

Free Bird Institute Limited

Fiji Islands

29th March 2022

MARKET ANNOUNCEMENT

- 2021 Audited Financial Statements

The Board is pleased to release its audited financial statements for the year ended 31 December 2021.

Despite the impact of Covid 19 on our economy, the company has managed to achieve another profitable year.

Executive Chairman, Hiroshi Taniguchi said, “The company continues to be impacted with the widespread of Covid 19 in 2021. With the closure of our international borders together with the strict Covid19 protocols put in place, they made it very challenging for our business to operate. We have had to make a few difficult decisions in 2021 in order to achieve another profitable year.”

Chief Financial Officer, Roqiqi Korodrau said “Despite the difficulties we faced, our service fees revenue for 2021 only reduced by 7% when compared to 2020, a result of chartering 2 flights during the year to bring our students across. Our total revenue (including finance income) of \$3.7 million reduced by 28% as the company did not charter a flight from Nadi to Narita as students could find alternative return flights to Japan.”

He added “The share capital increased by \$1.2 million after majority of the shareholders opted to take the dividend reinvestment plan that they were offered in 2021. This in turn increased the company’s shareholder’s equity or net assets to \$5.6 million.”

We would like to thank our shareholders, our employees and the stakeholders who have been supportive throughout this period.



Hiroshi Taniguchi
Executive Chairman



Roqiqi Korodrau
Company Secretary



Free Bird Institute Limited

Financial Statements

For the year ended 31 December 2021

Free Bird Institute Limited
For the year ended 31 December 2021

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Free Bird Institute Limited

Directors' report

For the year ended 31 December 2021

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 2021 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 (Chairman) | 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 2021 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, recruitment services together with any other services associated with the recruitment and a restaurant.

Results

The recorded net profit of the Company after income tax expense of \$42,842 (2020: \$81,771) for the year amounted to \$410,110 (2020: \$710,387).

Dividends

An interim dividend of \$1,500,000 was declared during the year of which \$340,329 was paid and \$1,159,671 reinvested as share acquisition (2020: Nil).

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.

Related party transactions

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

Free Bird Institute Limited
Directors' report (continued)
For the year ended 31 December 2021

Going concern

The directors continue to have a reasonable expectation that the Company has adequate resources to continue operation for at least the next 12 months and that the going concern basis of accounting remains appropriate.

The directors assessment is based on the government decision to re-open international borders in December 2021, the reduction in quarantine days and the high vaccination rate in Fiji.

For the year ended 31 December 2021, the Company recognised a net profit of \$410,110 (2020: \$710,387). The Company's net current assets as at 31 December 2021 was \$3,644,476. The Company has \$3,270,597 of liquid assets comprising cash and cash equivalents and term deposits available at the balance date.

Based on these factors, management has a reasonable expectation that the Company has adequate resources and will be able to continue its operations for at least 12 months from the date of signing of this report.

Significant events

In April 2021, Fiji recorded it's second wave of Covid-19 resulting in the closure of schools and offices. The students were provided with online classes which eventually led to the decline in student numbers and reduced working hours for staff.

Following the Fijian government announcement on 30 May 2021, face to face classes resumed under strict Covid-19 protocols for our language schools.

In December 2021, Fiji recorded it's third wave of Covid-19. There was no closure of the international borders as a result of this.

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:

| | <u>Beneficially</u> | | <u>Non-beneficially</u> | |
|-------------------|---------------------|----------------|-------------------------|----------------|
| | <u>Additions</u> | <u>Holding</u> | <u>Additions</u> | <u>Holding</u> |
| Yoshinobu Higashi | - | 31,067 | - | - |
| Hiroshi Taniguchi | - | 155,000 | - | - |

Dated at Nadi this 28th day of March 2022.

Signed in accordance with a resolution of the Directors.

Director

Director

Free Bird Institute Limited
Statement by Directors
For the year ended 31 December 2021

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 2021;
- (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 2021;
- (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 2021;
- (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 2021;
- (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 28th day of March 2022.

Signed in accordance with a resolution of the Directors.



Director



Director



Independence Declaration

For the year ended 31 December 2021

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 2021 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

Sharvek Naidu

Partner

Nadi, Fiji

28 March, 2022



Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Free Bird Institute Limited ("the Company"), which comprise the statement of financial position as at 31 December 2021, 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 35.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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 Accountants (including International Independence Standards) (IESBA Code) together with 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 and the IESBA Code. 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 judgement, 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.

Revenue comprises a series of revenue streams out of which the following was considered to be a key audit matter due to the complexity and judgment involved:

- Revenue recognition - Service fee

Revenue recognition – Service fees (\$2,670,009)

Refer to Note 4(g) of the financial statements

The key audit matter

How the matter was addressed in our audit

Revenue recognition - Service fees is a key audit matter due to:

- the significance of Service fees to the financial statements (74% of the total revenue); and

Our procedures included:

- Obtaining understanding of the Company's key processes for recognition of Service fees.



Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

- | | |
|---|--|
| <ul style="list-style-type: none">the additional audit effort required in assessing the application of IFRS 15 <i>Revenue from contracts with customers</i> due to the various services provided to students, differing rates for each type of service and billing arrangements to customers. | <ul style="list-style-type: none">Evaluating the appropriateness of the Company's revenue recognition policies against the requirements of IFRS 15 <i>Revenue from contracts with customers</i>.We recalculated the service fee revenue charged to the parent company and compared it to the actual revenue recorded. The attributes used and the calculations performed are as follows:<ul style="list-style-type: none">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.The number of homestay nights paid for by the Company to homestay providers during the year multiplied by the agreed fee per student.The number of dormitory nights occupied during the year multiplied by the agreed fee per student.The number of students for which visas were applied for multiplied by the agreed fee per student.The attributes used in the service fee recalculation were also tested. We selected a sample of students where service fee is billed to the parent company during the year and checked:<ul style="list-style-type: none">The students were registered on the student database maintained by the parent company to have been billed for tuition.The type of accommodation, the student had selected. In addition, we checked evidence the student had arrived in the country for the service to have been rendered for the relevant period. |
|---|--|



Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

| | |
|--|---|
| | <ul style="list-style-type: none">○ Visa application for students were made and approved.● We checked service fees billed for the year to the parent company against receipts in the bank statements.● For other agents, we checked a sample of service fees billed for the year against the receipts in the bank statements. We then recalculated the amount to be recognised as revenue based on the pro-rata enrolled period during the financial year multiplied by the amount billed for the respective student. We checked the enrolled period against the dates confirmed by other agents.● We tested a sample of service fees recorded immediately post year-end. We evaluated the timing and amount recognised in comparison to underlying records including invoices and bank statements receipts.● Assessing the operating segment disclosure relating to the service fees against the requirements of the accounting standard and evidence obtained throughout our audit. |
|--|---|

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report and Directors' 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 will 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 of this other information, we are required to communicate that fact. We have nothing to report in relation to the Directors' report.



Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements (continued)

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

Management is responsible for the preparation of financial statements that give a true and fair view 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 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.



Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements (continued)

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

- 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, actions taken to eliminate threats or safeguards applied.

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.

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.


KPMG



Sharvek Naidu
Partner
Nadi, Fiji
28 March 2022

Free Bird Institute Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

| | | 2021 | 2020 |
|--|-------------|------------------|------------------|
| | Note | \$ | \$ |
| Revenue from contracts with customers | | | |
| Service fees | 7 | 2,670,009 | 2,867,067 |
| Charter flight | 7 | 163,837 | 1,204,500 |
| Recruitment services | 7 | 85,570 | 336,683 |
| Restaurant | 7 | 163,571 | - |
| | | <u>3,082,987</u> | <u>4,408,250</u> |
| Other revenue | | | |
| In-house insurance premiums | 8 | 461,193 | 502,671 |
| Other income | 9 | 50,356 | 65,093 |
| | | <u>3,594,536</u> | <u>4,976,014</u> |
| Expenses | | | |
| In-house insurance claims | 10 | (23,795) | (31,493) |
| In-house insurance commission expense | 11 | (183,275) | (203,199) |
| Direct operating expenses | 12 | (1,118,762) | (2,009,091) |
| Depreciation | 22 / 23 | (191,389) | (193,011) |
| Personnel expenses | 13 | (1,256,275) | (1,443,155) |
| Other expenses | 14 | (313,883) | (344,411) |
| | | <u>507,157</u> | <u>751,654</u> |
| Profit from operations | | | |
| Finance income | 15 (a) | 124,071 | 158,537 |
| Finance cost | 15 (b) | (178,276) | (118,033) |
| | | <u>(54,205)</u> | <u>40,504</u> |
| Net finance (costs) / income | | | |
| | | 452,952 | 792,158 |
| Profit before tax | | | |
| Income tax expense | 16 (a) | (42,842) | (81,771) |
| | | <u>410,110</u> | <u>710,387</u> |
| Profit for the year | | | |
| Other comprehensive income, net of income tax | | - | - |
| | | <u>410,110</u> | <u>710,387</u> |
| Total comprehensive income for the year | | | |
| Earnings per share | | | |
| Basic and diluted earnings per share | 30 | <u>\$ 0.17</u> | <u>\$ 0.36</u> |

The notes on pages 14 to 43 are an integral part of these financial statements.

Free Bird Institute Limited
Statement of changes in equity
For the year ended 31 December 2021

| | Share capital | Retained Earnings | Equity contribution reserve | Total |
|--|--------------------------|------------------------------|--|------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 January 2020 | 2,000,000 | 2,584,164 | 255,237 | 4,839,401 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | 710,387 | - | 710,387 |
| Total comprehensive income for the year | - | 710,387 | - | 710,387 |
| Transactions with owners of the Company | | | | |
| Contributions and distributions | | | | |
| Dividend declared and paid - refer Note 29 (d) | - | - | - | - |
| Total transactions with owners of the Company | - | - | - | - |
| Balance at 31 December 2020 | 2,000,000 | 3,294,551 | 255,237 | 5,549,788 |
| At 1 January 2021 | 2,000,000 | 3,294,551 | 255,237 | 5,549,788 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | 410,110 | - | 410,110 |
| Total comprehensive income for the year | - | 410,110 | - | 410,110 |
| Transactions with owners of the Company | | | | |
| Contributions and distributions | | | | |
| Issue of share capital - refer Note 29 (d) | 1,159,671 | - | - | 1,159,671 |
| Dividend declared - refer to Note 29 (d) | - | (1,500,000) | - | (1,500,000) |
| Total transactions with owners of the Company | 1,159,671 | (1,500,000) | - | (340,329) |
| Balance at 31 December 2021 | 3,159,671 | 2,204,661 | 255,237 | 5,619,569 |

The notes on pages 14 to 43 are an integral part of these financial statements.

