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Solomon Airlines Limited

Financial Statements

31 December 2018

Solomon Airlines Limited Incorporated In Solomon Islands
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Solomon Airlines Limited
Financial Statements – 31 December 2018

Contents

Solomon Airlines Limited
Directors' Report
For the year ended 31 December 2018

In accordance with a resolution of the board of directors, the directors herewith submit the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for the year ended 31 December 2018 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 Austin Holmes
Deputy Chairman	-	Mr Robertus Franciscus Bochman
Director	-	Mr Masao Yamagata
Director	-	Mrs Kathy Nori
Director	-	Mr Josefa Tuamoto
Director	-	Mr Peter Forau

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 profit for the year after income tax expense of $8,919,421 (2017: income tax benefit of $1,907,885) amounted to $31,353,665 (2017: $10,797,004).

Reserves

The directors recommend that no amounts be transferred to reserves in respect of the year ended 31 December 2018.

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. 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 provision 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.

Solomon Airlines Limited
Directors' Report
For the year ended 31 December 2018

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 & accrued expenditure and certain provisions.

Basis of Accounting

The directors believe that the basis of preparation of accounts is appropriate and the Company will be able to continue in operation for at least 12 months from the date of this statement. Accordingly, the Directors believe that the classification and carrying amount of the assets and liabilities as stated in the financial statements to be appropriate.

Events Subsequent to Balance Date

No charge on the assets of the Company has arisen since the end of the financial period to the date of this report to secure the liabilities of any other person.

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.

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.

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.

Solomon Airlines Limited
Directors' Report
For the year ended 31 December 2018

Related Party Transactions

In opinion of the directors all related party transactions have been adequately recorded in the books of the company and reflected in the attached financial statements.

Signed in accordance with a resolution of the directors this 15th day of November 2019.

For and on behalf of the Board,

....
Director

....
Director

Solomon Airlines Limited
Directors' Statement
For the year ended 31 December 2018

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 2018;

(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 2018;

(c) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the movement in shareholders' funds for the year ended 31 December 2018;

(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 2018;

(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...1ST...... day of NOVEMBER...2019.

....
Director

....
Director

Solomon Islands Office of the Auditor-General

INDEPENDENT AUDITOR'S REPORT

To the members of Solomon Airlines Limited

Report on the Audit of the Financial Statements

Opinion

I have in joint consultation with the Board of Solomon Airlines Limited ("the Company") contracted PwC, Fiji which is part of the PwC International network to assist me to audit the accompanying financial statements of Solomon Airlines Limited, which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 32.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of 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 on Auditing (ISAs). 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.

Independence

I am independent of the Company in accordance with 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Directors and Management for the Financial Statements

Directors and Management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and the requirements of the Solomon Islands Companies Act, 2009 and for such internal control as the directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, directors and management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors and 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.

Auditors' 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 auditor's 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 on Auditing (ISAs) 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 ISAs, 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 directors and management.

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

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

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.

Report on Other Legal and Regulatory Requirements

In my opinion the financial statements have been prepared in accordance with requirements of the Solomon Islands Companies Act, 2009 in all material respect and

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 *Public Finance and Audit Act [Cap 120] and the State Owned Enterprises Act 2007 which* requires the audited financial statements to be submitted to the Minister before 31 March of the following year to which the financial statements relate. The signed statements were not presented to me until 4th November 2019.

Peter Lokay
Auditor General
Date 4th November 2019

Office of the Auditor General
Solomon Islands

Solomon Airlines Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018

	Notes	2018 $	2017 $
Revenue	4	285,034,542	267,523,634
Other income	5	8,957,395	10,321,576
Total operating revenue		293,991,937	277,845,210
Staff and related costs	9	(66,763,535)	(61,961,500)
Operations	6	(92,370,041)	(90,660,535)
Selling and marketing expenses	7	(5,123,854)	(5,433,674)
Fuel		(63,455,516)	(49,329,567)
Depreciation	19	(14,192,628)	(13,586,481)
Other expenses	8	(44,204,628)	(37,793,916)
Reversal of tax liabilities	25	39,241,309	-
Impairment reversal / (allowance) for financial assets	3(i)	1,948,567	(893,690)
Total operating expenses		(244,920,326)	(259,659,363)
Profit from operations		49,071,611	18,185,847
Finance expenses - net	10	(8,798,525)	(9,296,728)
Operating profit before income tax		40,273,086	8,889,119
Income tax (expense) / credit	11(a)	(8,919,421)	1,907,885
Profit after income tax		31,353,665	10,797,004
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		-	(1,657,930)
Total comprehensive profit for the year		31,353,665	9,139,074

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

Solomon Airlines Limited
Statement of Changes in Equity
For the year ended 31 December 2018

	Notes	Share capital $	Revaluation reserve $	Accumulated Losses $	Total $
Balance at 1 January 2017		78,809,801	36,027,850	(121,260,896)	(6,423,245)
Comprehensive (loss) / profit for the year					
Transfer of depreciation on revaluation increment of aircraft		-	(118,426)	118,426	-
Net profit for the year		-	-	10,797,004	10,797,004
Other comprehensive loss for the year		-	(1,657,930)	-	(1,657,930)
Total comprehensive (loss) / profit for the year		-	(1,776,356)	10,915,430	9,139,074
Transactions with owners of the company					
Issue of ordinary shares		-	-	-	-
Total transactions with owners of the company		-	-	-	-
Balance at 31 December 2017		78,809,801	34,251,494	(110,345,466)	2,715,829
Changes on initial application of IFRS 9		-	-	(1,349,187)	(1,349,187)
Balance at 1 January 2018		78,809,801	34,251,494	(111,694,653)	1,366,642
Comprehensive profit for the year					
Net profit for the year		-	-	31,353,665	31,353,665
Other comprehensive profit for the year		-	-	-	-
Total comprehensive profit for the year		-	-	31,353,665	31,353,665
Transactions with owners of the company					
Issue of ordinary shares		-	-	-	-
Total transactions with owners of the company		-	-	-	-
Balance at 31 December 2018		78,809,801	34,251,494	(80,340,988)	32,720,307

