	Recoverability of trade receivables and other receivables
Note 2(l)	-	Employee benefits
Note 2(q)	-	Recoverability of tax losses and deferred tax assets

d) Aircraft, property, plant and equipment

(i) Recognition and measurement

Items of aircraft, property, plant and equipment are measured at cost less accumulated depreciation and impairment losses with the exception of owned aircraft and land and buildings which are measured at fair value less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of aircraft, property, plant and equipment have different useful lives, they are accounted for as separate items (major aircraft components) of aircraft, property, plant and equipment. Any gain and loss on disposal of an item of aircraft, property plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of aircraft, property, plant and equipment. This is recognised within other income / other expense in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of aircraft, property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Company and its cost can be measured reliably. The cost of the day-to-day servicing of aircraft, property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is charged to the profit or loss on a straight line basis over the useful life of each class of asset. The depreciation rates used are as follows:

Land and buildings	5%
Aircraft	5%
Aircraft spares	10%
Aircraft establishment costs	20%
Aircraft components (included as part of aircraft)	Based on expected total flying hours
Motor vehicles	20%
Plant and equipment	10% - 30%

(iv) Revaluation

Aircraft, land and buildings are shown at fair value, based on valuations by an external independent valuer. The fair values are recognised in the financial statements of the Company. Depreciation for the year, based on the prior year's valuation is taken to profit or loss.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Aircraft, property, plant and equipment (continued)

Any revaluation increase arising on the revaluation of assets is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of assets is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, is transferred directly to retained earnings.

(v) Intangible Assets

Intangible assets that are acquired by the Company and that have finite useful lives, are measured at cost less accumulated amortisation and any impairment losses. These intangible assets comprise of purchased software.

Amortisation is calculated to write off the cost of the intangible asset using the straight-line method over its estimated useful life, and is generally recognised in profit or loss. The estimated useful life of software is four years.

e) Aircraft / engine overhaul

For owned aircraft, costs incurred in respect of heavy maintenance and overhaul of aircraft engines and airframes are capitalised and depreciated over the period to the next scheduled maintenance. Other non-heavy maintenance and overhaul costs are charged to the profit or loss on consumption or as incurred.

Maintenance checks, which are covered by third party maintenance agreements where there is a transfer of risk and legal obligation, are expensed on the basis of hours flown.

f) Investment property

Management had repossessed the property at Point Cruz used as an investment property during 2018 financial year and reclassified as property, plant and equipment, its fair value at the date of reclassification became its cost for subsequent accounting.

g) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

(ii) Classification and measurement

Financial asset

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial Assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

(ii) Classification and measurement (continued)

Financial asset (continued)

Financial Assets: Assessment whether contractual cash flows are solely payments of principal and interest (continued)

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial Assets: Subsequent measurement and gains and loss

Financial assets that are measured at amortised costs are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial Liabilities

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses including any interest expense,

are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gains or loss on derecognition is also recognised in profit or loss.

(i) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

(ii) Classification and measurement (continued)

Financial liabilities (continued)

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(ii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Share capital

Ordinary shares are classified as equity.

h) Leases

(i) As a lessee

As a lessee the Company leases aircraft, motor vehicles and rental space. The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The remaining term of lease over which right-of-use assets are depreciated (including extension options are as follows:

- Aircraft 1 to 3 years
- Motor Vehicle 2 to 3 years
- Rental Space 2 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Leases (continued)

(i) As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchases, extension or termination option or if there is a revised in-substance fixed lease payment.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Determining the incremental borrowing rate (IBR)

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflective of what the Company 'would have to pay', which requires estimation when no observable rates is available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates. The Company has used an IBR based on its current debt facility with the banks in Solomon Islands, which averages 10.92%.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the company applies IFRS 15 to allocate the consideration in the contract. Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application. Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset.

i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is based on the first in first out principle.

j) Receivables

Receivables are recognised and carried at original invoice amount less impairment losses.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment

(i) Non-derivative financial assets

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12 month ECL:
- cash at bank, term deposits and other receivables balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers another receivable or cash balance to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Company considers this to be Baa3 or a higher rating per Moodys or BBB- or higher per Moodys.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flow due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Credit-impaired financial assets

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that it would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment (continued)

(i) Non-derivative financial assets (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(ii) Other employee benefits

Other employee benefits include long service leave and retirement gratuity to its employees. The entitlement to this benefit is conditional on completion of a minimum service period and the employee remaining in service up to the retirement age. A liability for long service leave and retirement gratuity is calculated as the present value of expected future payments to be made in respect of services provided by the employees at the balance sheet date. This is adjusted for employee departure trends and appropriate inflation and discount rate. The accruals are divided into current (expected to be paid in the ensuing twelve months) and non-current portions.

m) Trade payables, other payables and accrued expenditure

Trade and other payables are stated at cost. A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

n) Revenue from contracts with customers and other income

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when its transfers control over a service to a customer.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Revenue from contracts with customers and other income (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers.