Free Bird Institute Limited
Statement of financial position
As at 31 December 2021

| | | 2021 | 2020 |
|---|-------------|------------------|------------------|
| Assets | Note | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 17 | 2,728,951 | 1,760,687 |
| Trade and other receivables | 18 | 905,367 | 1,167,098 |
| Term deposits | 20 | 541,646 | 1,763,907 |
| Current tax assets | 16 (d) | 41,572 | 33,682 |
| Prepayments | 19 | 49,735 | 38,723 |
| Total current assets | | <u>4,267,271</u> | <u>4,764,097</u> |
| Non-current assets | | | |
| Trade and other receivables | 18 | 84,529 | 84,529 |
| Term deposits | 20 | 74,435 | 50,000 |
| Equity investments | 21 | 21,400 | 21,500 |
| Right-of-use assets | 22 | 1,034,602 | 1,114,422 |
| Property, plant and equipment | 23 | 1,799,289 | 1,834,172 |
| Deferred tax asset | 16 (c) | 19,503 | 1,591 |
| Total non-current assets | | <u>3,033,758</u> | <u>3,106,214</u> |
| Total assets | | <u>7,301,029</u> | <u>7,870,311</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 24 | 122,149 | 244,205 |
| Contract Liabilities | 25 | 24,481 | 102,564 |
| Payable to related parties | 26 | 36,846 | 58,946 |
| Interest bearing borrowings | 27 | 127,604 | 289,101 |
| In-house insurance liabilities | 28 | 236,168 | 311,392 |
| Lease liabilities | 22 | 58,679 | 54,747 |
| Employee benefits | | 16,868 | 15,095 |
| Total current liabilities | | <u>622,795</u> | <u>1,076,050</u> |
| Non-current liabilities | | | |
| Lease liabilities | 22 | 1,058,665 | 1,117,389 |
| Interest bearing borrowings | 27 | - | 127,084 |
| Total non-current liabilities | | <u>1,058,665</u> | <u>1,244,473</u> |
| Total liabilities | | <u>1,681,460</u> | <u>2,320,523</u> |
| Shareholders' equity | | | |
| Share capital | 29 (b) | 3,159,671 | 2,000,000 |
| Retained earnings | | 2,204,661 | 3,294,551 |
| Equity contribution reserve | 29 (c) | 255,237 | 255,237 |
| Total shareholders' equity | | <u>5,619,569</u> | <u>5,549,788</u> |
| Total shareholders' equity and liabilities | | <u>7,301,029</u> | <u>7,870,311</u> |

Signed on behalf of the Board

Director

Director

The notes on pages 14 to 43 are an integral part of these financial statements.

Free Bird Institute Limited
Statement of cash flows
For the year ended 31 December 2021

| | | 2021 | 2020 |
|---|-------------|------------------|------------------|
| | Note | \$ | \$ |
| Operating activities | | | |
| Receipts from customers | | 2,759,337 | 4,133,394 |
| Payment to suppliers and employees | | (2,841,900) | (3,837,485) |
| In-house insurance premiums received | | 284,476 | 177,598 |
| In-house insurance claims paid | | (23,795) | (31,493) |
| Interest received | | 203,888 | 55,815 |
| Income tax paid | 16 (d) | (68,645) | (70,985) |
| Interest paid | 27 | - | (3,730) |
| Net cash from operating activities | | <u>313,361</u> | <u>423,114</u> |
| Investing activities | | | |
| Acquisition of property, plant and equipment | 23 | (76,906) | (83,112) |
| Investment in term deposits | 20 | 1,197,826 | - |
| Net cash from / (used in) investing activities | | <u>1,120,920</u> | <u>(83,112)</u> |
| Financing activities | | | |
| Dividends paid | 29 (d) | (340,329) | - |
| Repayments of interest bearing borrowings | 27 | - | (76,468) |
| Payment of lease liabilities | 22 | (90,333) | (93,500) |
| Net cash used in financing activities | | <u>(430,662)</u> | <u>(169,968)</u> |
| Net increase in cash and cash equivalents | | 1,003,619 | 170,034 |
| Effect of movements in exchange rates on cash held | | (35,355) | 1,700 |
| Cash and cash equivalents at 1 January | | 1,760,687 | 1,588,953 |
| Cash and cash equivalents at 31 December | 17 | <u>2,728,951</u> | <u>1,760,687</u> |

The notes on pages 14 to 43 are an integral part of these financial statements.

Free Bird Institute Limited

Notes to the financial statements

For the year ended 31 December 2021

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 28 March 2022.

(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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

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

| | |
|---------------------------------------|-----------|
| Depreciation rates | Note 4(b) |
| Recoverability of deferred tax assets | Note 4(o) |
| Lease term and discount rate | Note 4(p) |
| Impairment of non-financial assets | Note 4(f) |
| Impairment of financial assets | Note 4(f) |

(e) Going concern

The directors continue to have a reasonable expectation that the Company has adequate resources to continue operation for at least the next 12 months and that the going concern basis of accounting remains appropriate.

The directors assessment is based on the government decision to re-open international borders in December 2021, the reduction in quarantine days and the high vaccination rate in Fiji.

For the year ended 31 December 2021, the Company recognised a net profit of \$410,110 (2020: \$710,387). The Company's net current assets as at 31 December 2021 was \$3,644,476. The Company has \$3,270,597 of liquid assets comprising cash and cash equivalents and term deposits available at the balance date.

