26 March 2019

MARKET ANNOUNCEMENT

- **Release of 2018 Audited Financial Statements**

The Board is pleased to release the audited financial statements for the year ended 31 December 2018. The financial results of the year showed a decline in profit before taxes (PBT) by 23% resulting from the decline in student numbers from the Japanese market during the year.

Executive Chair, Hiroshi Taniguchi said, “The decline in the number of students from the Japanese market is a direct result of the continuous growth and stability in the Japanese economy. When this happens, the employment opportunities for the Japanese people increase making study abroad a lesser choice for people.”

Chief Financial Officer, Waisale Iowane said, “Despite the challenging business conditions faced by FBL in 2018, we were still able to maintain a PBT margin of 14% compared to 19% for the same period last year. The introduction of the in-house foreign exchange business and the recruitment services helped boost the Company’s financial performance during the year coupled with management’s prudential approach to costs.”

Despite the adversities, FBL continues to maintain a sturdy liquidity ratio of 4.66 compared to 4.49 in 2017 along with an increase in its total assets by 10% driven by the measures taken by the Board and Management to capitalise on the Company’s healthy cash flows.

The Company’s restructure in the beginning of the year also saw the integration of the high school department into the business which also supported the revenue earned during the year. This also gave rise to the increase in the personnel expenses during the last financial year. The drop in student numbers resulted in the decrease in student teacher ratio but where teaching resources and personnel remained the same from prior years.

The Board and Management in response to the decline in student numbers from Japan have put in place measures to counter this, one of which includes the diversification into other non-Japanese markets. It continues to be in dialogue with various stakeholders such as NAAB with the objective of growing the recruitment arm of the business. Such dialogues allow FBL to offer more competitive programmes to international students that provide both study and employment opportunities to its students. Such initiatives also play a key role in placing Fiji ahead of other competitor nations in providing unique packages to these international students if it wants to continue to be competitive as a study abroad destination.

The Board and Management thank all shareholders and relevant stakeholders for their continuous support for FBL in the last financial year and look forward to working together again as we work towards strengthening our business in the upcoming years.

Yours sincerely

Hiroshi Taniguchi
Executive Chairman

Roqiqi Korodrau
Company Secretary

Free Bird Institute Limited

Financial Statements
For the year ended 31 December 2018

Free Bird Institute Limited
For the year ended 31 December 2018

Contents

Free Bird Institute 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 financial position of Free Bird Institute Limited (the "Company") as at 31 December 2018 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

Directors

The directors of the Company during the year and at the date of this report are:

Hiroshi Taniguchi	Yoko Nameki
Mereseini Baleilevuka	Adi Litia Qionibaravi
Yoshinobu Higashi	Latileta Qoro
Waisale Iowane	

State of affairs

In the opinion of the directors, the accompanying statement of financial position gives a true and fair view of the state of affairs of the Company as at 31 December 2018 and the accompanying statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Company for the year then ended.

Principal activities

The principal activities of the Company during the year were providing language learning programs, facilitating high school and other educational products to international students, assisting in the management of local students, provision of an in-house insurance scheme, in-house money exchange and recruitment services together with any other services associated with the recruitment.

Results

The recorded net profit of the Company after income tax expense of $109,664 (2017: $127,461) for the year amounted to $803,764 (2017: $1,057,827).

Dividends

The directors declared a final dividend of $40,000 ($0.02 per shares) from the profits for the year ended 31 December 2017. The Company paid an interim dividend of $140,000 ($0.07 per share) during the year. Total dividends paid for the year 31 December 2018 amounted to $180,000 (2017: $240,000).

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.

Receivables

The directors took reasonable steps before the Company's financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for impairment losses.

At the date of this report, the directors are not aware of any circumstances which would render the above assessment inadequate to any substantial extent.

Free Bird Institute Limited
Directors' report (continued)
For the year ended 31 December 2018

Related party transactions
All related party transactions have been adequately recorded and disclosed in the financial statements.

Going concern
The directors consider the Company to be a going concern. The directors believe that the basis of preparation of the financial statements is appropriate and the Company will be able to continue in operation for at least 12 months from the date of this report.

Events subsequent to balance date
There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

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 to be misleading.

Directors' interests
Interests of directors and any additions thereto during the year and up to the date of this report in the ordinary shares of the Company are as follows:

	Beneficially		Non-beneficially	
	Additions	Holding	Additions	Holding
Yoshinobu Higashi	-	25,000	-	-

No director of the Company has, since the end of the previous financial year, 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 financial statements) by reason of a contract made by the Company or related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

Dated at Nadi this 22nd day of March 2019.

Signed in accordance with a resolution of the Directors.

Director **Director**

Free Bird Institute Limited
Statement by Directors
For the year ended 31 December 2018

In the opinion of the directors of Free Bird Institute Limited:

(a) the accompanying statement of profit or loss and other comprehensive income of the Company 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 changes in equity of the Company is drawn up so as to give a true and fair view of the changes in equity of the Company for the year ended 31 December 2018;

(c) the accompanying statement of financial position of the Company is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2018;

(d) the accompanying statement of cash flows of the Company 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;

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

(g) the financial statements have been prepared in accordance with the Companies Act 2015.

Dated at Nadi this 22nd day of March 2019.

Signed in accordance with a resolution of the Directors.

Director **Director**

Independence Declaration

For the year ended 31 December 2018

Auditors Independence Declaration under Section 395 of the Companies Act 2015

To the Directors of Free Bird Institute Limited

As required under Section 395 of the Companies Act 2015, we declare that to the best of our knowledge and belief, in relation to the audit for the year ended 31 December 2018 and up to the date of this report there have been:

i). no contraventions of the Auditor independence requirements as set out in the Companies Act 2015 in relation to the audit; and

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

KPMG.

KPMG

22 March, 2019

Nadi, Fiji

Sharvek.

Sharvek Naidu, Partner

KPMG

Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Free Bird Institute Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statements 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 our 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

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics standards Board for Accountants Code of Ethics for Professional Accountant (IESBA), the Companies Act 2015 and the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Revenue recognition – Service Fee ($5,346,870)</th></tr>
<tr><td colspan="2">Refer to Note 4(h) of the financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Company has service fees from the parent company as the major source of revenue.

Revenue recognition is a key audit matter due to the significance of revenue to the financial statements.