Services	Nature, timing of satisfaction of performance obligations and significant payment terms	Revenue recognition under IFRS 15
Passenger and cargo revenue	Passenger tickets and Cargo freights are sold at all Solomon Airline's sales Offices. The customer pays for passenger air tickets and cargo consignment notes for domestic cargo & airway bills for International cargo. Performance obligation is satisfied when the customer or cargo are uplifted. At this point, the revenue is recognised.	Revenue is recognised when the service is provided in this case uplifting of passengers and cargo.
Traffic income	Solomon Airlines provide ground handling services for other airlines operating at the Henderson International terminal. Performance obligation is satisfied when the customer is issued with a receipt for the service. At this point, the revenue is recognised.	Revenue is recognised on performance of service.
Community service obligation (CSO)	Solomon Airlines provides services to some uneconomical routes with Solomon Islands Government subsidy through an agreement.	Revenue is recognised on signing of an agreement.

o) Finance income

Finance income comprises of interest income on cash held at bank and realised foreign exchange gain. Unrealised exchange gain and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or loss position.

p) Deposits

Deposits are recorded at cost.

q) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Income tax (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

r) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the Company's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount or fair value to sell.

s) Finance income and expenses

Finance income and expenses comprise interest income on term deposits, interest expense on borrowings, bank overdraft, and statutory liabilities, and foreign exchange gains and losses. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Borrowing costs are recognised in the profit or loss using the effective interest method. Foreign currency gains and losses on financial assets and liabilities are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

t) Current Assets

The directors took reasonable steps before the financial statements were made out to ascertain that the current assets of the Company were shown in the accounting records of the Company at a value equal to or below the value that would be expected to be realised in the ordinary course of the business. At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the current assets in the company's financial statements misleading.

u) Non-Current Assets

Prior to the completion of the Company's financial statements, the Directors took reasonable steps to ascertain whether any non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the company. Where necessary these assets have been written down or adequate provision has been made to bring values of such assets to an amount that they will be expected to realise.

v) Fair Value

Defined as 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. In determining fair value, the Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by the Company to determine fair value are consistent with the market or income approaches. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Valuations based on inputs, other than quoted prices included in Level 1, that are observable either directly or indirectly.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Fair Value (continued)

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when observable inputs are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market.

w) Grant

An unconditional grant related to an asset is recognized in profit or loss as other income when the grant becomes receivable. Other Company will comply with the conditions associated with the grant and are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized.

x) Borrowing

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Note 3. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks arising from financial instruments:

(i) Credit risk;
(ii) Liquidity risk; and
(iii) Market risk.

This note presents information about the Company's exposure to each of the above risks, and the Company's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) ***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

Note 3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

The Company establishes an allowance for impairment that represents its estimate of possible losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for similar assets in respect of loss exposures but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date were as follows:

	2022 $	2021 $
Cash at bank	24,510,636	21,448,135
Trade receivables	7,683,969	8,537,141
Deposits	12,296,651	8,911,305
Other receivables (excluding prepayments)	2,295,989	6,886,145
Term deposits	647,369	645,640
	47,434,614	46,428,366

Expected credit losses assessment as at 1 January 2022 and 31 December 2022:

Trade Receivable

The Company uses an allowance matrix to measure the ECLs of trade receivable from individual customers, which comprise a small number of customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

Cash at Bank

The Company held cash of $24.91 million (2021: $21.47 million). Cash at bank have been measured based on credit ratings as per the Standard and Poors, and Moody's ratings. Impairment on cash at bank has been measured on the 12-month expected loss basis and reflects short term maturities of the exposures. The Company considers that its cash have high credit ratings of the counterparties. The amount of the allowance for 2022 was $408,353 (2021: $68,781).

Term deposit

The Company held term deposit of $649,209 (2021: $647,906). Term deposits have been measured based on credit ratings of banks and financial institutions as per Standard and Poor's and Moody's ratings. Impairment on term deposits has been measured on the 12-month expected loss basis and reflects short term maturities of the exposures. The Company considers that its term deposits have high credit ratings of the counterparties. The amount of the allowance for 2022 was $1,840 (2021: $2,266).

Note 3. FINANCIAL RISK MANAGEMENT (continued)

Deposits
The Company held deposits of $12,832,072 (2021: $9,981,704). The deposits have been measured based on credit ratings of banks and financial institutions as per Standard and Poor's and Moody's ratings.
Impairment has been measured on the 12month expected loss basis and reflects short term turn over. The amount of the allowance for 2022 is $535,421 (2021: $1,074,400)

Movement of impairment allowance for financial assets:

	2022 $	2021 $
Cash and cash equivalents	339,572	26,831
Term deposits	(426)	(217)
Deposits	(534,979)	(373,205)
Trade receivable - remeasurement of allowance	(2,716,730)	1,182,235
	(2,912,563)	835,644

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has bank overdraft facilities available.

The following are the contractual maturities of financial liabilities:

1 January 2022	Carrying amount $	Contractual cash flows $	0 – 1 years $	1 – 2 years $	More than 2 years $
Financial liabilities					
Borrowings	48,620,617	48,620,617	2,976,000	5,952,000	39,692,617
Trade and other payables	94,088,338	94,088,338	94,088,338	-	-
Bank overdraft	1,945,407	1,945,407	1,945,407	-	
Lease liabilities	68,114,872	68,114,872	14,079,127	28,158,258	- 25,877,487
At 31 December 2022	212,769,234	212,769,234	113,088,872	34,110,258	65,570,104

31st December 2022	Carrying amount $	Contractual cash flows $	0 – 1 years $	1 – 2 years $	More than 2 years $
Financial liabilities					
Borrowings	52,434,808	52,434,808	52,434,808	-	-
Trade and other payables	94,322,493	94,322,493	94,322,493	-	-
Bank overdraft	6,597,890	6,597,890	6,597,890	-	-
Lease liabilities	81,255,855	81,255,855	17,459,889	34,919,776	28,876,190
At 31 December 2022	234,611,046	234,611,046	170,815,080	34,919,776	28,876,190

Note 3. FINANCIAL RISK MANAGEMENT (continued)

(iii) Market risk

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

(a) Currency risk

The Company is exposed to foreign currency risks on revenue, expenses and borrowings that are denominated in a currency other than the Solomon Island Dollar. The Company has AUD, NZD, USD, PGK and FJD bank accounts which it uses to manage foreign currency exposures.