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 2018

	Notes	2018 $	2017 $
ASSETS			
Non-Current Assets			
Aircraft, property, plant and equipment	19	159,153,360	109,710,885
Investment property	20	-	8,169,000
Deposits	14	6,176,051	5,312,951
Total non-current assets		165,329,411	123,192,836
Current Assets			
Cash on hand and at bank	12	12,317,330	20,495,387
Term deposits	13	740,922	769,735
Deposits	14	2,456,028	7,021,220
Trade receivables	15	13,853,563	10,217,899
Other receivables and prepayments	16	8,309,382	1,858,247
Inventories	17	3,914,681	3,754,980
Assets held for sale	18	2,257,281	-
Total current assets		43,849,187	44,117,468
Total Assets		$209,178,598	$167,310,304
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	26(b)	78,809,801	78,809,801
Revaluation reserve	26(c)	34,251,494	34,251,494
Accumulated losses		(80,340,988)	(110,345,466)
Total capital and reserves		32,720,307	2,715,829
Non-Current Liabilities			
Borrowings	21	-	4,230,286
Deferred tax liability	11(c)	12,850,692	4,509,494
Employee benefits	24	11,538,782	10,701,184
Statutory liabilities	25	-	17,569,760
Total non-current liabilities		24,389,474	37,010,724
Current Liabilities			
Bank overdraft	12	2,397,433	-
Borrowings	21	42,023,098	29,843,652
Lease liability	22	16,548,592	-
Revenue received in advance	31	41,752,526	39,528,794
Trade, other payables and accrued expenditure	23	43,190,162	38,711,612
Employee benefits	24	6,157,006	4,798,654
Statutory liabilities	25	-	14,701,039
Total current liabilities		152,068,817	127,583,751
Total Liabilities		176,458,291	164,594,475
Total Equity and Liabilities		$209,178,598	$167,310,304

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

Signed on behalf of the Board.

A H Jones

Director

Director

Solomon Airlines Limited
Statement of Cash Flows
For the year ended 31 December 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		286,113,870	290,780,893
Payments to suppliers and employees		(238,941,867)	(251,786,627)
Cash generated from operations		47,172,003	38,994,266
Interest received		129,249	41,938
Interest paid		(8,927,774)	(2,571,128)
Statutory liabilities paid		6,970,510	(3,009,596)
Net cash generated from operating activities		45,343,988	33,455,480
Cash flows from investing activities			
Acquisition of property, plant and equipment	19	(64,114,031)	(1,453,798)
Proceeds from withdrawal of term deposits		28,813	-
Investment in term deposits		-	(121,772)
Proceeds from disposal of aircraft, property, plant and equipment		15,000	726,520
Net cash used in investing activities		(64,070,218)	(849,050)
Cash flows from financing activities			
Proceeds from additional loan		20,000,000	
Repayments of borrowings		(12,050,840)	(10,785,511)
Net cash generated from / (used in) financing activities		7,949,160	(10,785,511)
Net (decrease) / increase in cash and cash equivalents		(10,777,070)	21,820,919
Cash and cash equivalents at 1 January		20,495,387	(1,325,532)
Effect of IFRS 9 adjustments to cash and cash equivalents		201,580	-
Cash and cash equivalents at 31 December	12	$9,919,897	$20,495,387

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

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 1st November 2019.

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 investment property and assets held for sale which are measured at fair value and aircraft which is measured using the revaluation model.

(i) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 resulted in changes in accounting policies and presentation. The nature and effects of the key changes to the company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

(1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. For an explanation of how the company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 2(g).

(2) Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the company's financial assets and financial liabilities as at 1 January 2018:

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Preparation (continued)

(i) New and amended standards adopted by the company (continued)

IFRS 9 Financial Instruments (continued)

(2) Classification of financial assets and financial liabilities on the date of initial application of IFRS (continued)

	Notes	Original classification category under IAS 39	New classification category under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
				SBD	SBD
Financial assets					
Cash and cash equivalents	12	Loans and receivables	Amortised cost	20,495,387	20,386,591
Term deposit	13	Loans and receivables	Amortised cost	769,735	765,699
Deposits	14	Loans and receivables	Amortised cost	12,334,171	12,158,095
Trade and other receivables excluding prepayments	15/16	Loans and receivables	Amortised cost	10,994,466	9,355,965
Total financial assets				44,593,759	42,666,351
Financial liabilities					
Borrowings	21	Other financial liabilities	Amortised cost	34,073,938	34,073,938
Statutory liability	25	Other financial liabilities	Amortised cost	32,270,799	32,270,799
Trade, other payables, and accrued expenditure	23	Other financial liabilities	Amortised cost	38,711,612	38,711,612
Total financial liabilities				105,056,349	105,056,349

No changes on the measurement of the Company's financial assets under IAS 39 and IFRS 9 (amortised cost). The adoption of IFRS 9 did not have significant effect on the Company's accounting policies related to financial liabilities.