Based on these factors, management has a reasonable expectation that the Company has adequate resources and will be able to continue its operations for at least 12 months from the date of signing of this report.

3. Changes in significant accounting policies

a. Leases

In April 2020, the International Accounting Standards Board ("IASB") issued Covid-19-Related Rent Concessions (Amendment to IFRS 16). The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification which was effective till 30 June 2021.

However since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to extend the time period over which the practical expedient is available for use.

The Changes in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to:

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
- require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

3. Changes in significant accounting policies (continued)

a. Leases (continued)

- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

As at 31 December 2021, the Company has adopted the amendment issued by the IASB in preparing these financial statements.

4. Significant accounting policies

The Company has consistently applied the following accounting policies to all years presented in these financial statements.

(a) 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.

(b) 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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Significant accounting policies (continued)

(c) 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.

(d) 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 and 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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Significant accounting policies (continued)

(e) 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.

(ii) Classification and subsequent measurement

Financial assets

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

The Company had not elected to present in OCI subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

| The classification of financial assets as at 31 December 2021 are as follows: | Classification |
|--|-----------------------|
| Cash and cash equivalents (excluding cash on hand) | Amortised |
| Trade and other receivables | Amortised |
| Term deposits | Amortised |
| Shares in Port Denarau Marina Ltd (PDML) | FVTPL |

Financial assets: Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model and how those risks are managed;

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets: Business model assessment (continued)

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

Financial assets: Subsequent measurement and gains and loss

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

Financial liabilities: 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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Significant accounting policies (continued)

(e) Financial instruments (continued)

(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.

(f) Impairment

(i) Non derivative financial assets

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. Impairment for amounts receivable from related parties have been considered based on qualitative factors;
- 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 from 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. Impairment for amounts receivable from related parties have been considered based on qualitative factors.

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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Significant accounting policies (continued)

(f) Impairment (continued)

(i) Non derivative financial assets (continued)

The Company considers 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 BB- 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.

The Company applied the two stage approach to amounts receivable from related parties to identify significant increases in credit risk. In calculating a provision for expected credit losses, the Company considers what is the probability of the related party defaulting. In assessing the risk of default, the Company considers the following factors:

- actual failure to pay within payment terms of the receivable;
- the related parties credit worthiness and financial position; and
- adverse changes to the overall viability of the related party operations.

Measurement of ECLs

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.

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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Significant accounting policies (continued)

(f) Impairment (continued)

(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.

(g) Revenue

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.

Outlined below is information 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 other agents. The Company provides various services to the students that are engaged via 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 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 on the time elapsed.

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

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Significant accounting policies (continued)

(g) Revenue (continued)

Charter flight revenue

The Company obtained approval from Fiji Government to charter flights in 2021 in order to bring students from Japan. The Company provides the services of chartering flights from New Zealand to Fiji for students who are interested in traveling to Fiji to utilise the language tuition and related services. During the year, the company had chartered flights twice which ceased when the Fijian Government re-opened Fiji's International borders to its trading partners that includes Japan in December 2021.

In-house money exchange

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 to its Fiji dollar account when the rates are favourable. The gain or loss on the transfer is recognised as a realised exchange gain or loss and included in either finance income or finance expense.

Restaurant sales

Restaurant services include in-house dining, takeaway service and delivery to students. SPFB and the general public are customers of the Company. Revenue is earned from the sale of food and beverages. Revenue is recognised at a point-in-time when food and beverage have been served to patron. Invoices to SPFB are issued on a monthly basis and are payable within 30 days. The general public pay cash on delivery of goods.

(h) 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.

(i) Trade and other payables, contract liabilities and payables to related parties

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

(j) 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.

(k) 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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Significant accounting policies (continued)

(l) 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.

(m) 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. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency gains or losses are recognised in profit or loss.

(n) 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.

(o) 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.

(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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Significant accounting policies (continued)

(p) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

i. As a lessee under IFRS 16

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

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

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities as separate line items in the statement of financial position (see note 22).

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Significant accounting policies (continued)

(p) Leases

i. As a lessee under IFRS 16 (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office space that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

COVID-19-related rent concessions

The Company has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

ii. As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. As at 1 January 2021, the company did not have any leases for which it acts as a lessor.

(q) Comparative figures

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

(r) Inventories

The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. The Company did not hold any inventory at year end (2020: \$Nil). The policy is to expense inventory when acquired as the Company does not consider inventory items to be material.

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 2021 and earlier application is permitted, however the Company has not early adopted the following new or amended standards in preparing these financial statements.

IFRS 17 Insurance Contracts

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 2023.

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

The following new and amended standards are not expected to have a significant impact on the Company's financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

5. Standards issued but not yet effective (continued)

- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Disclosure of Accounting Policies (Amendments to IAS 21 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

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 losses 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 (2020: \$1,000,000) for any unforeseen claims that may be made from the Company's in-house insurance scheme.

(b) Financial risk management

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

- (i) Credit risk;
- (ii) Liquidity risk; and
- (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 in regards 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.

Trade and other receivables

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.

Impairment for amounts receivable from related parties have been considered based on qualitative factors. The Company did not recognise an impairment allowance against amounts receivable from related parties at 31 December 2021 due to the strong financial position of the related parties. The amount of allowance did not change during 2021.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

6. Risk management (continued)

(b) Financial risk management (continued)

(i) *Credit risk (continued)*

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 on these receivables are minimal.