As at year end, assets and liabilities denominated in foreign currencies include cash at bank, trade receivables, deposits and trade and other payables. Significant foreign exchange exposures are as follows:

31 December 2022

Original currency	USD SBD $	AUD SBD $	FJD SBD $	NZD SBD $	PGK SBD $
Financial assets					
Deposits	12,830,692	-	-	-	363,977
Cash at bank	1,405,536	1,957,590	3,124,135	2,386,214	-
Trade receivables	263,924	1,315,787	-	-	-
Term deposit	-	562,392	-	-	-
	14,500,152	**3,835,769**	**3,124,135**	**2,386,214**	**363,977**
Financial liabilities					
Trade and other payables	(20,512,599)	(5,986,779)	(1,233,416)	(13,142)	-
Net exposure	(6,012,447)	(2,151,010)	1,890,719	2,373,072	363,977

31 December 2021

Original currency	USD SBD $	AUD SBD $	FJD SBD $	NZD SBD $	PGK SBD $
Financial assets					
Deposits	9,274,576	-	-	-	-
Cash at bank	1,034,632	2,361,509	1,074,734	111,967	355,348
Trade receivables	2,867,045	4,603,773	45,201	381,582	-
Other receivables	5,927,619	170,140	10,868	281	-
Term deposits	-	401,081	-	-	-
	19,103,872	7,536,503	1,130,803	493,830	355,348

Note 3. FINANCIAL RISK MANAGEMENT (continued)

(a) Currency risk (continued)

Original currency	USD SBD $	AUD SBD $	FJD SBD $	NZD SBD $	PGK SBD $
Financial liabilities					
Trade and other payables	(15,135,757)	(5,425,786)	(299,108)	(13,082)	(5,447)
	(15,135,757)	(5,425,786)	(299,108)	(13,082)	(5,447)
Net exposure	**3,968,115**	**2,110,717**	**831,695**	**480,315**	**349,901**

A strengthening of the Solomon Island Dollar as indicated below against USD, AUD, FJD, NZD and PGK at 31 December would have increased / (decreased) profit after tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. This assumes that all other variables remain constant.

	2022 $	2021 $
Financial assets		
Impact on profit/loss after tax if 10% increase in USD fx rate against SBD	1,450,015	1,910,387
Impact on profit/loss after tax if 10% decrease in USD fx rate against SBD	(1,450,015)	(1,910,387)
Impact on profit/loss after tax if 10% increase in AUD fx rate against SBD	383,576	753,650
Impact on profit/loss after tax if 10% decrease in AUD fx rate against SBD	(383,576)	(753,650)
Impact on profit/loss after tax if 10% increase in FJD fx rate against SBD	312,423	113,080
Impact on profit/loss after tax if 10% decrease in FJD fx rate against SBD	(312,423)	(113,080)
Impact on profit/loss after tax if 10% increase in NZD fx rate against SBD	238,621	49,383
Impact on profit/loss after tax if 10% decrease in NZD fx rate against SBD	(238,621)	(49,383)
Impact on profit/loss after tax if 10% increase in PGK fx rate against SBD	36,397	35,535
Impact on profit/loss after tax if 10% decrease in PGK fx rate against SBD	(36,397)	(35,535)

	2022 $	2021 $
Financial liabilities		
Impact on profit/loss after tax if 10% increase in USD fx rate against SBD	(2,051,260)	(1,513,576)
Impact on profit/loss after tax if 10% decrease in USD fx rate against SBD	2,051,260	1,513,576
Impact on profit/loss after tax if 10% increase in AUD fx rate against SBD	(598,678)	(542,579)
Impact on profit/loss after tax if 10% decrease in AUD fx rate against SBD	598,678	542,579
Impact on profit/loss after tax if 10% increase in FJD fx rate against SBD	(123,342)	(29,911)
Impact on profit/loss after tax if 10% decrease in FJD fx rate against SBD	123,342	29,911
Impact on profit/loss after tax if 10% increase in NZD fx rate against SBD	(1,314)	(1,352)
Impact on profit/loss after tax if 10% decrease in NZD fx rate against SBD	1,314	1,352
Impact on profit/loss after tax if 10% increase in PGK fx rate against SBD	-	(5,447)
Impact on profit/loss after tax if 10% decrease in PGK fx rate against SBD	-	5,447

Note 3. FINANCIAL RISK MANAGEMENT (continued)

(b) Interest rate risk

Interest rate refers to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments were as follows:

	2022 $	2021 $
Fixed rate instruments		
Term deposits	647,369	645,640
Variable rate instruments		
Borrowings	48,620,617	52,434,808
Bank overdraft	1,945,407	6,597,890
Lease liabilities	14,079,129	17,459,888
	64,645,153	76,492,586
Sensitivity analysis on variable rate instruments		
A 1% change in interest rate would have the following impact	646,451	764,925

(c) Fuel price risk

The Company purchases its fuel at market price. The Company is exposed to fuel price risk through world fuel price fluctuations. An increase / decrease of 10% on the global fuel prices as at 31 December with all other variables constant would have the following impact on profit or loss before tax.

	Profit or loss impact (increase) / decrease	
	2022 **$**	**2021** **$**
10% increase in fuel price	(5,937,914)	(3,071,489)
10% decrease in fuel price	5,937,914	3,071,489

Fuel price risk is mitigated as the Company monitors fuel prices monthly to see if fuel surcharges need adjusting.