Service fee includes various services being tuition, accommodation (which is either homestay or dormitory accommodation) and</td><td>Our procedures included:
• Evaluating the appropriateness of the Company's revenue recognition policies against the requirements of IFRS 15 Revenue from contracts with customers.</td></tr>
</table>

Key Audit Matters (continued)

obtaining visas for students. These services are billed on a monthly basis to the parent company at a fixed rate. The rates are different for each type of service. We focussed our attention on:
 	
• Checking the various services were provided to the student.
 	
• Checking the amount billed on a monthly basis for tuition, accommodation and visa by comparing the number of students multiplied by the agreed rate per student charged to the parent company.
	• Selecting a haphazard sample of students billed to the parent company during the year and checking:
	    o The students were registered on the student data base maintained by the parent company to have been billed for tuition.
	    o The accommodation type the student had selected. In addition we checked evidence the student had arrived in the country for the service to have been rendered.
	    o Visa application for students were made.
	• We tested the service fee revenue against the actual revenue recorded by comparing:
	    o The number of students multiplied by the number of days in a month of tuition provided multiplied by the agreed fee per student per day.
	    o The number of homestay nights paid for by the Company to homestay providers during the year multiplied by the agreed fee per student.
	    o The number of dormitory nights occupied during the year multiplied by the agreed fee per student.
	    o The number of students for which visas were applied for multiplied by the agreed fee per student.
	• Checking service fees billed for the year to the parent company against receipts in the bank statements.

KPMG

Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited (continued)

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion:

i). proper books of account have been kept by the Company, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and

ii). to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Companies Act 2015, in the manner so required.

The engagement partner on the audit resulting in this independent auditors' report is Sharvek Naidu.

KPMG.

KPMG
Nadi, Fiji
22 March, 2019

Sharvek Naidu, Partner

Free Bird Institute Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Note	2018 $	2017 $
Revenue from contracts with customers			
Service fees		5,346,870	5,340,317
Recruitment services		12,383	-
		5,359,253	5,340,317
Other revenue			
In-house insurance premiums	8	899,589	896,178
Other income		17,707	18,736
		6,276,549	6,255,231
Expenses			
In-house insurance claims	9	(79,769)	(391,722)
In-house insurance commission expense	10	(341,633)	(358,471)
Direct operating expenses	11	(1,711,630)	(1,809,920)
Depreciation	20	(105,288)	(98,340)
Personnel expenses	12	(2,472,641)	(1,756,081)
Other expenses	13	(654,955)	(607,549)
Profit from operations		910,633	1,233,148
Finance income	14 (a)	96,136	67,947
Finance cost	14 (b)	(93,341)	(115,807)
Net finance costs		2,795	(47,860)
Profit before tax		913,428	1,185,288
Income tax expense	15 (a)	(109,664)	(127,461)
Profit for the year		803,764	1,057,827
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year		803,764	1,057,827
Earnings per share			
Basic and diluted earnings per share	26	$ 0.40	$ 0.53

The notes on pages 14 to 46 are an integral part of these financial statements.

Free Bird Institute Limited
Statement of changes in equity
For the year ended 31 December 2018

	Share capital $	Retained Earnings $	Equity contribution reserve $	Total $
Balance at 1 January 2017	2,000,000	713,518	255,237	2,968,755
Total comprehensive income for the year				
Profit for the year	-	1,057,827	-	1,057,827
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	1,057,827	-	1,057,827
Transactions with owners of the Company				
Contributions and distributions				
Dividend declared and paid - refer Note 25 (d)	-	(240,000)	-	(240,000)
Total transactions with owners of the Company	-	(240,000)	-	(240,000)
Balance at 31 December 2017	**2,000,000**	**1,531,345**	**255,237**	**3,786,582**
At 1 January 2018	2,000,000	1,531,345	255,237	3,786,582
Total comprehensive income for the year				
Profit for the year	-	803,764	-	803,764
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	803,764	-	803,764
Transactions with owners of the Company				
Contributions and distributions				
Dividend declared and paid - refer Note 25 (d)	-	(180,000)	-	(180,000)
Total transactions with owners of the Company	-	(180,000)	-	(180,000)
Balance at 31 December 2018	**2,000,000**	**2,155,109**	**255,237**	**4,410,346**

The notes on pages 14 to 46 are an integral part of these financial statements.

Free Bird Institute Limited
Statement of financial position
As at 31 December 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	16	1,807,144	2,459,435
Trade and other receivables	17	502,557	460,976
Prepayments	18	84,570	95,202
Term deposits	19	1,210,000	31,440
Total current assets		3,604,271	3,047,053
Non-current assets			
Trade and other receivables	17	84,529	84,429
Term deposits	19	72,889	50,000
Property, plant and equipment	20	1,898,980	1,978,501
Deferred tax asset	15 (c)	119	-
Total non-current assets		2,056,517	2,112,930
Total assets		5,660,788	5,159,983
Liabilities			
Current liabilities			
Trade and other payables	21	161,838	190,580
Payable to related parties	22	41,982	14,607
Interest bearing borrowings	23	259,104	225,329
In-house insurance liabilities	24	212,893	217,264
Current tax liability	15 (d)	69,438	31,522
Employee benefits		28,086	-
Total current liabilities		773,341	679,302
Non-current liabilities			
Deferred tax liability	15 (c)	-	4,376
Interest bearing borrowings	23	477,101	689,723
Total non-current liabilities		477,101	694,099
Total liabilities		1,250,442	1,373,401
Shareholders' equity			
Share capital	25 (b)	2,000,000	2,000,000
Retained earnings		2,155,109	1,531,345
Equity contribution reserve	25 (c)	255,237	255,237
Total shareholders' equity		4,410,346	3,786,582
Total shareholders' equity and liabilities		5,660,788	5,159,983

Signed on behalf of the Board

Director **Director**

The notes on pages 14 to 46 are an integral part of these financial statements.