Impairment for other receivables have been considered based on qualitative factors. The Company recognised an impairment allowance against other receivables from Japanese Language School (JLS) students at 31 December 2021 due to the increased exposure to credit risk on these receivables.

Impairment loss on financial assets recognised in profit or loss was as follows:

| | 2021 | 2020 |
|--|--------|------|
| | \$ | \$ |
| Impairment loss on trade and other receivables | 54,875 | - |
| <u>Movements in the allowance for impairment in respect of trade and other receivables</u> | | |
| Balance at 1 January | - | - |
| Allowance created during the year | 54,875 | - |
| Balance at 31 December | 54,875 | - |

Cash and cash equivalents and term deposits

The Company held cash at bank of \$2,728,790 (2020: \$1,759,736) and term deposits of \$616,081 (2020: \$1,813,907) . Cash and term deposits are held with banks which are rated AA- based on Standard & Poors 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, except for term deposits held with locally incorporated financial institutions.

The Company did not recognise impairment allowance as at 31 December 2021 as the Company does not consider the impairment allowance to be material.

(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.

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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

6. Risk management (continued)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

| | Carrying amount | Contractual cash flows | | | |
|-----------------------------|--------------------|------------------------|----------------|----------------|----------------------|
| | | Total | Up to 1 year | 1-2 years | More than 2 years |
| 31 December 2021 | \$ | \$ | \$ | \$ | \$ |
| Trade and other payables | 122,149 | 122,149 | 122,149 | - | - |
| Payable to related parties | 36,846 | 36,846 | 36,846 | - | - |
| Interest bearing borrowings | 127,604 | 130,221 | 130,221 | - | - |
| | <u>286,599</u> | <u>289,216</u> | <u>289,216</u> | <u>-</u> | <u>-</u> |
| 31 December 2020 | \$ | \$ | \$ | \$ | \$ |
| Trade and other payables | 244,205 | 244,205 | 244,205 | - | - |
| Payable to related parties | 58,946 | 58,946 | 58,946 | - | - |
| Interest bearing borrowings | 416,185 | 450,575 | 310,828 | 139,747 | - |
| | <u>719,336</u> | <u>753,726</u> | <u>613,979</u> | <u>139,747</u> | <u>-</u> |

(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.

Exposure to interest rate risk

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

| Fixed rate instruments | 2021 | 2020 |
|-------------------------------|-------------|-------------|
| | \$ | \$ |

Financial assets

| | | |
|---|---------------|------------------|
| Term deposits | 616,081 | 1,813,907 |
| Cash and cash equivalents - short term deposits | <u>48,345</u> | <u>1,095,558</u> |

A term deposit of \$1,200,000 had matured on 31st December 2021 which was deposited into the Company's cash at bank on the same day. This was reinvested as a term deposit subsequent to year end.

| Fixed rate instruments | 2021 | 2020 |
|-------------------------------|-------------|-------------|
| | \$ | \$ |

Financial liabilities

| | | |
|-----------------------------|--------------------|--------------------|
| Interest bearing borrowings | (127,604) | (416,185) |
| Lease liability | <u>(1,117,344)</u> | <u>(1,172,136)</u> |

Cash at bank is non-interest bearing.

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

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

6. Risk management (continued)

(b) Financial risk management (continued)

(iii) *Market risk (continued)*

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 enters into forward rate arrangement with 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:

| | 2021 | 2020 |
|--------------------------------|-------------|-------------|
| | Yen | Yen |
| <u>Financial assets</u> | | |
| Trade receivables | 35,447,771 | 26,986,334 |
| <u>Financial liabilities</u> | | |
| Interest bearing borrowings | 7,011,851 | 22,274,006 |
| Trade payable to related party | 2,000,000 | - |

The above amounts are in Yen as at 31 December.

The following significant exchange rates have been applied:

| | Year end spot rates | |
|-----|----------------------------|-------------|
| | 2021 | 2020 |
| JPY | 54.28 | 50.58 |

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

| <u>Effect in FJD</u> | Profit or loss | | Equity, net of tax | |
|-------------------------|-----------------------|------------------|---------------------------|------------------|
| | <i>Strengthening</i> | <i>Weakening</i> | <i>Strengthening</i> | <i>Weakening</i> |
| <u>31 December 2021</u> | | | | |
| Financial assets | (65,305) | 65,305 | (58,775) | 58,775 |
| Financial liabilities | 16,603 | (16,603) | 14,942 | (14,942) |
| <u>31 December 2020</u> | | | | |
| Financial assets | (53,354) | 53,354 | (48,503) | 48,503 |
| Financial liabilities | 44,037 | (44,037) | 39,633 | (39,633) |

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

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

6. Risk management (continued)

(b) Financial risk management (continued)

(iv) *Accounting classifications and fair values*

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The categorisation of financial assets measured at fair value as at 31 December 2021 are as follows:

| Financial assets measured at fair value | Category |
|--|-----------------|
| Shares in Port Denarau Marina Ltd (PDML) | Level 1 |

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. |
| Charter Flight | Provision of charter flight for students to Fiji. |
| Restaurant | Sale of food meals, specialising in Japanese udon noodles. |

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 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 applied to the operating segments are the same as those described in the summary of significant accounting policies.