Note 4. REVENUE

	2022 **$**	**2021** **$**
Passenger revenue	137,690,683	91,615,253
Cargo and mail revenue	23,253,062	20,006,655
Charter revenue	71,202,138	53,023,988
Excess baggage	4,011,958	1,421,939
Traffic income	2,316,149	1,242,154
Revenue from unused tickets and cargo manifests	6,967,458	6,422,754
	245,441,448	173,732,743

Note 5 (a). OTHER INCOME

	2022 $	2021 $
Ticket cancellation fees	1,970,740	714,972
Community service obligation (CSO) subsidy	4,500,000	4,500,000
Proceeds from insurance claim	12,000	-
Other income	106	45,157
Business Lounge Membership	1,982	-
	6,484,828	5,260,129

Note 5 (b). OTHER INCOME – Government Grant

	2022 $	2021 $
Solomon Islands Government Grant	16,000,000	-

The Solomon Islands Government has assisted the airline through its Covid19 support. A grant of $16,000,000 was provided in 2022.

Note 5 (c). OTHER INCOME –Aircraft Sub-Lease

	2022 $	2021 $
Aircraft sub-lease income	879,502	3,964,604

The Company had sub-leased one of its twin otters DHC6 -300 MSN 703 aircraft to Air Kiribati in November 2020 initially for a period of three months. The leased agreement was signed in November 2020 with monthly lease rate of US$25,000 per month and a flying hour rate of US$220 per flight hour and maintenance. The agreement ceased at the end on December 2021 and carried forward into first two months of the year 2022.

Note 5 (d). Other Income – DFAT & STROGIM BISNIS

	2022 $	2021 $
Department of Foreign Affairs &Trade (DFAT)	1,293,728	13,847,847

The Australian Government through DFAT has assisted the airline for $13.386m during the year 2021, $1.2m in the current year from STRONGIM BISNIS.

Note 6. OPERATING EXPENSES

	2022 $	2021 $
Aircraft lease/cross-hire	3,732,795	1,289,890
Airport navigation charges	4,297,196	2,520,018
Catering	4,338,454	1,184,516
Engineering and maintenance	60,247,845	34,204,850
Ground handling	12,422,787	6,400,908
Insurance – aircraft	6,264,652	6,556,316
Passenger disruption costs	517,926	377,599
Other operational costs	3,447,310	777,174
	95,268,965	**53,311,271**

Note 7. SELLING AND MARKETING EXPENSE

	2022 $	2021 $
Advertising	1,075,625	639,636
Agents commission	2,393,084	871,029
	3,468,709	**1,510,665**

Note 8. OTHER EXPENSES

	2022 $	2021 $
Accounting and audit fees	1,237,331	1,652,220
Bad and doubtful debts	734,152	747,129
Bank charges	1,042,182	417,342
Computer and communications	7,107,387	5,380,190
Consultancy	2,039,923	2,008,154
Director's fees	204,733	1,500
Freight and courier	1,209,460	1,704,305
Insurance - others	337,999	371,015
Motor vehicle expenses	1,622,578	1,567,406
Others	5,460,352	4,923,912
Premises expenses	9,161,611	11,487,736
Printing and stationery	872,864	637,076
Loss on disposal of aircraft, property, plant & equipment	466,741	634,656
	31,497,313	**31,532,641**

Note 9. IMPAIRMENT LOSS /(GAIN)

Reversal of Impairment	2022 $	2021 $
Impairment on Aircraft – A320 MSN 302 (H4-BUS)	(17,814,254)	(3,102,163)
Impairment on Aircraft – Twin otter H4-NNP	4,423,352	-
	(13,390,902)	**(3,102,163)**

Note 9. IMPAIRMENT LOSS/ (GAIN) (continued)

In 2020, the significant impact of Covid19 on the company's operation with reduced international Passenger demand has put pressure on Board of Directors and Management of the company to reassess the investment in leasing the new airbus H4-SIB, therefore an impairment loss of $20,916,417 was recognised. In the year 2021, an assessment was done with a revised favourable projection than prior year, therefore a reversal amounting to $3,102,163 was recognised. For the current year, the remaining full amount of $17,814,254 was reversed removing full impairment that was initially recognised in 2020. Additionally, an impairment assessment of the domestic fleet was carried out and H4-NNP twin otter results indicated a $4,423,352 loss in today's market value against the book value in 2022.

Note 10. STAFF AND RELATED COSTS

	2022 **$**	**2021** **$**
Wages and salaries expense – key management personnel	8,852,363	5,338,016
Wages and salaries expense – others	24,780,987	27,037,021
National Provident Fund contributions – key management personnel	830,544	400,351
National Provident Fund contributions – others	3,151,122	2,643,016
Housing and other allowances	9,258,941	9,864,196
Other staff related costs	7,843,697	6,350,143
	54,718,654	51,632,743

Note 11. FINANCE INCOME AND EXPENSES

	2022 $	2021 $
Finance Income		
Interest income	(47,471)	(4,838)
Deferred interest income- holding	(773,981)	-
	(821,452)	-
Finance Expense		
Interest expense- holding	773,981	-
Interest expense – loans	820,045	1,050,562
Interest expense – overdraft	126,666	514,490
Interest expense – lease	5,176,881	4,802,355
Realised exchange loss	283,028	(287,346)
Unrealised exchange (gain) / loss	1,917,420	(486,270)
	9,098,021	5,593,791
Finance Expense – net	8,276,569	5,588,953

Note 12. INCOME TAX

		2022 $	2021 $
(a)	Income tax credit recognised in profit or loss	10,645,241	2,916,192
(b)	**Reconciliation of effective tax rate**		
	Operating profit/ (loss) before income tax	8,404,044	(4,533,662)