(3) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and loan commitments issued, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

(4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- the Company has used the exemption not to restate comparative information of prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not general reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- the determination of the business model within which a financial asset is held is an assessment made on the basis of the facts and circumstances that existed at the date of initial application.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Preparation (continued)

(i) New and amended standards adopted by the company (continued)

IFRS 9 Financial Instruments (continued)

(4) Transition (continued)

The following table summarizes the impact, net of tax, of transition to IFRS 9 on accumulated losses as at 1 January 2018:

	Impact of adopting IFRS 9 as at 1 January 2018
Accumulated Losses	
Closing balance under IAS 39 (31 December 2017)	(110,345,466)
Recognition of expected credit loss under IFRS 9	(1,927,410)
Impact on deferred tax asset	578,223
Opening balance under IFRS 9 (1 January 2018)	**(111,694,653)**

(5) Presentation

As a resut of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 'Presentation of Financial Statements', which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Previously, the Company's approach was to include the impairment of financial assets in other expenses.

Consequently, the Company reclassified net impairment losses amounting to $893,690 recognised under IAS 39, from other expenses to impairment allowance for financial assets in the statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

Additionally, the Company has adopted consequential amendments to IFRS 7 'Financial Instruments: Disclosures' that are applied to disclosures about 2018 but have not been generally applied to comparative information.

IFRS 15 Revenue from Contracts with Customers

Under IFRS 15, the Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled for those goods and services. The Company recognises revenue in accordance with that core principle by: (i) identifying the contracts with customers; (ii) identifying the obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations in the contract; and (v) recognising revenue when the Company satisfies a performance obligation.

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Previously, under IAS 18, the Company recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow the Company and when specific criteria have been met for each of the Company's activities.

The Company has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Revenue from sale of goods was not quantitatively impacted from the adoption of IFRS 15. However, the Company has expanded its accounting policies for revenue recognition in accordance with IFRS 15 as detailed in Note 2(n).

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Preparation (continued)

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2018 and not early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, 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. None of these are expected to be relevant to the Company, except the following set out below:

Topic	Key Requirements	Effective Date
Amendments to IAS 28	These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9.	Annual periods beginning on or after 1 January 2019
Amendments to IAS 1 and IAS 8 on the definition of material	These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates, and errors', and consequential amendments to other IFRSs 1) use a consistent definition of materiality throughout the IFRSs and the Conceptual Framework for Financial Reporting; 2) clarify the explanation of the definition of material; and 3) incorporate some of the guidance in IAS 1 about immaterial information.	Annual periods beginning on or after 1 January 2020
IFRIC 23, 'Uncertainty over income tax treatments'	This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.	Annual periods beginning on or after 1 January 2019

b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the company's 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.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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(e)	-	Aircraft, property, plant and equipment (Revaluation & Depreciation)
Note 2(n)	-	Revenue in advance
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%

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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 years valuation is taken to profit or loss.

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.

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 has repossessed the property at Point Cruz used as an investment property during the financial year and reclassified as property, plant and equipment, its fair value at the date of reclassification becomes 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.

(ii) Classification and measurement

Financial asset - policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

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.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

(ii) Classification and measurement (continued)

Financial asset - policy applicable from 1 January 2018 (continued)

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.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

(ii) Classification and measurement (continued)

Financial asset - policy applicable from 1 January 2018 (continued)

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. 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 assets – policy applicable before 1 January 2018

(i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: loans and receivables and held to maturity financial assets.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

(ii) Classification and measurement (continued)

Financial assets – policy applicable before 1 January 2018 (continued)

(i) Non-derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables, and deposits.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and bank overdraft for the purposes of the statement of cash flows.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold investments to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets comprise term deposits.

Financial Liabilities - Policy applicable before 1 January 2018

All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise lease liabilities, borrowings, and trade creditors and accrued expenses.

Financial Liabilities - Policy applicable from 1 January 2018

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.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

(ii) Classification and measurement (continued)

Financial Liabilities - Policy applicable from 1 January 2018 (continued)

(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.

Financial liabilities

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 Group and 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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. The Group leases certain aircraft, property, plant and equipment. Leases of aircraft, property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in lease liabilities. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Leases (continued)

The aircraft, property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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.

k) Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

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 Companys 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 realising 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.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment (continued)

(i) Non-derivative financial assets (continued)

Measurement of ECLs (continued)

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 reorganisation;
- the disappearance of an active market for a security because of financial difficulties.

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.

Policy applicable before 1 January 2018

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the associated future cash flows related to that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(ii) Loans, receivables and held-to-maturity investments

The Company considers evidence of impairment for loans and receivables and held-to-maturity investments at both a specific asset and collective level. All individually significant receivables and held-to-maturity investments are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment (continued)

(ii) Loans, receivables and held-to-maturity investments (continued)

Loans and receivables and held-to-maturity investments that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investments with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investments.

When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(iii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 (applicable from 1 January 2018)
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

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Services	Nature, timing of satisfaction of performance obligations and significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)
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

Policy applicable before 1 January 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

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.

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.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

Note 3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

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.

	2018 $	2017 $
Cash at bank	12,477,213	20,452,091
Trade receivables	13,853,563	10,217,899
Deposits	8,632,079	12,334,171
Other receivables (excluding prepayments)	434,980	776,567
Term deposits	740,922	769,735
	36,138,757	44,550,463

Expected credit losses assessment as at 1 January 2018 and 31 December 2018:

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. On initial application of IFRS 9, the Company recognised $Nil impairment allowance as at 1 January 2018 as the company does not consider the impairment allowance to be material and the same applied as at 31 December 2018.

Cash at Bank

The company held cash of $12.48 million (2017: $20.45 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. On initial application of IFRS 9, the Company recognised $108,717 impairment allowance as at 1 January 2018 as the Company considers the impairment allowance to be material. The amount of the allowance changed during 2018 to that of $201,754.