Free Bird Institute Limited
Statement of cash flows
For the year ended 31 December 2018

	Note	2018 $	2017 $
Operating activities			
Receipts from customers		5,384,353	5,258,750
Payment to suppliers and employees		(4,848,676)	(4,280,462)
In-house insurance premiums received		584,736	516,340
In-house insurance claims paid		(79,769)	(273,101)
Interest received		41,137	33,596
Income tax paid	15 (d)	(76,242)	(114,979)
Interest paid		(27,694)	(34,928)
Net cash from operating activities		977,845	1,105,216
Investing activities			
Acquisition of property, plant and equipment	20	(25,767)	(112,040)
Proceeds from sale of property, plant and equipment		-	2,500
Investment in term deposits		(1,201,452)	-
Net cash used in investing activities		(1,227,219)	(109,540)
Financing activities			
Dividends paid	25 (d)	(180,000)	(240,000)
Repayments of interest bearing borrowings during the year		(275,360)	(259,444)
Net cash used in financing activities		(455,360)	(499,444)
Net (decrease)/ increase in cash and cash equivalents		(704,734)	496,232
Effect of movements in exchange rates on cash held		52,443	(24,374)
Cash and cash equivalents at 1 January		2,459,435	1,987,577
Cash and cash equivalents at 31 December	16	1,807,144	2,459,435

The notes on pages 14 to 46 are an integral part of these financial statements.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2018

1. Reporting Entity

Free Bird Institute Limited (the "Company") is domiciled in the Fiji Islands. The address of the Company's registered office is at Office 1, Level 1, Lot 13 Commercial Street, Concave Subdivision, Namaka, Nadi.

The principal activities of the Company during the year were providing language learning programs, facilitating high school and other educational products to international students, assisting in the management of local students, provision of an in-house insurance scheme, in-house money exchange and recruitment services together with any other services associated with the recruitment.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Fiji Companies Act 2015.

The financial statements were authorised for issue by the Board of Directors on 22 March 2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise indicated.

(c) Functional and presentation currency

The financial statements are presented in Fiji dollars rounded to the nearest dollar, which is the Company's functional currency.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actuals may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

The key areas in which estimates and judgments are applied are described below:

(i) Claims liabilities arising under in-house insurance contracts

Provision is made for the estimated cost of claims incurred but not settled at the balance date. This provision consists of estimates of both the expected ultimate cost of claims notified to the Company as well as the expected ultimate cost of claims incurred but not reported to the Company ("IBNR"). The estimated cost of claims includes direct expenses that are expected to be incurred in settling those claims.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claims is generally available.

IBNR claims may not often be apparent to the insurer until certain months after the events giving rise to the claims has happened. In calculating the estimated cost of unpaid claims the Company calculates the loss ratio (which is the total claims incurred to date and historically divided by the earned premium) multiplied by the estimated time lag of an incident occurring and being notified to the Company. The resultant percentage is multiplied with the earned premium for the year to calculate the estimated IBNR.

3. Changes in significant accounting policies

The Company initially applied IFRS 15 (see 3(a)) and IFRS 9 (see 3(b)) from 1 January 2018. A number of other amendments and interpretations are also effective 1 January 2018 but they do not have a material effect on the Company's financial statements.

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue,* IAS 11 *Construction Contracts* and related interpretations. IFRS 15 is not applicable to insurance contracts which are within the scope of IFRS 4 *Insurance Contracts*. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – a point in time or over point in time – requirements judgement.

The Company has adopted IFRS 15 using the cumulative effective method with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018) and applying the requirements to only contracts that are not completed contracts at the date of initial application. Accordingly the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations. Additionally the disclosure requirements of IFRS 15 have not generally been applied to comparative information.

The adoption of this standard did not have any quantitative impact as at 1 January 2018.

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

As a result of the adoption of IFRS 9 Financial Instruments, the Company 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 OCI.

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

The Company did not have any impact on transition to IFRS 9 on opening retained earnings at 1 January 2018 with respect to expected credit losses as they were determined not to be material.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI (fair value through other comprehensive income) and FVTPL (fair value through profit or loss). 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 "loans and receivables".

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

3. Changes in significant accounting policies (continued)

(b) IFRS 9 Financial Instruments (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 4 (f).

The following table below explain 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.

There has been no effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018.

	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
			$	**$**
Financial assets				
Cash and cash equivalents (excluding cash on hand)	Loans and receivables	Amortised cost	2,458,695	2,458,695
Trade and other receivables	Loans and receivables	Amortised cost	545,405	545,405
Term deposits	Held-to maturity	Amortised cost	81,440	81,440
Total financial assets			3,085,540	3,085,540
Financial liabilities				
Trade and other payables (excluding service fees received in advance)	Other financial liabilities	Amortised cost	177,500	177,500
Payable to related parties	Other financial liabilities	Amortised cost	14,607	14,607
Interest bearing borrowings	Other financial liabilities	Amortised cost	915,052	915,052
Total financial liabilities			1,107,159	1,107,159

3. Changes in significant accounting policies (continued)

(b) IFRS 9 Financial Instruments (continued)

(ii) 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. Under IFRS 9, credit losses are generally recognised earlier than under IAS 39 – see Note 4 (g).

For assets in the scope of IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 did not result in any allowance for impairment with respect to financial assets.

(iii) 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 note to restate comparative information prior periods with respect to classification and measurement (including impairment) requirements. Therefore comparative years have not been restated 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 has been made on the basis of the facts and circumstances that existed at the date of initial application.

4. Significant accounting policies

The Company has consistently applied the following accounting policies to all years presented in these financial statements, except for the changes discussed in Note 3 above.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Fiji dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Fiji dollars at the exchange rate at that date. The foreign currency gains or losses on translation are recognised in profit or loss. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and cash at bank at balance date. Cash and cash equivalents are short-term, highly liquid investments with original maturity term of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4. Significant accounting policies (continued)

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of 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 carrying amount of the replaced component is derecognised. The cost of the day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment.

The depreciation rates for the current and comparative period are as follows:

Building	2.5%
Motor vehicle	18%
Walkway and fence	2.5%
Office equipment	7 - 40%
Office furniture	12%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(d) Employee benefits

Defined contribution plan

All employers are required to make a statutory contribution to an approved superannuation fund which in this case is the Fiji National Provident Fund. These contributions are expensed as services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in profit or loss as the related service is provided.

Annual leave

The Company accrues annual leave during the year and pays out the annual leave liability at the end of the financial year. Where amounts are not paid out, a liability is recognised for the amount expected to be paid.

4. Significant accounting policies (continued)

(e) In-house insurance contracts

The Company issues contracts that transfer insurance risk. These contracts are issued to students for the duration that they undertake Language learning courses at the Institute. In 2018, the Company had extended the in-house insurance scheme to employees which covers life and medical. Insurance contracts are those contracts that transfer significant insurance risk. As a general guide, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

(i) In-house insurance premium revenue

Premium comprises amounts charged to policyholders excluding taxes and fees collected on behalf of third parties. Premiums for the students are collected by the parent company, South Pacific Free Bird Company Limited (SPFB) and are remitted to the Company after deducting a commission. Premium is treated as earned from the date of attachment of risk (generally the date a contract commences) over the period of the related insurance contracts in accordance with the pattern of the incidence of risk expected under the contracts.