Free Bird Institute Limited
Statement of financial position
As at 31 December 2021

7. Operating segments (continued)

(b) Information about reportable segments (continued)

| | Reportable segments | | | | | Total |
|--|---------------------|--------------------|----------------------|----------------|------------|-------------|
| | Service fees | In-house insurance | Recruitment services | Charter Flight | Restaurant | |
| <u>2021</u> | \$ | \$ | \$ | \$ | \$ | \$ |
| External revenue | 2,670,009 | 461,193 | 85,570 | 163,837 | 163,571 | 3,544,180 |
| Other income | 50,356 | - | - | - | - | 50,356 |
| Interest income | 13,572 | 83,647 | - | - | - | 97,219 |
| Interest expense | (103,044) | - | - | - | (2,430) | (105,474) |
| Depreciation expense | (182,407) | - | - | - | (8,982) | (191,389) |
| Direct, personnel, insurance and other expense | (2,323,199) | (207,070) | (112,419) | (218,599) | (80,653) | (2,941,940) |
| Segment profit before tax | 125,287 | 337,770 | (26,849) | (54,762) | 71,506 | 452,952 |
| Segment assets | 6,117,247 | 1,083,637 | - | - | 100,145 | 7,301,029 |
| Segment liabilities | 1,415,022 | 236,168 | - | - | 30,270 | 1,681,460 |
| <u>2020</u> | \$ | \$ | \$ | \$ | \$ | \$ |
| External revenue | 2,867,067 | 502,671 | 336,683 | 1,204,500 | - | 4,910,921 |
| Other income | 65,093 | - | - | - | - | 65,093 |
| Interest income | 50,774 | 107,763 | - | - | - | 158,537 |
| Interest expense | (118,033) | - | - | - | - | (118,033) |
| Depreciation expense | (193,011) | - | - | - | - | (193,011) |
| Direct, personnel, insurance and other expense | (2,594,810) | (234,692) | (84,319) | (1,117,528) | - | (4,031,349) |
| Segment profit before tax | 77,080 | 375,742 | 252,364 | 86,972 | - | 792,158 |
| Segment assets | 6,342,981 | 1,165,281 | 275,077 | 86,972 | - | 7,870,311 |
| Segment liabilities | 2,009,131 | 311,392 | - | - | - | 2,320,523 |

(c) Major Customer

Service fees from South Pacific Free Bird Company Limited represents \$2,661,404 (2020: \$2,804,530) and 74% (2020: 56%) of the Company's total revenues.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

| | Note | 2021 \$ | 2020 \$ |
|--|------|-------------------|-------------------|
| 8. In-house insurance premium | | | |
| Gross written insurance premium | | 426,713 | 629,795 |
| Premiums refunded during the year and third party taxes | | (40,744) | (31,733) |
| Unearned premium movement | | 75,224 | (95,391) |
| | | <u>461,193</u> | <u>502,671</u> |
| 9. Other income | | | |
| Gain on modification of financial liabilities | 27 | - | 25,093 |
| Miscellaneous | | 1,856 | 1,000 |
| Rental Concession due to COVID-19 * | 22 | 48,500 | 39,000 |
| | | <u>50,356</u> | <u>65,093</u> |
| * This relates to rental concession received from various landlords as a result of COVID-19. Refer to Note 3(a) for further details. | | | |
| | | 2021 \$ | 2020 \$ |
| 10. In-house insurance claims | | | |
| Gross in house insurance claims incurred | | 23,795 | 31,493 |
| | | <u>23,795</u> | <u>31,493</u> |
| 11. In-house insurance commission expense | | | |
| Commission expense | | 187,796 | 182,789 |
| (Less) / Add prepaid commission expense movement | | (4,521) | 20,410 |
| | | <u>183,275</u> | <u>203,199</u> |
| 12. Direct operating expenses | | | |
| Accommodation cost and supplies | | 5,777 | 6,461 |
| Charter flight expenses | | 218,599 | 1,117,528 |
| Classroom supplies | | 31,813 | 30,909 |
| Electricity and water | | 33,697 | 49,920 |
| Home stay fees | | 609,952 | 720,713 |
| Immigration and government fees | | 83,396 | 83,560 |
| Restaurant expenses | | 80,653 | - |
| Impairment loss | | 54,875 | - |
| | | <u>1,118,762</u> | <u>2,009,091</u> |
| 13. Personnel expenses | | | |
| Wages and salaries | | 931,776 | 1,116,143 |
| Key management compensation - short term benefits | | 267,257 | 253,999 |
| - contribution to Fiji National Provident Fund | | 15,715 | 15,715 |
| Contributions to Fiji National Provident Fund | | 20,695 | 39,632 |
| Fiji National University Levy | | 9,512 | 10,761 |
| Other staff costs | | 11,320 | 6,905 |
| | | <u>1,256,275</u> | <u>1,443,155</u> |