Term deposit

The Company held term deposit of $740,922 (2017: $769,735). Term deposits have been measured based on credit ratings of banks and financial institutions as per Standard and Poors 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. On initial application of IFRS 9, the Company recognised $4,036 impairment allowance as at 1 January 2018 as the Company considers the impairment allowance to be material. The amount of the allowance changed during 2018 to that of $4,024.

Deposits

Impairment has been measured on the 12 month expected loss basis and reflects short term turn over. On initial application of IFRS 9, the Company recognised $176,076 impairment allowance as at 1 January 2018 as the company considers the impairment allowance to be material, The amount of the allowance changed during 2018 to that of $152,166.

Solomon Airlines Limited
Notes to and Forming Part of the Financial Statements
For the year ended 31 December 2018

Note 3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Movement of impairment allowance for financial assets:

	2018 $	2017 $
Cash and cash equivalents	92,957	-
Term deposits	(12)	-
Deposits	(23,910)	-
Trade receivable - provision made / (utilised)	180,423	893,690
- remeasurment of allowance	(2,198,025)	-
	1,948,567	**893,690**

(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:

31 December 2018	Carrying amount	Contractual cash flows	0 – 1 years	1 – 2 years	More than 2 years
	$	$	$	$	$
Financial liabilities					
Borrowings	42,023,098	42,023,098	42,023,098	-	-
Trade, other payables and accrued expenditure	43,190,162	43,190,162	43,190,162	-	-
Statutory liabilities	-	-	-	-	-
Bank overdraft	2,397,443	2,397,443	2,397,443	-	-
Lease Liabilities	16,548,592	16,548,592	16,548,592	-	-
At 31 December 2018	104,159,295	104,159,295	104,159,295	-	-

31 December 2017	Carrying amount $	Contractual cash flows $	0 – 1 years $	1 – 2 years $	More than 2 years $
Financial liabilities					
Borrowings	34,073,938	34,073,938	29,843,647	3,172,718	1,057,573
Trade, other payables and accrued expenditure	38,711,612	38,711,612	38,711,612	-	-
Statutory liabilities	32,270,799	32,270,799	14,701,039	8,465,252	9,104,508
Bank overdraft	-	-	-	-	-
At 31 December 2017	105,056,349	105,056,349	83,256,298	11,637,970	10,162,081

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, borrowings and trade and other payables. Significant foreign exchange exposures are as follows:

31 December 2018

Original currency	USD SBD $	AUD SBD $	FJD SBD $	NZD SBD $	PGK SBD $
Financial assets					
Deposits	7,405,118	-	-	-	-
Cash at bank	2,491,675	1,046,580	1,976,006	331,556	184,087
Trade receivables	2,141,435	982,565	-	-	-
Other receivables	5,416,163	223,729	18,833	3	-
Term deposits	-	504,116	-	-	-
	17,454,391	2,756,990	1,994,839	331,559	184,087
Financial liabilities					
Borrowings	-	-	-	-	-
Trade and other payables and accrued expenditure	(4,070,426)	(9,876,828)	(740,963)	(51,884)	-
	(4,070,426)	(9,876,828)	(740,963)	(51,884)	-
Net exposure	13,383,965	(7,119,838)	1,253,876	279,675	184,087

31 December 2017

Original currency	USD SBD $	AUD SBD $	FJD SBD $	NZD SBD $	PGK SBD $
Financial assets					
Deposits	12,044,425	-	-	-	-
Cash at bank	2,250,174	1,164,967	1,086,749	2,253,588	72,522
Trade receivables	1,611,634	1,571,698	-	-	-
Other receivables	-	452,992	13,122	12,278	-
Term deposits	-	450,327	-	-	-
	15,906,233	3,639,984	1,099,871	2,265,866	72,522

Note 3. FINANCIAL RISK MANAGEMENT (continued)

(iii) Market risk (continued)

(a) Currency risk (continued)

31 December 2017

Original currency	USD SBD $	AUD SBD $	FJD SBD $	NZD SBD $	PGK SBD $
Financial liabilities					
Bank overdraft	-	-	-	-	-
Borrowings	(7,403,003)	-	-	-	-
Trade and other payables and accrued expenditure	(3,034,293)	(7,738,373)	(1,209,607)	(10,595)	-
	(10,437,296)	(7,738,373)	(1,209,607)	(10,595)	-
Net exposure	5,468,937	(4,098,389)	(109,736)	2,255,271	72,522

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.

	2018 $	2017 $
Financial assets		
Impact on profit/loss after tax if 10% increase in USD fx rate against SBD	1,745,439	1,590,623
Impact on profit/loss after tax if 10% decrease in USD fx rate against SBD	(1,745,439)	(1,590,623)
Impact on profit/loss after tax if 10% increase in AUD fx rate against SBD	275,699	363,998
Impact on profit/loss after tax if 10% decrease in AUD fx rate against SBD	(275,699)	(363,998)
Impact on profit/loss after tax if 10% increase in FJD fx rate against SBD	199,484	109,987
Impact on profit/loss after tax if 10% decrease in FJD fx rate against SBD	(199,484)	(109,987)
Impact on profit/loss after tax if 10% increase in NZD fx rate against SBD	33,156	226,587
Impact on profit/loss after tax if 10% decrease in NZD fx rate against SBD	(33,156)	(226,587)
Impact on profit/loss after tax if 10% increase in PGK fx rate against SBD	18,409	7,252
Impact on profit/loss after tax if 10% decrease in PGK fx rate against SBD	(18,409)	(7,252)
Financial liabilities		
Impact on profit/loss after tax if 10% increase in USD fx rate against SBD	(407,043)	(1,043,730)
Impact on profit/loss after tax if 10% decrease in USD fx rate against SBD	407,043	1,043,730
Impact on profit/loss after tax if 10% increase in AUD fx rate against SBD	(987,683)	(773,837)
Impact on profit/loss after tax if 10% decrease in AUD fx rate against SBD	987,683	773,837
Impact on profit/loss after tax if 10% increase in FJD fx rate against SBD	(74,096)	(120,961)
Impact on profit/loss after tax if 10% decrease in FJD fx rate against SBD	74,096	120,961
Impact on profit/loss after tax if 10% increase in NZD fx rate against SBD	(5,188)	(1,060)
Impact on profit/loss after tax if 10% decrease in NZD fx rate against SBD	5,188	1,060
Impact on profit/loss after tax if 10% increase in PGK fx rate against SBD	-	-
Impact on profit/loss after tax if 10% decrease in PGK fx rate against SBD	-	-