(ii) Unearned premium

Unearned premium is calculated based on the number of days remaining till the insurance contract expiry date. The unearned portion of the premium is recognised as an unearned premium liability on the statement of financial position.

(iii) Commission

Commission expenses are costs associated with obtaining and recording insurance contracts. The Company's parent SPFB charges commission for all insurance policies sold on behalf of the Company. These costs are amortised on the same basis as the earning pattern of the premium over the period of the insurance contract to which they relate.

(iv) In-house insurance claims

In-house insurance claims comprises claims and related expenses paid in the year, changes in the provisions for claims incurred but not reported, claims incurred but not settled at year end together with any other adjustments to claims from previous years.

(f) IFRS 9: 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 the 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.

4. Significant accounting policies (continued)

(f) IFRS 9: Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; 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.

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 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 or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment – Policy applicable from 1 January 2018

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.

4. Significant accounting policies (continued)

(f) IFRS 9: Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets: Business model assessment – Policy applicable from 1 January 2018 (continued)
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 – Policy applicable from 1 January 2018
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. 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 – Policy applicable from 1 January 2018
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
The Company classified its financial assets into the loans and receivables and held to maturity categories. Financial assets under these categories were initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at amortised cost using the effective interest method.

4. Significant accounting policies (continued)

(f) IFRS 9: Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial liabilities: Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as 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 or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) 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.

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.

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

4. Significant accounting policies (continued)

(g) Impairment

(i) Non derivative financial assets

<u>Policy applicable from 1 January 2018</u>

Financial instruments and contract assets

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at 12-month ECLs for all financial assets as:
- trade receivables comprise of a single customer, being the parent, SPFB that has been determined to have a low credit risk at the reporting date;
- cash at bank balances and term deposits for which credit risk (i.e risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition;
- immigration and other bonds comprise of receivables of the Department on immigration and other parties that have been determined to have a low credit risk at the reporting date; and
- other receivables comprise of receivables for payments made on behalf of SPFB. SPFB has been determined to have a low credit risk at the reporting date.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers trade receivables and cash and cash equivalents 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 higher per rating agency Moody's or BBB- or higher per rating agency Standards & Poor's (S&P).

12-month ECL's are the portion of ECL's 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 ECL's is the maximum contractual period over which the Company is exposed to credit risk.

<u>Measurement of ECLs</u>

ECL's 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 flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECL's are discounted at the effective interest rate of the financial asset.

4. Significant accounting policies (continued)

(g) Impairment (continued)

(i) Non derivative financial assets (continued)

Policy applicable from 1 January 2018 (continued)

Credit-impaired financial assets
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.

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 the Company would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

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
Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivable is impaired.

4. Significant accounting policies (continued)

(g) Impairment (continued)

(i) Non derivative financial assets (continued)

Policy applicable before 1 January 2018 (continued)

The amount of provision is the difference between the assets carrying and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of trade and other receivables is reduced through the use of an allowance account and the amount of the loss is recognised in profit a loss as part of provision for doubtful debts. When a trade receivable is uncollectable, it is written off against the allowance account for trade and other receivables.

Subsequent recoveries of amounts previously written off are credited against provision for doubtful debts in profit or loss.

(ii) Non financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets 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 CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(h) Revenue from Contracts with Customers

Policy applicable from 1 January 2018

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a service to a customer.

4. Significant accounting policies (continued)

(h) Revenue from Contracts with Customers (continued)

Policy applicable from 1 January 2018 (continued)

Outlined below is informtion about the nature and timing of the satisfaction of performance obligations including revenue recognition under IFRS 15 in contracts with customers.

Service fees

Revenue from service fees is earned from the parent, SPFB and three other agents. The Company provides various services to the students that are sent by SPFB and other agents. These services include providing enrolment, tuition, arranging for student visas, providing students with accommodation which can be either homestay or dormitory, providing examinations and provision of high school teachers. SPFB and other agents are the customers of the Company.

The individual components of the services are not capable of being distinct as the customer cannot benefit from one component of the service on its own. Invoices to SPFB are issued on a monthly basis and are usually payable within 30 days. Invoices to other agents are issued on a per student basis and are usually payable in advance of the service being provided and are included as contract liabilities in trade and other payables.

Revenue is recognised over time as the services are provided to the student based on the time-elapsed method.

Recruitment services

The Company is licensed to provide recruitment services and other related services in Fiji to Narita Airport Business Company Limited (NAAB). The Company provides the services of recruiting employees for NAAB and preparing the employees for working in Japan by providing Japanese preparatory classes. Invoices to NAAB are issued on a monthly basis and usually payable within 30 days. Revenue is recognised over time as the services are provided to the students based on the time elapsed method.

Policy applicable before 1 January 2018

Service fees comprises the fair value of the consideration received or receivable for tuition fees, accommodation (which is either homestay or dormitory accommodation), obtaining visas for students and pre-enrolment language examinations in the ordinary course of the Company's activities. Service fees is dependent on the number of students enrolled by the parent company and other agents to undertake language learning courses. Revenue from service fees is shown net of value added tax and is recognised when the service is provided.

(i) Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of direct cost of issuing the equity instruments.

4. Significant accounting policies (continued)

(j) Trade and other payables and payables to related parties

Trade and other payables and payable to related parties are stated at amortised cost.

(k) Loans and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation taking into account the risks specific to the liability, its carrying amount is the present value of those cash flows.

(m) Finance income and finance cost

Finance income and expenses comprises interest income on term deposits, interest payable on borrowings and foreign exchange gains and losses. Interest income or expense is recognised using the effective interest rate method. Foreign exchange gains and losses are presented net as either finance income or finance cost.

(n) In-house money

In-house money exchange income represents the net value of currencies traded as a result of the Company's operation as an in-house Bureau-de-change. Students and staff exchange their Japanese yen with the Company for Fiji dollars. The Company then deposits the Japanese Yen collected into its Japanese Yen bank account held locally and transfers the Japanese Yen into its Fiji dollar account when the rates are favorable. The gain on the transfer is recognised as a realised exchange gain and included in finance income.

(o) Dividend distribution

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

(p) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except for items recognised directly in equity or other comprehensive income.

4. Significant accounting policies (continued)

(p) Income tax (continued)

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused 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 used. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(q) Operating leases

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

(r) Comparative figures

Where necessary, amounts relating to prior years have been reclassified to facilitate comparison and achieve consistency in disclosure with current year amounts.