Note 12. INCOME TAX (continued)

Prima facie income tax expense calculated at 30% (2021: 30%)	2,521,213	(1,360,099)
Non-allowable	(1,500)	(1,451)
Tax losses recouped / derecognised	6,934,636	3,762,534
Deferred tax prior year adjustment	1,242,852	515,177
Income tax prior year adjustment	(71,960)	-
Turnover tax	20,000	-
	10,645,241	**2,916,192**

(c) Recognised deferred tax (liability)/ asset

	2022 $	2021 $
Provision for expected credit losses – accounts receivables	1,673,217	3,294,008
Provision for inventory obsolescence	237,065	237,065
Provision for restoration costs	2,483,444	2,508,361
Provision for employee benefits	4,130,635	6,583,194
Unrealised exchange loss	575,226	22,001
Impairment of financial assets	283,684	342,434
Property, plant and equipment	3,759,773	2,187,129
Right of use asset -book value	(19,553,619)	14,670,231
Lease liability -book value	20,434,462	(5,123,333)
Asset revaluation reserve	(25,728,052)	(20,975,894)
	(11,704,165)	**3,745,196**

Movement in temporary differences during the year	January 2022 $	Recognised in income statement $	Recognised through OCI $	31 December 2022 $
ECL allowance – trade receivables	3,294,008	(1,620,791)	-	1,673,217
Provision for inventory obsolesces	237,065	-	-	237,065
Provision for restoration costs	2,508,361	(24,917)	-	2,483,444
Unrealised exchange loss	22,001	553,225	-	575,226
Impairment of Financial Asset	342,434	(58,750)	-	283,684
Employee benefits	6,583,194	(2,452,559)	-	4,130,635
Property, plant and equipment	2,187,129	1,572,644	-	3,759,773
Right of use asset -book value	14,670,231	(34,223,850)	-	(19,553,619)
Lease liability -book value	(5,123,333)	25,557,795	-	20,434,462
Asset revaluation reserve	(20,975,894)	-	(4,752,158)	(25,728,052)
	3,745,196	**(10,697,203)**	**(4,752,158)**	**(11,704,165)**

Current tax liability	2022 $	2021 $
Tax Benefit	(51,960)	-
Closing balance	**(51,960)**	-

Note 12. INCOME TAX (continued)

Movement in temporary differences during the year	1 January 2021 $	Recognised in income statement $	Recognised through OCI $	31 December 2021 $
ECL allowance – trade receivables	3,114,637	179,371	-	3,294,008
Provision for inventory obsolescence	228,109	8,956	-	237,065
Provision for inventory obsolescence	2,508,361	-	-	2,508,361
Unrealised exchange loss	(174,251)	196,252	-	22,001
Employee benefits	5,431,541	1,151,653	-	6,583,194
Cash at bank	28,684	(8,049)	-	20,635
Term deposit	615	58	-	673
Deposit	209,159	111,962	-	321,120
Property, plant and equipment	7,312,056	(5,124,926)	-	2,187,129
Right of use asset-book value	11,667,631	3,002,600	-	14,670,231
Lease liability-book value	(2,689,264)	(2,434,069)	-	(5,123,333)
Asset revaluation reserve	(19,494,911)	-	(1,480,983)	(20,975,894)
	8,142,367	**(2,916,192)**	**(1,480,983)**	**3,745,196**

Note 13. CASH AND CASH EQUIVALENTS

	2022 $	2021 $
Cash on hand	40,161	44,906
Cash at bank	24,878,828	21,472,010
	24,918,989	21,516,916
Impairment allowance - cash at bank	(408,353)	(68,781)
Total Cash on hand & Cash at Bank	24,510,636	21,448,135
Bank overdraft	(1,945,407)	(6,597,890)
Cash and cash equivalents for statement of cash flows	22,565,229	14,850,245

The Company has an overdraft facility with Bank of South Pacific of $8,000,000 (2021: $8,000,000). Interest is charged on the overdraft at 14% (2021: 9% per annum).

Note 14. TERM DEPOSITS

	2022 $	2021 $
Term deposits	649,209	647,906
Impairment allowance – term deposit	(1,840)	(2,266)
	647,369	645,640

The average rate on term deposits was 0.25% (2021: 0.25%). The deposits have an average maturity of 365 days (2021: 365 days).

Note 15. DEPOSITS

	2022 $	2021 $
IATA security deposit	2,492,037	2,427,184
IATA voluntary deposit	2,047,230	76,391
Aircraft deposits	7,090,483	6,414,738
Other deposits	1,202,322	1,063,392
	12,832,072	9,981,704
Impairment allowance - deposits	(535,421)	(1,070,400)
	12,296,651	8,911,305

The deposits have been classified in the statement of financial position as follows:

	2022 $	2021 $
Current	2,047,230	76,391
Non-current	10,249,422	8,834,914
	12,296,652	8,911,305

Note 16. TRADE RECEIVABLES

	2022 $	2021 $
Trade receivables	13,261,358	20,699,400
Less: Allowances for expected credit losses (ECL)	(5,577,389)	(12,162,259)
	7,683,969	8,537,141

	2022 $	2021 $
<u>Reconciliation of expected credit loss allowance</u>		
Balance at beginning of the year as per IAS 39	12,162,259	10,384,677
Provision made during the year	600,000	595,347
Write-offs	(4,468,140)	-
Re-measurement of loss allowance as per IFRS 9	(2,716,730)	1,182,235
Balance at 31 December	5,577,389	12,162,259

Note 17. OTHER RECEIVABLES AND PREPAYMENTS

	2022 $	2021 $
Other receivables	1,957,630	4,333,322
GST receivable		253,251
Prepayments	338,359	2,299,572
	6,192,923	
Balance at 31 December	8,488,912	6,886,145

Note 18. INVENTORIES

	2022 $	2021 $
Aircraft spares	7,344,299	6,715,232
Fuel	905,772	988,167
Provision for inventory obsolescence	(790,216)	(790,216)
	7,459,855	6,913,183

Note 19. AIRCRAFT, PROPERTY, PLANT AND EQUIPMENT

(a) Valuation

The aircraft were last revalued on 31 December 2021. The valuation was carried out by an independent valuer DavAir Group. The valuation was based on recent market activity and known transaction data relating to the aircraft types.