Note 3. FINANCIAL RISK MANAGEMENT (continued)

(iii) Market risk (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:

	2018 $	2017 $
Fixed rate instruments		
Term deposits	740,992	769,735
Variable rate instruments		
Borrowings	42,023,098	34,073,938
Bank overdraft	2,397,433	-
Lease liability	16,548,592	-
	60,969,123	34,073,938
Sensitivity analysis on variable rate instruments A 1% change in interest rate would have the following impact	609,691	340,739

(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	
	2018 $	2017 $
10% increase in fuel price	(6,347,022)	(4,932,957)
10% decrease in fuel price	6,347,022	4,932,957

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

Note 4. REVENUE

	2018 $	2017 $
Passenger revenue	217,898,655	204,962,653
Cargo and mail revenue	16,062,802	16,624,313
Charter revenue	12,247,077	16,095,906
Excess baggage	5,566,166	5,380,710
Traffic income	17,366,984	11,654,483
Revenue from unused tickets and cargo manifests	15,892,858	12,805,569
	285,034,542	267,523,634

Note 5. OTHER INCOME

Ticket cancellation fees	2,864,102	2,886,150
Rental income	2,148,000	2,952,000
Community service obligation (CSO) subsidy	2,766,000	3,039,000
Departure tax on unused tickets	391,103	523,005
Proceeds from insurance claim	10,323	162,369
Other	777,867	759,052
	8,957,395	10,321,576

Note 6. OPERATING EXPENSES

Aircraft lease	31,210,749	14,118,715
Airport navigation charges	4,216,166	5,268,053
Catering	6,320,486	6,393,801
Engineering and maintenance	32,807,345	47,532,937
Ground handling	7,941,191	8,051,517
Insurance – aircraft	3,953,581	4,762,345
Passenger disruption costs	845,936	763,816
Other operational costs	5,074,587	3,769,351
	92,370,041	90,660,535

Note 7. SELLING AND MARKETING EXPENSE

Advertising	1,006,529	1,193,683
Agents commission	4,117,325	4,239,991
	5,123,854	5,433,674

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Note 8. OTHER EXPENSES

	2018 $	2017 $
Accounting and audit fees	1,414,252	1,839,474
Bad and doubtful debts	1,641,939	(1,299,690)
Bank charges	954,523	1,063,361
Computer and communications	10,214,009	8,936,043
Consultancy	6,392,412	4,891,248
Directors fees	162,211	121,034
Freight and courier	2,194,801	2,002,513
Insurance - others	591,416	643,179
Motor vehicle expenses	3,337,107	3,343,652
Others	6,554,779	4,415,076
Premises expenses	9,333,291	8,391,728
Printing and stationery	1,437,324	1,772,294
Inventory obsolescence	-	(72,283)
(Gain) / loss on disposal of aircraft, property, plant & equipment	(23,436)	1,746,287
	44,204,628	37,793,916

Note 9. STAFF AND RELATED COSTS

	2018 $	2017 $
Wages and salaries expense – key management personnel	7,795,377	7,539,533
Wages and salaries expense – others	28,425,959	28,913,933
National Provident Fund contributions – key management personnel	584,653	565,465
National Provident Fund contributions – others	2,678,213	2,527,272
Housing and other allowances	19,975,729	15,678,075
Other staff related costs	7,303,604	6,737,222
	66,763,535	61,961,500

Note 10. FINANCE INCOME AND EXPENSES

	2018 $	2017 $
Finance Income		
Interest income	(129,249)	(41,938)
Finance Expense		
Interest expense – loans	3,499,094	2,508,951
Interest expense – overdraft	222,258	62,176
Interest expense – statutory account	-	3,986,191
Realised exchange loss	749,219	3,290,555
Unrealised exchange loss / (gain)	4,457,203	(509,207)
	8,927,774	9,338,666
Finance Expense – net	8,798,525	9,296,728

Note 11. INCOME TAX

		2018 $	2017 $
(a)	Income tax credit recognised in profit or loss	8,919,421	(1,907,885)
(b)	**Reconciliation of effective tax rate**		
	Operating profit before income tax	40,273,086	8,889,119
	Prima facie income tax expense calculated at 30% (2017: 30%)	12,081,926	2,666,735
	Non-allowable	(1,500)	(1,500)
	Tax losses recouped / derecognised	(3,161,005)	(4,573,120)
	Deferred tax - prior year adjustment	-	-
	Income tax credit	8,919,421	(1,907,885)
(c)	**Recognised deferred tax liability**		
	Provision for doubtful debts – accounts receivables	2,477,841	2,100,023
	Provision for doubtful debts – other receivables	51,110	165,401
	Provision for inventory obsolescence	147,428	146,711
	Unrealised exchange loss	1,337,161	(152,762)
	Employee benefits	5,308,736	4,649,951
	Cash at Bank	93,165	-
	Term Deposit	2,418	-
	Deposits	98,473	-
	Statutory liabilities	-	9,681,240
	Property, plant and equipment	(2,134,302)	1,583,365
	Investment property	-	(2,450,700)
	Asset revaluation reserve	(20,232,722)	(20,232,723)
		(12,850,692)	(4,509,494)