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

| | Note | 2021 \$ | 2020 \$ |
|--|------|----------------|----------------|
| 14. Other expenses | | | |
| Accounting fees | | 3,993 | 6,377 |
| Audit fees | | 24,000 | 22,000 |
| Advertising & marketing | | 12,937 | 41,088 |
| Bank charges | | 12,838 | 4,193 |
| Directors' fees | | 14,855 | 16,800 |
| Education and training | | - | 1,698 |
| Freight, postage and courier | | 4,394 | 3,548 |
| Insurance | | 4,228 | 5,386 |
| License and rates | | 37,382 | 46,051 |
| Meals and entertainment | | 895 | 1,132 |
| Motor vehicle expenses | | 28,754 | 13,174 |
| Office expenses | | 40,223 | 30,099 |
| Other expense | | 17,387 | 7,113 |
| Printing & Stationery | | 15,336 | 19,623 |
| Repair and maintenance | | 15,827 | 18,176 |
| Stamp duty | | - | 150 |
| Subscriptions | | 17,063 | 13,828 |
| Telephone and internet | | 53,885 | 53,179 |
| Travel & Accommodation | | 9,886 | 40,796 |
| | | <u>313,883</u> | <u>344,411</u> |
| 15. Finance income and finance cost | | | |
| (a) Finance income | | | |
| Interest income | | 83,647 | 107,763 |
| Realised foreign exchange gain - in house exchange | | 13,572 | 21,209 |
| Realised foreign exchange gain - others | | 26,852 | 4,604 |
| Unrealised foreign exchange gain | | - | 24,961 |
| | | <u>124,071</u> | <u>158,537</u> |
| (b) Finance cost | | | |
| Interest expense on borrowings | | 21,433 | 32,567 |
| Interest expense on Lease liabilities | 22 | 84,041 | 85,466 |
| Unrealised foreign exchange loss | | 72,802 | - |
| | | <u>178,276</u> | <u>118,033</u> |
| 16. Income tax | | | |
| (a) Income tax expense recognised in the income statement | | | |
| <u>Current tax expense</u> | | | |
| Current year | | 60,755 | 74,030 |
| <u>Deferred tax expense</u> | | | |
| Origination and reversal of temporary differences | | (17,913) | 7,741 |
| Income tax expense | | <u>42,842</u> | <u>81,771</u> |

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

| | | | |
|---|------------------|-------------------|-----------------|
| 16. Income tax (continued) | 2021 | 2020 | |
| (b) Reconciliation of effective tax rate | \$ | \$ | |
| Operating profit before income tax | 452,952 | 792,158 | |
| Prima facie income tax expense on profit before tax at 10% (2020:10%) | 45,295 | 79,216 | |
| Tax effect of permanent differences | (2,453) | 2,555 | |
| Income tax expense | <u>42,842</u> | <u>81,771</u> | |
| (c) Recognised deferred tax asset / (liability) | | | |
| Employee benefits | 1,687 | 1,510 | |
| Trade receivables | 5,488 | - | |
| Unrealised Foreign exchange gain | 7,280 | (2,496) | |
| Right-of-use assets | (103,460) | (111,442) | |
| Lease liability | 111,734 | 117,214 | |
| Property plant and equipment | (3,226) | (3,195) | |
| | <u>19,503</u> | <u>1,591</u> | |
| <u>Movement in temporary differences during the year</u> | | | |
| | 1 January | Recognised | 31 |
| | 2021 | in income | December |
| | \$ | statement | 2021 |
| | \$ | \$ | \$ |
| Employee benefits | 1,510 | 177 | 1,687 |
| Trade receivables | - | 5,488 | 5,488 |
| Unrealised Foreign exchange gain | (2,496) | 9,776 | 7,280 |
| Right-of-use assets | (111,442) | 7,982 | (103,460) |
| Lease liability | 117,214 | (5,480) | 111,734 |
| Property plant and equipment | (3,195) | (31) | (3,226) |
| | <u>1,591</u> | <u>17,913</u> | <u>19,503</u> |
| | 1 January | Recognised | 31 |
| | 2020 | in income | December |
| | \$ | statement | 2020 |
| | \$ | \$ | \$ |
| Employee benefits | 3,151 | (1,641) | 1,510 |
| Unrealised Foreign exchange gain | 6,388 | (8,884) | (2,496) |
| Right-of-use assets | (115,371) | 3,929 | (111,442) |
| Lease liability | 118,416 | (1,202) | 117,214 |
| Property plant and equipment | (3,252) | 57 | (3,195) |
| | <u>9,332</u> | <u>(7,741)</u> | <u>1,591</u> |
| (d) Current tax (asset) / payable | | | |
| Opening balance | (33,682) | (36,727) | |
| Current tax expense | 60,755 | 74,030 | |
| Payments made during the year | (68,645) | (70,985) | |
| Closing balance | <u>(41,572)</u> | <u>(33,682)</u> | |

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

| | | 2021 | 2020 |
|--|-------------|------------------|------------------|
| | Note | \$ | \$ |
| 17. Cash and cash equivalents | | | |
| Cash on hand | | 161 | 951 |
| Cash at bank | | 2,680,445 | 664,178 |
| Short term deposits | | 48,345 | 1,095,558 |
| Cash and cash equivalents in the Statement of Cash flows | | <u>2,728,951</u> | <u>1,760,687</u> |

| | | 2021 | 2020 |
|--|--|------------------|------------------|
| | | \$ | \$ |
| 18. Trade and other receivables | | | |
| Receivable from South Pacific Free Bird Company Limited - service fee | | 339,013 | 449,665 |
| Receivable from South Pacific Free Bird Company Limited - in-house insurance premium | | 67,879 | 154,182 |
| Immigration and other bonds | | 305,053 | 334,243 |
| Other receivables - South Pacific Free Bird Company Limited | | 133,604 | 115,647 |
| Other receivables - Ba Provincial Free Bird Institute High School | | 123,770 | 57,071 |
| Other receivables - others | | 75,452 | 140,819 |
| Gross Trade and other receivable | | <u>1,044,771</u> | <u>1,251,627</u> |
| Less allowance for impairment of trade and other receivables | | <u>(54,875)</u> | <u>-</u> |
| | | <u>989,896</u> | <u>1,251,627</u> |

Classified in the financial statements as follows:

| | | |
|-------------|----------------|------------------|
| Current | 905,367 | 1,167,098 |
| Non Current | 84,529 | 84,529 |
| | <u>989,896</u> | <u>1,251,627</u> |

Immigration bonds are on revolving basis, hence, disclosed as current.