5. Standards issued but not yet effective

A number of new standards and amendments to the standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted, however the Company has not early adopted the following new or amended standards in preparing these financial statements.

<u>IFRS 16 Leases</u>

IFRS 16 introduces a single, on balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. The standard is effective for annual periods beginning on or after 1 January 2019.

<u>IFRS 17 Insurance Contracts</u>

IFRS 17 introduces a new measurement model for insurance contracts called the general measurement model. This model is based on a fulfilment objective and uses current assumptions. It introduces a single revenue recognition principle to reflect services provided and is modified for certain contracts. The standard is effective for annual periods beginning on or after 1 January 2021.

The Company has not performed a preliminary assessment of the potential impact of adoption of the above new standards on these financial statements.

6. Risk management

(a) Insurance risk

Insurance contracts transfer risk to the insurer by indemnifying the policy holders against adverse effects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to contracts will be different to the amounts estimated at the time a product was designed and priced. The Company is exposed to this risk because the price for a contract must be set before the loses relating to the product are known. Hence the insurance business involves inherent uncertainty.

The Company's in-house insurance business is concentrated to the Japanese students who undertake Language learning programs with the Company.

The Company does not reinsure, however, has set aside $1,000,000 (2017: $1,000,000) in term deposits for any unforeseen claims that may be made from the Company's in-house insurance scheme.

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6. Risk management (continued)

(b) Financial risk management

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

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board requires that the management report provided to the Board every month contain a list of risks and opportunities. A risk register is maintained by the Company of all those risks identified and potential risks that the Company might be exposed to with regard to the changing business environment, legislation and all other known risks.

(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 trade and other receivables.

The carrying amount of financial assets represents the maximum credit exposure.

<u>Trade and other receivables</u>

Apart from a small portion, the majority of the Company's revenue is collected directly from its parent company, South Pacific Free Bird Company Limited (SPFB) and these receivables are of a short term nature. For service fees, SPFB invoices the students while the Company invoices SPFB at the end of each month.

In-house insurance premiums are collected upfront by SPFB from the students and remitted to the Company. Immigration bonds are paid to the Department of Immigration for student visa's and these are refunded when the student departs the country. The Company's exposure to credit risk is minimal.

<u>Comparative information under IAS 39</u>

The following table provides information regarding the ageing of the Company's trade and other receivables that are neither past due nor impaired and past due but not impaired at at 31 December 2017 is as follows:

	2017
	$
Neither past due nor impaired	311,218
Past due 1-30 days	400
Past due 31-60 days	250
Past due 61-90 days	11,780
Greater than 90 days	221,757
	545,405

6. Risk management (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables

Trade receivables are from the parent company. Impairment as at 31 December 2018 has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Company considers that its trade receivables have a low credit risk based on financial stability of the parent. On initial application of IFRS 9, the Company recognised an impairment allowance of $Nil as the Company does not consider the impairment allowance to be material.

Cash and cash equivalents and term deposits

The Company held cash at bank and short term deposits of $1,804,515 (2017: $2,458,695) and term deposits of $1,282,889 (2017: $81,440) . Cash and term deposits are held with banks which are rated Aa3 and B2 based on Standard & Poors and Moody’s ratings.

Impairment on cash and cash equivalents and term deposits has been measured on the 12 month expected credit loss basis and reflects short term maturities of the exposures. The Company considers that its cash and cash equivalent and term deposits have low credit risk based on the external ratings of the counterparties.

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. The amount of the allowance did not change during 2018.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Company also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables.

6. Risk management (continued)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

		Contractual cash flows			
	Carrying amount	**Total**	**Up to 1 year**	**1-2 years**	**More than 2 years**
31 December 2018	**$**	**$**	**$**	**$**	**$**
Trade and other payables *	147,609	147,609	147,609	-	-
Payable to related parties	41,982	41,982	41,982	-	-
Interest bearing borrowings	736,205	814,224	305,334	305,334	203,556
	925,796	1,003,815	494,925	305,334	203,556

* excludes contract liabilities

		Contractual cash flows			
	Carrying amount	**Total**	**Up to 1 year**	**1-2 years**	**More than 2 years**
	$	**$**	**$**	**$**	**$**
31 December 2017					
Trade and other payables *	177,500	177,500	177,500	-	-
Payable to related parties	14,607	14,607	14,607	-	-
Interest bearing borrowings	915,052	1,048,872	286,056	286,056	476,760
	1,107,159	1,240,979	478,163	286,056	476,760

* excludes services fees received in advance

(iii) Market risk

Market risk is the risk that changes in market price 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 returns.

Interest rate risk

The Company adopts a policy of ensuring that as far as possible its interest rate risk exposure is at a fixed rate. This is achieved by entering into fixed-rate instruments.

6. Risk management (continued)

(b) Financial risk management (continued)

(iii) Market risk (continued)

Exposure to interest rate risk
The interest rate profile of the Company's interest bearing financial instruments is as follows:

	2018 $	2017 $
Fixed rate instruments		
Financial assets		
Term deposits	1,282,889	81,440
Cash and cash equivalents - short term deposits	55,335	1,200,689
Financial liabilities		
Interest bearing borrowings	(736,205)	(915,052)

Fair value sensitivity analysis for fixed rate instruments
The Company does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss therefore a change in interest rate at the reporting date would not affect profit or loss.

Currency risk
The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which revenue and interest bearing borrowings are denominated and the respective currency of the Company. The functional currency of the Company is Fiji Dollar. Revenue and interest bearing borrowings are primarily denominated in Japanese Yen.

The Company has a Japanese Yen bank account which it uses to receipt all revenue that are Yen based and for payments denominated in Yen. When settlements are required to be done in currencies other than the Japanese Yen, the Company uses forward rates from recognised banks for the purpose of settlement.

Exposure to currency risk
The summary quantitative data of the Company's exposure to currency risk is as follows:

	2018 Yen	2017 Yen
Financial assets		
Trade receivables	12,672,072	15,153,400
Financial liabilities		
Interest bearing borrowings	40,242,970	54,524,200

The above amounts are in Yen as at 31 December.