Movement in temporary differences during the year	1 January 2018 $	Recognised in income statement $	Recognised through OCI $	31 December 2018 $
ECL allowance – trade receivables	2,591,571	(113,730)	-	2,477,841
ECL allowance – other receivables	165,402	(114,292)	-	51,110
Provision for inventory obsolescence	146,711	718	-	147,429
Unrealised exchange loss	(152,762)	1,489,923	-	1,337,161
Employee benefits	4,649,951	658,785	-	5,308,736
Cash at Bank	32,639	60,526	-	93,165
Term Deposit	1,211	1,207	-	2,418
Deposit	52,823	45,650	-	98,473
Statutory liabilities	9,681,240	(9,681,240)	-	-
Property, plant and equipment	1,583,365	(3,717,668)	-	(2,134,303)
Investment property	(2,450,700)	2,450,700	-	-
Asset revaluation reserve	(20,232,722)	-	-	(20,232,722)
	(3,931,271)	(8,919,421)	-	(12,850,692)

Note 11. INCOME TAX (continued)

(c) Recognised deferred tax liability (continued)

Movement in temporary differences during the year	1 January 2017 $	Recognised in income statement $	Recognised through OCI $	31 December 2017 $
Provision for doubtful debts – accounts receivables	1,831,915	268,108	-	2,100,023
Provision for doubtful debts - other receivables	636,263	(470,862)	-	165,401
Provision for inventory obsolescence	168,395	(21,684)	-	146,711
Unrealised exchange	247,800	(400,562)	-	(152,762)
Employee benefit	3,504,594	1,145,357	-	4,649,951
Statutory liabilities	9,388,261	292,979	-	9,681,240
Property, plant and equipment	488,816	1,094,549	-	1,583,365
Investment property	2,450,700	-	-	2,450,700
Asset revaluation reserve	(20,943,264)	-	710,541	(20,232,723)
	(7,127,920)	1,907,885	710,541	(4,509,494)

Note 12. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash on hand	41,871	43,296
Cash at bank	12,477,213	20,452,091
	12,519,084	20,495,387
Impairment allowance - cash at bank	(201,754)	-
Bank overdraft	(2,397,433)	-
Cash and cash equivalents for the statement of cash flows	9,919,897	20,495,387

The Company has an overdraft facility with Bank of South Pacific of $4,000,000 (2017: $4,000,000). Interest is charged on the overdraft at 9% (2017: 9% per annum).

Note 13. TERM DEPOSITS

	2018 $	2017 $
Term deposits	744,946	769,735
Impairment allowance – term deposit	(4,024)	-
	740,922	769,735

The average rate on term deposits was 0.25% (2017: 0.25%). The deposits have a average maturity of 365 days (2017: 365 days).

Note 14. DEPOSITS

	2018 $	2017 $
IATA security deposit	2,439,024	2,358,491
IATA voluntary deposit	2,201,866	6,731,474
Aircraft deposits	2,764,228	2,279,874
Other deposits	1,379,127	964,332
Impairment allowance - deposits	(152,166)	-
	8,632,079	12,334,171

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

Current	2,456,028	7,021,220
Non-current	6,176,051	5,312,951
	8,632,079	12,334,171

Note 15. TRADE RECEIVABLES

	2018 $	2017 $
Trade receivables	20,474,533	17,217,970
Provision for doubtful debts	(6,620,970)	(7,000,071)
	13,853,563	10,217,899
Reconciliation of expected credit loss allowance		
Balance at beginning of the year as per IAS 39	7,000,071	6,106,381
Adjustment on initial application of IFRS 9	1,638,501	-
Provisions utilised during the year	-	(675,845)
	8,638.572	5,430,536
Provision made during the year	180,423	1,569,535
Re-measurement of loss allowance as per IFRS 9	(2,198,025)	-
Balance at 31 December	6,620,970	7,000,071

Note 16. OTHER RECEIVABLES AND PREPAYMENTS

	2018 $	2017 $
Other receivables	362,783	849,516
GST receivable	242,565	478,392
Prepayments	7,874,402	1,081,680
Provision for doubtful debts	(170,368)	(551,341)
	8,309,382	1,858,247
Reconciliation of provision for doubtful debts		
Balance at 1 January	551,341	2,120,876
Provision made during the year	-	-
Provisions utilised during the year	(380,973)	(1,569,535)
Balance at 31 December	170,368	551,341

Note 17. INVENTORIES

	2018 $	2017 $
Aircraft spares	4,044,853	3,245,275
Fuel	361,255	998,740
Reclassification to assets held for sale	-	-
Provision for inventory obsolescence	(491,427)	(489,035)
	3,914,681	3,754,980

Note 18. ASSETS HELD FOR SALE

As 31 December 2018, assets held for sale were stated at book value and comprised of the below:

	2018 $	2017 $
DeHavilland Canada DHC-6-300 Twin Otter, msn442, registered as H4-SID (previously included as part of aircraft, property, plant and equipment)	2,257,281	-
	2,257,281	-

Note 19. AIRCRAFT, PROPERTY, PLANT AND EQUIPMENT

(a) Valuation

The aircrafts were revalued on 31 December 2017. The valuation was carried out by an independent valuer DavAir Group (2016: Michael Knight and Associates). 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).