The land and buildings were revalued in October 2015. The valuation was carried out by an independent valuer Value Solutions Appraisal. The valuation was based on the income approach method capitalising net rental income.

(b) Security

As at 31 December 2016, aircraft, property, plant and equipment were subject to a mortgage that forms security for bank loans (refer Note 21).

ɔte 19. AIRCRAFT, PROPERTY, PLANT AND EQUIPMENT (continued)

	Land & Buildings	Aircraft	Aircraft spares	Aircraft establishment cost	Motor vehicles	Plant and equiment	Work in Progress	Tot
	$	$	$	$	$	$	$	
ost / Revaluation								
alance at 1 January 2021	46,448,008	49,590,164	3,897,293	29,313,192	1,558,433	6,809,902	511,783	138,128,77
dditions	-	49,377,265	1,183,435	-	176,000	381,825	-	51,118,52
isposals 2021	-	-	(864,568)	-	-	-	-	(864,56
evaluation increment	-	(3,250,840)	-	-	-	-	-	(3,250,84
e-stated balance at 31 December 2021	46,448,008	95,716,589	4,216,160	29,313,192	1,734,433	7,191,727	511,783	185,131,89
dditions	-	-	1,461,435	-	170,000	1,114,099	-	2,745,53
Vrite-off 2022	-	-	(642,785)	-	-	-	(349,181)	(991,96
evaluation increment	1,681,339	-	-	-	-	-	-	1,681,33
npairment loss	-	(4,423,352)	-	-	-	-	-	(4,423,35
alance at 31 December 2022	48,129,347	91,293,237	5,034,810	29,313,192	1,904,433	8,305,826	162,602	184,143,44
reakdown of cost / revaluation								
021 Valuation	46,448,008	103,904,040	4,216,160	29,313,192	1,734,433	7,191,727	511,783	193,319,34
022 Valuation	1,681,339	(4,423,352)	-	-	-	-	-	(2,742,01
ost	48,129,347	91,293,237	5,034,810	29,313,192	1,904,433	8,305,826	162,602	184,143,44
alance at 31 December 2022	48,129,347	91,293,237	5,034,810	29,313,192	1,904,433	8,305,826	162,602	184,143,44

ɔte 19. AIRCRAFT, PROPERTY, PLANT AND EQUIPMENT (continued)

	Land & Buildings	Aircraft	Aircraft spares	Aircraft establishment cost	Motor vehicles	Plant and equiment	Work in Progress	Tot
	$	$	$	$	$	$	$	
'epreciation								
ılance at 1 January 2021	10,855,840	4,919,024	812,029	29,313,192	1,339,892	5,352,428	-	52,592,4(
epreciation charge for the year	2,308,370	4,925,604	388,925	-	119,378	955,263	-	8,697,5⁄
ːcumulated depreciation on write off	-	-	(179,629)	-	-	-	-	(179,62
eversal of accumulated depreciation on :valuation	-	(8,187,450)	-	-	-	-	-	(8,187,45
e-stated balance at 31 December 2021	13,164,210	1,657,178	1,021,325	29,313,192	1,459,270	6,307,691	-	52,922,86
epreciation charge for the year	2,317,818	5,121,430	415,354	-	159,842	629,536	-	8,643,9;
ːcumulated depreciation on write off	-	-	(148,896)	-	-	-	-	(148,89
eversal of accumulated depreciation on revaluatio	(14,249,180)	-	-	-	-	-	-	(14,249,18
alance at 31 December 2022	1,232,848	6,778,608	1,287,782	29,313,192	1,619,112	6,937,227	-	47,168,76
arrying amount								
t 1 January 2021	35,592,168	44,671,140	3,085,265	-	218,541	1,457,474	511,783	85,536,37
t 31 December 2021	33,283,798	94,059,411	3,194,836	-	275,163	*884,036*	511,783	132,209,02
t 31 December 2022	46,896,500	84,514,629	3,747,028	-	285,321	*1,368,599*	162,602	136,974,67

Note 20. Intangible Assets

Intangible assets that are acquired by the Company and that have finite useful lives, are measured at cost less accumulated amortisation and any impairment losses. These intangible assets comprise of purchased software.

Amortisation is calculated to write off the cost of the intangible asset using the straight-line method over its estimated useful life, and is generally recognised in profit or loss. The estimated useful life of software is 4 years.

	2022 $	2021 $
Cost		
Balance at 1 January 2022	2,325,260	2,325,260
Balance as at 31 December 2022	**2,325,260**	**2,325,260**
Accumulated amortisation		
Balance at 1 January 2022	756,662	59,084
Amortisation expenses during the year	697,578	697,578
Balance at 31 December 2022	**1,454,240**	**756,662**
Carrying amount		
As at 31 December 2022	**871,020**	**1,568,598**

Note 21. BORROWINGS

a)

	2022 $	2021 $
Loan – Bank of South Pacific	10,620,617	14,434,808

Borrowings have been classified in the statement of financial position as follows:

	2022 $	2021 $	2018 $
Current	10,620,617	14,434,808	42,023,098
Non-Current	-	-	-
	10,620,617	14,434,808	42,023,098

Details of the borrowings are as follows:

Loan – Bank of South Pacific (BSP)
The Company secured a loan from BSP to fund the purchase of the Dash 8 and Twin Otter aircraft. Interest is currently charged at the rate of 6.75% (2021: 6.75%). Repayments of $3,814,188 were made during the year. Interest is charged at the rate of 6.75% amounted to $820,045 during the year. Total loan considered as current due to high debt to equity ratio. No breaches were noted in recent banks offer letters and correspondence.