6. Risk management (continued)

(b) Financial risk management (continued)

(iii) Market risk (continued)

Currency risk (continued)

Exposure to currency risk (continued)
The following significant exchange rates have been applied:

	Year end spot rates	
	2018	**2017**
JPY	51.49	54.96

Sensitivity analysis
A 10% strengthening (weakening) of the Yen against the Fiji Dollar at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Effect in FJD	**Profit or loss**		**Equity, net of tax**	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
31 December 2018				
Financial assets	24,611	(24,611)	22,373	(22,373)
Financial liabilities	(78,157)	78,157	(65,131)	65,131
31 December 2017				
Financial assets	27,572	(27,572)	25,065	(25,065)
Financial liabilities	(99,207)	99,207	(82,673)	82,673

The amounts in brackets above are debits and therefore losses in profit or loss and decreases in equity.

7. Operating segments

(a) Basis for segmentation

The Company's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Service fees	Provision of Language learning programs and facilitating high school and other educational products to international students.
In-house insurance	Writing of life, medical and travel insurance policies for international students. Employee insurance policies is limited to life and medical only.
Recruitment services	Provision of employee recruitment services to Narita Airport Business Company Limited.

The Company's Chief Executive Officer reviews the internal management reports of each segment at least monthly.

(b) Informational about reportable segments

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments.

The accounting policies of the operating policies of the operating segments are the same as those described in the summary of significant accounting policies. Free Bird Institute Limited evaluates performance on the basis of profit or loss from operations before income tax expense.

	Reportable segments			
2018	**Service fees**	**In-house insurance**	**Recruitment services**	**Total**
	$	**$**	**$**	**$**
External revenue	5,346,870	899,589	12,383	6,258,842
Other income	17,707	-	-	17,707
Interest income	-	41,875	-	41,875
Interest expense	(63,247)	-	-	(63,247)
Depreciation expense	(105,288)	-	-	(105,288)
Segment profit before tax	380,983	520,062	12,383	913,428
Segment assets	4,620,653	1,040,135	-	5,660,788
Segment liabilities	1,037,549	212,893	-	1,250,442

7. Operating segments (continued)

(b) Informational about reportable segments (continued)

	Reportable segments		
	Service fees	**In-house insurance**	**Total**
	$	**$**	**$**
2017			
External revenue and other income	5,359,053	896,178	6,255,231
Segment profit before tax	994,598	190,690	1,185,288
Interest income	-	44,705	44,705
Interest expense	(78,042)	-	(78,042)
Depreciation expense	(98,340)	-	(98,340)
Segment assets	4,142,537	1,017,446	5,159,983
Segment liabilities	1,163,009	210,392	1,373,401

(c) Major Customer

Service fees from South Pacific Free Bird Company Limited represents $5,137,770 and 82% (2017: $5,066,037 and 81%) of the company's total revenues.

	2018	**2017**
	$	**$**
8. In-house insurance premium		
Gross written insurance premium	911,213	963,538
Premiums refunded during the year and third party taxes	(15,995)	(51,517)
Unearned premium movement	4,371	(15,843)
	899,589	896,178
9. In-house insurance claims		
Gross in house insurance claims incurred	79,769	389,895
Claims incurred but not reported	-	1,827
	79,769	391,722
10. In-house insurance commission expense		
Commission expense	348,198	365,099
Less prepaid commission expense movement	(6,565)	(6,628)
	341,633	358,471
11. Direct operating expenses		
Accommodation cost and supplies	9,136	11,152
Classroom supplies	65,848	82,171
Electricity and water	65,596	81,030
Home stay fees	1,334,930	1,358,786
Immigration and government fees	236,120	276,781
	1,711,630	1,809,920

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		2018	2017
12.	**Personnel expenses**	**$**	**$**
	Wages and salaries	1,878,695	1,248,422
	Key management compensation - short term benefits	415,001	361,358
	- contribution to Fiji National Provident Fund	33,203	36,136
	Contributions to Fiji National Provident Fund	121,723	93,315
	Fiji National University Levy	12,825	11,967
	Other staff costs	11,194	4,883
		2,472,641	1,756,081
13.	**Other expenses**		
	Accounting fees	27,480	12,221
	Audit fees	25,000	17,500
	Advertising & marketing	16,541	20,926
	Bank charges	5,971	7,409
	Directors' fees	24,000	22,565
	Education and training	4,169	7,634
	Freight, postage and courier	3,013	1,751
	Insurance	3,683	2,905
	License and rates	43,134	39,494
	Gain on sale of motor vehicle	-	(379)
	Meals and entertainment	6,768	17,301
	Motor vehicle expenses	18,023	16,723
	Office expenses	42,759	38,355
	Other expense	30,016	5,707
	Printing & Stationery	24,729	16,556
	Professional fees	8,886	88,067
	Rent	132,000	132,000
	Repair and maintenance	50,802	25,255
	Stamp duty	22,653	-
	Subscriptions	8,036	4,064
	Telephone and internet	54,130	51,944
	Travel & Accommodation	103,162	79,551
		654,955	607,549
14.	**Finance income and finance cost**		
(a)	**Finance income**		
	Interest income	41,875	44,705
	Realised foreign exchange gain - in house exchange	29,687	-
	Realised foreign exchange gain - others	24,574	-
	Unrealised foreign exchange gain	-	23,242
		96,136	67,947
(b)	**Finance cost**		
	Interest expense on borrowings	63,247	78,042
	Realised foreign exchange loss	-	37,765
	Unrealised foreign exchange loss	30,094	-
		93,341	115,807

15. Income tax

	2018 $	2017 $
(a) Income tax expense recognised in the income statement		
Current tax expense		
Current year	114,159	117,400
Deferred tax expense		
Origination and reversal of temporary differences	(4,495)	10,061
Income tax expense	109,664	127,461
(b) Reconciliation of effective tax rate		
Operating profit before income tax	913,428	1,185,288
Prima facie income tax expense on profit before tax at 10% (2017:10%)	91,343	118,529
Tax effect of permanent differences	18,321	8,932
Income tax expense	109,664	127,461
(c) Recognised deferred tax asset / (liability)		
Employee benefits	2,808	-
Unrealised Foreign exchange gain	-	(2,324)
Property plant and equipment	(2,689)	(2,052)
	119	(4,376)

Movement in temporary differences during the year

	1 January 2018 $	Recognised in income statement $	31 December 2018 $
Employee benefits	-	2,808	2,808
Unrealised Foreign exchange gain	(2,324)	2,324	-
Property plant and equipment	(2,052)	(637)	(2,689)
	(4,376)	4,495	119

	31 December 2017 $	Recognised in income statement $	31 December 2017 $
Unrealised Foreign exchange gain	6,672	(8,996)	(2,324)
Property, plant and equipment	(987)	(1,065)	(2,052)
	5,685	(10,061)	(4,376)

	2018 $	2017 $
15. Income tax (continued)		
(d) Income tax payable		
Opening balance	31,522	29,101
Current tax expense	114,158	117,400
Payments made during the year	(76,242)	(114,979)
Closing balance	69,438	31,522

16. Cash and cash equivalents

	2018 $	2017 $
Cash on hand	2,629	740
Cash at bank	1,749,180	1,258,006
Short term deposits	55,335	1,200,689
Cash and cash equivalents in the Statement of Cash flows	1,807,144	2,459,435

Short term deposits amounting to $55,335 (2017: $200,689) represents an overnight account and interest rate on this deposit is 0.1% (2017: 0.1%). Short term deposits amounting to $1,000,000 in 2017 had a maturity of 3 months and interest rate on the these deposits was 4% per annum.