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

	Land & Buildings $	Aircraft $	Aircraft spares $	Aircraft establishment cost $	Motor vehicles $	Plant and equipment $	Work in Progress $	Total $
Cost / Revaluation								
Balance at 1 January 2017	37,799,471	66,100,324	30,842,536	29,327,858	2,156,345	8,208,640	129,766	174,564,940
Additions	-	-	425,645	-	-	995,314	32,839	1,453,798
Disposals	-	-	(1,785,978)	-	(72,377)	-	-	(1,858,355)
Offset of accumulated depreciation on revaluation	-	(6,192,316)	-	-	-	-	-	(6,192,316)
Revaluation increment	-	(2,368,471)	-	-	-	-	-	(2,368,471)
Balance at 31 December 2017	37,799,471	57,539,537	29,482,203	29,327,858	2,083,968	9,203,954	162,605	165,599,596
Additions	-	55,832,904	6,794,613	-	120,016	1,017,317	349,181	64,114,031
Disposals	-	-	(7,044,642)	-	(100,102)	-	-	(7,144,744)
Reclassification from investment property (Note 20)	8,197,000	-	-	-	-	-	-	8,197,000
Reclassification to asset held for sale (Note 18)	-	(2,508,091)	-	-	-	-	-	(2,508,091)
Offset of accumulated depreciation on revaluation	-	-	-	-	-	-	-	-
Revaluation decrement	-	-	-	-	-	-	-	-
Balance at 31 December 2018	45,996,471	110,864,350	29,232,174	29,327,858	2,103,882	10,221,271	511,786	228,257,792
Breakdown of cost / revaluation								
2018 Valuation	-	-	-	-	-	-	-	-
2017 Valuation	-	55,031,446	-	-	-	-	-	55,031,446
Cost	45,996,471	55,832,904	29,232,174	29,327,858	2,103,882	10,221,271	511,786	173,226,346
Balance at 31 December 2018	45,996,471	110,864,350	29,232,174	29,327,858	2,103,882	10,221,271	511,786	228,257,792

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

	Land & Buildings $	Aircraft $	Aircraft spares $	Aircraft establishment cost $	Motor vehicles $	Plant and equipment $	Work In Progress $	Total $
Depreciation								
Balance at 1 January 2017	2,505,591	-	11,549,810	27,118,226	1,820,025	5,601,377	-	48,595,029
Depreciation charge for the year	33,038	6,317,720	3,650,525	885,904	170,873	2,528,421	-	13,586,481
Reclassification	1,881,515	-	-	-	-	(1,881,515)	-	-
Accumulated depreciation on disposal	-	-	(36,551)	-	(63,932)	-	-	(100,483)
Offset of accumulated depreciation on revaluation	-	(6,192,316)	-				-	(6,192,316)
Balance at 31 December 2017	4,420,144	125,404	15,163,784	28,004,130	1,926,966	6,248,283	-	55,888,711
Depreciation charge for the year	1,918,055	6,964,980	3,525,050	833,085	107,291	844,167	-	14,192,628
Accumulated depreciation on disposal	-	(250,809)	(625,995)	-	(100,102)	-	-	(976,906)
Balance at 31 December 2018	6,338,199	6,839,575	18,062,839	28,837,215	1,934,155	7,092,450	-	69,104.433
Carrying amount								
At 1 January 2017	35,293,880	66,100,324	19,292,726	2,209,632	336,320	2,607,263	129,766	125,969,911
At 31 December 2017	33,379,327	57,414,133	14,318,419	1,323,728	157,002	2,955,671	162,605	109,710,885
At 31 December 2018	39,658,272	104,024,775	11,169,335	490,643	169,727	3,128,821	511,786	159,153,360

Note 20. INVESTMENT PROPERTY

	2018 $	2017 $
Balance as 1 January	8,169,000	8,169,000
Transferred to Property, Plant And Equipment	(8,169,000)	-
Balance at 31 December	-	8,169,000

The Investment property was capitalised during the year and has since been used as a sales office

The property was valued in October 2015 by Value Solutions Appraisal using the income approach method capitalising net rental income. Changes in fair values are recognised as gains in profit or loss and included in other income. The directors and management in consultation with independent valuers have assessed the valuation and deem that the current value is the fair value of the investment property.

Note 21. BORROWINGS

	2018 $	2017 $
Loan – Bank of South Pacific	42,023,098	26,670,935

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

	2018 $	2017 $
Current	42,023,098	29,843,652
Non-Current	-	4,230,286
	42,023,098	34,073,938

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 aircraft. Interest is charged at the rate of 6.75% (2017: 6.75%). Repayments of $6,301,536 were made during the year. The company secured a separate loan in 2018 from BSP to pay balance owing on A320 Jet Engine that was rebuilt. Interest is charged at the rate of 8%. Interest only repayments of $758,359 were made during the year. The Company was in breach of certain financial covenants as at 31 December 2018 and as a result all borrowings with BSP have been classified as current. As of the date of this report, the Bank has not taken any action in relation to the breach as monthly repayments continue to be made.
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;

Note 21. BORROWINGS (continued)

(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 Hallivand Twin Otter and one Dash 8 aircraft.

Note 22. LEASE LIABILITIES

The finance lease liability was undertaken during the year for A320-211 aircraft and is allocated between current and non-current elements. The principal component of the lease payments due as at the end of the succeeding financial year is shown as current and the remainder of the liability as non-current.