Note 21. BORROWINGS (continued)

The loan is secured as follows:

(i) First registered charge over residential properties situated at Rove, Central West Kola's ridge, West Kola's ridge, Panatina, along Tandai Highway, Henderson Airport and Gizo;
(ii) Registered equitable mortgage over the whole of Solomon Airline Limited's assets and undertakings including uncalled capital, fire policy assigned over stock, plant and machinery;
(iii) Registered equitable mortgage over the whole of Pacific Car Rentals Limited's assets and undertakings including uncalled capital;
(iv) Registered charge over property situated at Henderson Airport and Gizo;
(v) Registered charge over commercial properties, Honiara Head Office and Gizo office;
(vi) Guarantee (unlimited as amount) by Pacific Car Rentals Limited supported by the commercial property at Henderson; and
(vii) Registered mortgage over two De Havilland Twin Otter and one Dash 8 aircraft.

(b) Solomon Islands Government

	2022 $	2021 $
Loan – SIG	38,000,000	38,000,000

Borrowings have been classified in the statement of financial position as follows:

	2022 $	2021 $
Details of the borrowings are as follows:		
Deferred Income (Current)	1,600,207	-
Deferred Income (Non current)	13,467,009	-
Non-current Loan Holding Company	22,932,784	38,000,000
	38,000,000	38,000,000

The Company purchased a twin otter aircraft on the Solomon Islands register as H4-SIC in February 2021 from Ikhana Group INC partially through a Solomon Islands Government loan of Solomon Islands Dollars Thirty-Eight million (SBD38m). The purchase price was SBD49m the balance of SBD10m being SAL contribution. The Loan is interest fee with a grace period from 2021 with repayments to resume in 2025. The Loan is interest free, however as per IFRS 9 a notional interest is recognised and disclosed as Deferred Income in the current year.

Note 22. TRADE AND OTHER PAYABLES

	2022 $	2021 $
Trade payables	36,318,386	34,732,892
Accrued expenditure	57,769,952	59,589,601
	94,088,338	94,322,493

Note 23. PROVISION FOR AIRCRAFT RESTORATION

	2022 $	2021 $
Balance at 1 January	8,090,615	8,650,221
FX movement for the year	(187,530)	(559,606)
Balance at 31 December	8,278,145	8,090,615

Note 24. EMPLOYEE BENEFITS

Annual leave	2022 $	2021 $
Balance at 1 January	3,668,115	3,372,637
Provisions made during the year	607,136	2,427,444
Provision utilised during the year	(1,039,204)	(2,131,966)
Balance at 31 December	**3,236,047**	**3,668,115**

Long Service Leave	2022 $	2021 $
Balance at 1 January	1,816,800	1,922,279
Provisions made during the year	113,393	33,796
Provision utilised during the year	(239,222)	(139,275)
Balance at 31 December	1,690,971	1,816,800

Retirement benefit		
Balance at 1 January	16,459,066	12,810,223
Provisions made during the year	450,000	3,648,843
Provision utilised during the year/Adjustment	(7,668,693)	-
Balance at 31 December	9,240,373	16,459,066

Classification in the statement of financial position is as follows:

Current	3,236,047	3,668,115
Non-current	10,931,344	18,275,866
	14,167,391	21,943,981

The employee benefits relating to long service leave and retirement benefit came into effect in 2017.

Note 25. CAPITAL AND RESERVES

	2022 $	2021 $
(a) Authorised capital		
Ordinary shares @$1.00 each	78,809,801	78,809,801
(b) Share capital		
An issue at 1 January	78,809,801	78,809,801
Issued for cash	-	-
In issue at 31 December – fully paid	78,809,801	78,809,801

Holders of these shares are entitled to dividends as and when declared and are entitled to one vote per share at general meetings of the Company. In September 2016, the general meeting of shareholders approved the issue of 7,900,000 shares at an exercise price of $1.00 per share.

(c) Revaluation Reserve

	2022	2021
1 January	35,985,570	32,529,935
Revaluation of aircraft (Note 19)	-	4,936,618
Revaluation of properties	15,930,519	-
Deferred tax on revaluation	(4,752,158)	(1,480,983)
31 December 2022	47,163,931	35,985,570

Note 26. COMMITMENTS

	2022 $	2021 $
Capital expenditure approved and committed	3,375,615	876,000

Note 27. LEASES

The Company has accounted for its lease contracts in accordance with IFRS16 during the reporting period. Note 2(a)(i) includes details of the accounting treatment for lease. During the year, the lease agreement was amended reducing the lease payment from USD$195,000 to USD$179,000 and extending the lease term further to 2027.Thefore this resulted in the modification of lease or adjustment to current year ROU and Lease Liability numbers. Detailed information about leases for which the Company is a lessee is presented below.