17. Trade and other receivables

	2018 $	2017 $
Receivable from South Pacific Free Bird Company Limited - service fee	242,967	271,221
Receivable from South Pacific Free Bird Company Limited - in-house insurance premium	3,150	5,866
Immigration and other bonds	276,970	221,757
Other receivables - South Pacific Free Bird Company Limited	50,350	35,000
Other receivables - others	13,649	11,561
	587,086	545,405
Classified in the financial statements as follows:		
Current	502,557	460,976
Non Current	84,529	84,429
	587,086	545,405

18. Prepayments

	2018 $	2017 $
Commission prepaid	36,577	30,012
Other prepayments	47,993	65,190
	84,570	95,202

19. Term deposits

	2018 $	2017 $
Current	1,210,000	31,440
Non current	72,889	50,000
	1,282,889	81,440

Term deposits will mature on 25 January 2019, 25 October 2019, 17, 24 and 27 December 2020 and 17 August 2021 with interest rates between 1.7% to 4.2% per annum (2017: 25 October 2018, 24 December 2020 and 17 August 2018 with interest rate of between 1.7% to 3% per annum).

The Company has given the authority to approve and set off term deposits amounting to $10,000 against credit card facility provided by the bank.

Term deposits amounting to $72,889 (2017: $71,439 stamped to $70) are held as registered security for immigration bonds guaranteed by the bank on behalf of the Company.

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20. Property, plant and equipment

	Buildings	Motor vehicles	Walkway and Fence	Office equipment & Furniture	Total
	$	$	$	$	$
Cost					
Balance as at 1 January 2017	2,008,463	102,104	244,949	190,642	2,546,158
Additions	4,460	14,587	-	92,993	112,040
Disposals	-	(9,270)	-	-	(9,270)
Balance at 31 December 2017	2,012,923	107,421	244,949	283,635	2,648,928
Balance at 1 January 2018	2,012,923	107,421	244,949	283,635	2,648,928
Additions	-	-	-	25,767	25,767
Balance at 31 December 2018	2,012,923	107,421	244,949	309,402	2,674,695
Depreciation					
Balance as at 1 January 2017	368,368	41,407	43,998	125,497	579,270
Depreciation charge for the year	50,230	20,362	6,124	21,624	98,340
Disposals	-	(7,183)	-	-	(7,183)
Balance at 31 December 2017	418,598	54,586	50,122	147,121	670,427
Balance at 1 January 2018	418,598	54,586	50,122	147,121	670,427
Depreciation charge for the year	50,325	18,776	6,124	30,063	105,288
Balance at 31 December 2018	468,923	73,362	56,246	177,184	775,715
Carrying amount					
At 1 January 2017	1,640,095	60,697	200,951	65,145	1,966,888
At 31 December 2017	1,594,325	52,835	194,827	136,514	1,978,501
At 31 December 2018	1,544,000	34,059	188,703	132,218	1,898,980

21. Trade and other payables

	2018 $	2017 $
Trade payables	44,315	19,678
Accruals	73,889	108,627
Withholding tax payable	2,796	987
Other payables	26,609	48,208
Contract liabilities	14,229	-
Service fees received in advance	-	13,080
	161,838	190,580

Contract liabilities include service fees received in advance of the service being provided. The amount of $13,080 relating to service fees received in advance as at 31 December 2017 has been recognised as revenue for the year ended 31 December 2018.

22. Payable to related parties

	2018 $	2017 $
Payable to South Pacific Free Bird Company Limited	41,982	14,607

The above payables are unsecured and non interest bearing.

23. Interest bearing borrowings

	2018 $	2017 $
South Pacific Free Bird Company Limited	736,205	915,052
Disclosed as follows:		
Current	259,104	225,329
Non current	477,101	689,723
	736,205	915,052

Borrowings from South Pacific Free Bird Company Limited are unsecured with monthly repayments of 1,310,138 Yen (2017: 1,310,138 Yen) with interest charged at a rate of 3% per annum (2017: 3% per annum).

The interest bearing borrowings have been recognised at their fair value on 1 January 2015, being the present value of the expected future cash flows, discounted using a market-related rate of 7.61% per annum. The difference between the fair value and the nominal value of the amount payable has been credited to Equity Contribution Reserve. Subsequent to 1 January 2015, the loan has been measured at amortised cost using the effective interest rate method over the term to maturity. The liability will increase over the life of the loan to maturity. This accretion in the liability is recognised in profit or loss as interest expense.

23. Interest bearing borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2018	2017
Interest bearing borrowings	**$**	**$**
Balance at 1 January	915,052	1,251,770
Changes from financing cash flows		
Repayment of borrowings	(275,360)	(259,444)
Other changes		
Interest expense	63,247	78,042
Interest paid	(27,694)	(34,928)
Offset of repayment against service fee	-	(122,624)
The effect on interest expense of discounting	(35,553)	(43,114)
The effect of changes in foreign exchange rates	96,513	45,350
Balance at 31 December	736,205	915,052

24. In-house insurance liabilities

		2018	2017
		$	**$**
Claims incurred but not reported	(i)	1,827	1,827
Unearned premium	(ii)	70,658	75,029
Claims incurred but not paid		140,408	140,408
		212,893	217,264

Due to the short term nature of the insurance contracts all in-house insurance liabilities have been classified as current.

(i) This represents a provision for claims incurred but not reported. This has been calculated as follows:

$$\frac{\text{Number of days taken to notify claims}}{\text{365 days}} \times \text{loss ratio} \times \text{earned premium for the year}$$

This calculation of IBNR was based on an Actuarialist Review undertaken in the previous financial year. Management had undertaken a review and performed calculations of the IBNR at year end using the same formula used by the Actuarial in 2017. The calculated IBNR for 2018 was not materially different compared to 2017. Management therefore, has not made any adjustments to this amount in the financial year ended 31 December 2018.