	2018 $	2017 $
The future lease payments under finance leases are:		
Less than one year	16,878,114	-
Between one year and five years	-	-
Later than five years	-	-
Minimum lease payments	16,878,114	-
Deduct: future finance charges	(329,522)	-
	16,548,592	-
Represented by:		
Current	16,548,592	-
Non-current	-	-
	16,548,592	-

Note 23. TRADE, OTHER PAYABLES AND ACCRUED EXPENDITURE

	2018 $	2017 $
Trade payables	22,260,208	23,300,443
Accrued expenditure	20,929,954	15,411,169
	43,190,162	38,711,612

Note 24. EMPLOYEE BENEFITS

	2018 $	2017 $
Annual leave		
Balance at 1 January	2,928,284	2,258,383
Provisions made during the year	1,292,198	2,677,928
Provision utilised during the year	(1,474,760)	(2,008,027)
Balance at 31 December	2,745,722	2,928,284

Note 24. EMPLOYEE BENEFITS (continued)

	2018 $	2017 $
Long Service Leave		
Balance at 1 January	1,126,313	893,640
Provisions made during the year	530,236	574,068
Provision utilised during the year	-	(341,395)
Balance at 31 December	1,656,549	1,126,313
Retirement benefit		
Balance at 1 January	11,445,241	8,529,960
Provisions made during the year	1,971,919	3,495,365
Provision utilised during the year	(123,643)	(580,084)
Balance at 31 December	13,293,517	11,445,241

Classification in the statement of financial position is as follows:

	2018 $	2017 $
Current	6,157,006	4,798,654
Non-current	11,538,782	10,701,184
	17,695,788	15,499,838

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

Note 25. STATUTORY EXPENSES AND LIABILITIES

The Company was subject to a tax audit by the Inland Revenue Department (IRD) in 2014 and 2015. On 30 June 2016, a Deed of Settlement was agreed between IRD and the Company to settle disputed items in relation to non-resident withholding tax and pay-as-you-earn tax liabilities for 2008 to 2015 period amounting to $28,954,034. On this date, the company voluntarily declared statutory taxes owing to the government from the period January to June 2016 of $5,851,085 which was expensed and added to the existing statutory liability in 2016. From July 2016 onwards the Company has made eight instalment payments totaling $3,040,000, consist of interest of $2,249,596 plus a 10% deposit of $3,480,512. Interest of $6,235,788 had been accrued from July 2016 to 31 December 2017.

The Company made several submissions in 2018 concerning the forgiveness of several tax debts due to the government of Solomon Islands. Correspondences with the IRD noted in its letters dated 6 June 2018 and 6 August 2018.

On 24 June 2019, the Commissioner of IRD has reassessed the debt and together with Minister of Finance have issued a Deed of Acknowledgement of Debt, Remission and Discharge ("the Deed") of the total liabilities of $39,241,309. This amount consist of statutory tax liability carried from 31 December 2017 of $32,270,799 and prior years' PAYE, sales tax, resident and non-resident withholding tax with total amount of $6,970,510. The Deed is the formal ratification by Commissioner of IRD and Minister of Finance for the forgiveness of the Debt by the Company to the IRD. The forgiveness of the Debt is stated by the Company to be effective from 6 August 2018 as evidenced by that correspondence between the Company and Inland Revenue Department and formally ratified by the Deed dated 24 June 2019.

The forgiveness of debt of $39,241,309 is presented as "reversal of tax liabilities" in the Statement of Profit of Loss and Other Comprehensive Income.

Note 26. CAPITAL AND RESERVES

	2018 $	2017 $
(a) Authorised capital		
Ordinary shares @$1.00 each	78,809,801	78,909,801
(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

(c) Revaluation Reserve

The revaluation reserve relates to the revaluation of aircraft and buildings.

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.

Note 27. COMMITMENTS

	2018 $	2017 $
(a) Capital expenditure approved and committed	-	-

(b) Operating lease

The following is a summary of future operating lease commitments for aircrafts and properties payable by the Company translated (where applicable) at exchange rates prevailing at reporting date:

	2018	2017
Less than one year	4,711,008	16,178,530
Between one and five years	6,784,022	26,823,050
More than five years	-	-
	11,495,030	43,001,580

Note 28. MATERIAL NON-CASH TRANSACTIONS

	2018	2017
Reclassification of assets to assets held for sale (refer Note 18)	2,257,281	-
Transfer of investment property to property, plant & equipment	8,169,000	-
Non cash additions to property, plant and equipment	10,426,281	-

Note 29. RELATED PARTIES

(a) Directors

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

Chairman	-	Mr Austin Holmes
Deputy Chairman	-	Mr Robertus Franciscus Bochman
Director	-	Mr Masao Yamagata
Director	-	Mrs Kathy Nori
Director	-	Mr Josefa Tuamoto
Director	-	Mr Peter Forau

Note 29. RELATED PARTIES (continued)

(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.

18% of the Company's sales and 10% 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, General Manager Commercial and Operations and General Manager Finance and Corporate Services.

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 arms length.

Key management compensation is disclosed in Note 9.

	2018	2017
Amounts receivable from key management personnel	$-	$-

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 two contingent liabilities exists in respect security deposit guarantees provided by Commonwealth Bank of Australia in favour of Sydney Airport Corporation Limited and Brisbane Airport Corporation Pty Limited amounting to AUD 50,000 (2017: AUD 50,000) and AUD 13,266 (2017: AUD 13,266) respectively.

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.

	2018 $	2017 $
Current		
Unearned passenger revenue	41,752,526	39,528,794

Note 32. SUBSEQUENT EVENTS

Subsequent to year end. No charge on the assets of the company has arisen since the end of the financial year to the date of this report to secure the liabilities of any other person. No contingent liability has arisen since the end of the financial year 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 after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company to meet its obligations when they fall due, other than those that have been included and disclosed in the financial statements.