Note 27. LEASES (continued)
The statement of financial position shows the following amounts relating to right-of-use assets:

(a) Right-of-use assets

	Aircraft $	Motor vehicle $	Rental space $	Total $
Year ended 31 December 2021				
Net book amount				
Opening balance	71,549,457	486,206	72,229	72,107,892
Modification adjustment and other	6,072,135	-	-	6,072,135
Addition	-	1,033,895	-	1,033,895
Impairment gain	3,102,163	-	-	3,102,163
Depreciation	(18,624,493)	(529,320)	(72,229)	(19,226,042)
Closing net book amount 31st December 2021	**62,099,262**	**990,781**	**-**	**63,090,043**

	Aircraft $	Motor vehicle $	Rental space $	Total $
Opening balance 31st December 2021	62,099,262	990,781	-	63,090,043
Impairment reversal	17,814,253	-	-	17,814,253
Depreciation	(15,467,131)	(258,443)	-	(15,725,574)
Closing net book amount 31st December 2022	**64,446,384**	**732,338**	**-**	**65,178,722**

(b) Lease liabilities

	2022 $	2021 $
Lease liability– 1 January 2022	81,255,854	88,178,294
Additions/Adjustments	-	7,106,030
Less: principal element of lease payments	(13,140,982)	(14,028,470
Lease liability at 31 December 2022	68,114,872	81,255,854

(i) Lease liabilities included in the statement of financial position at 31 December 2022

Note 27. LEASES (continued)

	2022 $	2021 $
Current	(14,079,129)	(17,459,889)
Non-current	(54,035,743)	(63,795,965)
Total lease liabilities at 31 December 2022	68,114,872	81,255,854

(ii) Amount recognised in profit or loss

The statement of profit or loss shows the following amounts relating to leases.

	2022 $	2021 $
Amortization charge on right-of-use assets	15,725,574	19,226,042
Impairment charge/(reversal)	(17,814,253)	(3,102,163)
Interest expense (included in finance cost)	5,176,881	4,837,820

(iii) Amount recognised in statement of cash flows - financing

Principal elements of lease payments	15,725,574	19,226,042
Interest element of lease payments	(17,814,253)	(3,102,163)
Total cash outflow of leases	(18,317,863)	(18,866,289)

(iv) Maturity analysis – contractual undiscounted cash flows

	Aircraft **$**	**Motor vehicle** **$**	**Total** **$**
Less than one year	17,959,866	178,998	18,138,864
One to five years	59,866,221	343,080	60,209,301
Total undiscounted lease liabilities at 31 December 2022	77,826,087	522,078	78,348,165

Note 28. MATERIAL NON-CASH TRANSACTIONS

	2022 $	2021 $
Modification of lease (refer Note 27)	-	6,072,135
Valuation of Dash 8 components	-	4,936,610
Impairment reversal right of use assets	17,814,245	3,102,163
Impairment loss of H4-NNP	4,423,352	-
Valuation of properties (Land & Building)	15,930,519	-
Reversal of retirement benefits	8,015,741	-
	46,183,867	14,110,908

Note 29. RELATED PARTIES

(a) Directors

The names of directors in office at any time during the financial year are:

(a) Chairman	-	Mr Frank Wickham
(b) Deputy Chairman	-	Mr Robertus Franciscus Bochman (deceased August 2023)
(c) Director	-	Mr Anthony Makabo (resigned July 2024)
(d) Deputy Chairman	-	Mr Bob Pollard
(e) Director	-	Mrs Rose Sulu (appointed August 2022)
(f) Director	-	Mr Jackson Kiloe (appointed September 2022)
(g) Director	-	Mr Mike Clay (appointed October 2022)
(h) Director	-	Mr Andrew Nihopara (appointed March 2024)
(i) Director	-	Mrs Areau Hivu (appointed March 2024)

(b) Parent company

The Company is owned by Investment Corporation of Solomon Islands (ICSI). ICSI is wholly owned by the Government of Solomon Islands.

(c) Identity of related parties

As the Company is owned by the government, all government and government related entities are its related parties. Other related parties include directors and employees of the Company.

(d) Transactions with key management personnel and directors

The transactions with the government and government related entities are individually insignificant hence do not warrant disclosure in the financial statements.

21% of the Company's sales and 4% of its purchases are with State Owned Enterprises and Solomon Islands Government departments.

(e) Transactions with key management personnel and directors

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly and indirectly. Key management personnel in the current and prior year comprises of the Chief Executive Officer, Chief Financial Officer, Manager Commercial, Manager Operations, Manager Corporate Services, Manager Engineering, Chief Pilot and Maintenance Controller. Transactions with key management personnel are on no more favorable terms than those available, or which might be reasonably be expected to be available, on similar transactions to third parties at arm's length.

Note 29. RELATED PARTIES (continued)

Key management compensation is disclosed in Note 10.

	2022 $	2021 $
Total key management compensation	9,083,034	5,738,367

In addition to their salaries, the Company also provides non-cash benefits to the directors and key management personnel.

Directors' fees are disclosed in Note 8.

Note 30. CONTINGENT LIABILITIES

As at reporting date only one contingent liability exists in respect of security bond with ANZ Australia being for Credit Card ticket Sales settlement AUD36,162(2021: AUD36,162).

In addition to the above, there are legal claims against the Company at year end. The liability for these is either not material or is not expected to result in a loss to the Company.

Note 31. REVENUE RECEIVED IN ADVANCE

Refer to note 2(n) for a description of the Company's policy in relation to revenue recognition and deferral of unearned revenue, including the estimates and judgement used in estimating unearned revenue.

	2022 $	2021 $
Current		
Unearned passenger revenue	48,340,293	29,341,492

Note 32. SUBSEQUENT EVENTS

Apart from the above, no other matters or circumstances have arisen during the financial period which significantly affected the operations of the Company since the end of the financial period to the date of this report to secure the liabilities of any other person.