24. In-house insurance liabilities (continued)

		2018 $	2017 $
(ii)	Unearned premium reconciliation		
	Balance at the beginning of the year	75,029	59,186
	Gross premiums received during the year	911,213	963,538
	Premiums earned	(899,589)	(896,178)
	Premiums refunded during the year and third party taxes	(15,995)	(51,517)
	Balance at the end of the year	70,658	75,029
(iii)	Prepaid commission reconciliation		
	Balance at the beginning of the year	30,012	23,384
	Commission expense for the year	348,198	365,099
	Amortisation of costs to profit or loss	(341,633)	(358,471)
	Balance at the end of the year	36,577	30,012

Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. The Company has reviewed all the contracts issued to its students (policyholders) and concluded that they all meet the definition of insurance contracts.

The Company offers five different plans to its students based on the number of days a student would take the insurance cover for. All plans include four types of covers being travel domestic, travel international, medical and life. However employees of the Company, are offered one plan only which covers medical and life.

		2018 $	2017 $
25.	**Share capital**		
(a)	**Authorised capital**		
	20,000,000 Ordinary shares	20,000,000	20,000,000
(b)	**Issued capital**		
	2,000,000 (2017: 2,000,000)	2,000,000	2,000,000

Shares of the Company do not have a par value.

Shareholders at 31 December:	2018 $	2017 $
South Pacific Free Bird Company Limited (Japan)	1,360,600	1,461,241
FHL Trustees Ltd	250,806	203,800
IBC Ltd (Japan)	62,500	62,500
Platinum Insurance Limited (Vanuatu)	50,865	-
Capital Advisory Limited (Japan)	50,000	50,000
Masayasu Muramatsu	50,000	-
Yoshinobu Higashi	25,000	-
Tomoko Tanaka	16,200	-
Others	134,029	222,459
	2,000,000	2,000,000

25. Share capital (continued)

(c) Equity contribution reserve

The equity contribution reserve represents the difference between the nominal value of the amounts payable to related parties and their fair value. As the financing was provided by shareholders acting in their capacity as shareholders, the difference was treated as an equity contribution reserve.

(d) Dividends

The following dividends were declared and paid by the Company for the year:

	2018 $	2017 $
2 cents per ordinary share as final dividend for the year ended 31 December 2017 (2017: 5 cents per ordinary share)	40,000	100,000
7 cents per ordinary share as interim dividend for the year ended 31 December 2018 (2017: 7 cents per ordinary share)	140,000	140,000
	180,000	240,000

26. Earnings per share

The calculation of earnings per share at 31 December 2018 was based on profit attributable to ordinary shareholders of $803,764 (2017: $1,057,827) and a weighted average number of ordinary shares outstanding of 2,000,000 (2017: 2,000,000) calculated as follows:

	2018 $	2017 $
Profit after income tax for the year	803,764	1,057,827
Weighted average number of shares outstanding	2,000,000	2,000,000
Basic and diluted earnings per share	$ 0.40	$ 0.53

27. Related parties

(a) Directors

The directors in office during the year were:

Hiroshi Taniguchi
Mereseini Baleilevuka
Yoshinobu Higashi
Waisale Iowane
Yoko Nameki
Adi Litia Qionibaravi
Latileta Qoro

Directors fees are disclosed in Note 13.

(b) Parent Company

The parent company of Free Bird Institute Limited is South Pacific Free Bird Company Limited, a private Company incorporated in Japan.

27. Related parties (continued)

(c) Amounts (payable to) / receivable from related parties

	2018 $	2017 $
South Pacific Free Bird Company Limited		
Interest bearing borrowings (note 23)	(736,205)	(915,052)
Other payables (note 22)	(41,982)	(14,607)
Trade receivables (note 17)	246,117	277,087
Other receivables (note 17)	50,350	35,000

(d) Transactions with related parties

During the year, the Company entered into various transactions with related parties. The aggregate value of major transactions with related parties during the year is as follows:

	2018 $	2017 $
South Pacific Free Bird Company Limited		
Service fees	5,137,770	5,066,037
Commission expense	341,633	358,471
License fees for software use	36,550	36,550
Interest expense on borrowings	63,247	78,042
Payments made on behalf of South Pacific Free Bird Company Limited	50,350	35,000
Repayment of principal on borrowings	275,360	259,444

(e) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise of that entity).

During the year the following persons were the executives and who are also directors of the Company identified as key management personnel with the greatest authority and responsibility for planning, directing and controlling the activities of the Company:

Name	Title
Hiroshi Taniguchi	Chief Executive Officer
Mereseini Baleilevuka	Chief Operations Officer
Waisale Iowane	Chief Financial Officer

Key management compensation is disclosed under Note 12.

28. Operating leases

At the end of the reporting period, the future minimum lease payments for properties under operating lease are payable as follows:

	2018 $	2017 $
Less than one year	132,000	132,000
Between one and five years	375,025	429,025
Greater than five years	2,073,518	2,151,518
	2,580,543	2,712,543

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28. Operating leases (continued)

On 28 August 2009, the Company entered into a land lease agreement for a term of 30 years expiring on 20/08/2039. Under the agreement, rent is payable at the rate of $3,000 per month.

On 3 December 2009, the Company entered into a land lease agreement for a term of 50 years expiring on 3/12/2059. Under the agreement, rent is payable at the rate of $3,500 per month.

The Company pays a monthly rental of $4,500 to Sharma Holdings Limited for its office space. The rental agreement expires on 28/02/2021.

The total annual rental amounted to $132,000 (2017:$132,000).

29. Commitments

Capital commitments not otherwise provided for in the financial statements amounted to $Nil (2017: $Nil).

30. Contingent liabilities

Contingent liabilities amount to $Nil (2017: Nil).

31. Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and be in compliance with statutory requirements. In order to maintain or adjust the capital structure, the Company may adjust the return of capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total equity is calculated as equity as shown in the statement of financial position plus net debt. The gearing ratio of the Company at balance date is as follows:

	Note	**2018**	**2017**
		$	**$**
Total borrowings	23	736,205	915,052
Less: Cash and Cash Equivalents	16	(1,807,144)	(2,459,435)
Net Debt		(1,070,939)	(1,544,383)
Total Capital		4,410,346	3,786,582
Gearing Ratio		(24%)	(41%)

32. Events subsequent to balance date

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.