19. Prepayments

| | | | |
|--------------------|----------|---------------|---------------|
| Commission prepaid | 28 (iii) | 14,349 | 9,828 |
| Other prepayments | | 35,386 | 28,895 |
| | | <u>49,735</u> | <u>38,723</u> |

20. Term deposits

| | | |
|-------------|----------------|------------------|
| Current | 541,646 | 1,763,907 |
| Non current | 74,435 | 50,000 |
| | <u>616,081</u> | <u>1,813,907</u> |

Term deposits will mature on 10 June 2022, 26 October 2022, 24 December 2023 and 17 August 2024 with interest rates between 0.75% to 5.5% per annum (2021: 7 June 2021, 17 August 2021, 26 October 2021, 31 December 2021 and 24 December 2023 with interest rates between 1.7% to 5.75% per annum).

The Company has given the authority to approve and set off term deposits amounting to \$40,000 against credit card facility provided by the respective bank.

Term deposits amounting to \$72,889 (2020: \$72,889) are held as registered security for immigration bonds guaranteed by the respective bank on behalf of the Company.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

| | 2021 | 2020 |
|---|-------------|-------------|
| 21. Equity instruments | \$ | \$ |
| Shares in Port Denarau Marina Ltd (PDML) | 21,400 | 21,500 |
| Shares in PDML are valued at market price and any gains/losses are recorded in the statement of profit or loss. | | |
| 22. Leases | Note | 2021 |
| | | 2020 |
| Rights-of-use assets | | \$ |
| | | \$ |
| Balance at 1 January | | 1,114,422 |
| (Disposal)/ Addition | | (220) |
| Depreciation charge for the year | | (79,600) |
| Balance at 31 December | | 1,034,602 |
| Lease Liabilities | | \$ |
| Maturity analysis – contractual undiscounted cash flows | | \$ |
| Less than one year | | 138,606 |
| One to five years | | 512,725 |
| More than five years | | 1,838,500 |
| Total undiscounted lease liabilities at 31 December | | 2,489,831 |
| Lease liabilities included in the statement of financial position at 31 December: | | |
| Current | | 58,679 |
| Non-current | | 1,058,665 |
| | | 1,117,344 |
| Amounts recognised in profit or loss | | \$ |
| Depreciation on ROU Assets | | 79,600 |
| Interest on lease liabilities | | 84,041 |
| Rental Concession due to COVID-19 | 9 | (48,500) |
| | | 115,141 |
| Amounts recognised in the statement of cash flows | | \$ |
| Total cash outflow for leases | | 90,333 |

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2021

23. Property, plant and equipment

| | Buildings | Motor vehicles | Walkway and Fence | Office equipment & Furniture | Total |
|----------------------------------|------------------|-----------------------|--------------------------|---|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | |
| Balance as at 1 January 2020 | 2,012,923 | 144,478 | 244,949 | 322,992 | 2,725,342 |
| Additions | - | 29,679 | - | 53,433 | 83,112 |
| Balance at 31 December 2020 | <u>2,012,923</u> | <u>174,157</u> | <u>244,949</u> | <u>376,425</u> | <u>2,808,454</u> |
| Balance at 1 January 2021 | 2,012,923 | 174,157 | 244,949 | 376,425 | 2,808,454 |
| Additions | - | 47,415 | - | 29,491 | 76,906 |
| Balance at 31 December 2021 | <u>2,012,923</u> | <u>221,572</u> | <u>244,949</u> | <u>405,916</u> | <u>2,885,360</u> |
| Depreciation | | | | | |
| Balance as at 1 January 2020 | 519,246 | 67,269 | 62,370 | 206,738 | 855,623 |
| Depreciation charge for the year | 50,323 | 29,450 | 6,124 | 32,762 | 118,659 |
| Balance at 31 December 2020 | <u>569,569</u> | <u>96,719</u> | <u>68,494</u> | <u>239,500</u> | <u>974,282</u> |
| Balance at 1 January 2021 | 569,569 | 96,719 | 68,494 | 239,500 | 974,282 |
| Depreciation charge for the year | 50,323 | 23,842 | 6,124 | 31,500 | 111,789 |
| Balance at 31 December 2021 | <u>619,892</u> | <u>120,561</u> | <u>74,618</u> | <u>271,000</u> | <u>1,086,071</u> |
| Carrying amount | | | | | |
| Balance as at 1 January 2020 | <u>1,493,677</u> | <u>77,209</u> | <u>182,579</u> | <u>116,254</u> | <u>1,869,719</u> |
| Balance at 31 December 2020 | <u>1,443,354</u> | <u>77,438</u> | <u>176,455</u> | <u>136,925</u> | <u>1,834,172</u> |
| Balance at 31 December 2021 | <u>1,393,031</u> | <u>101,011</u> | <u>170,331</u> | <u>134,916</u> | <u>1,799,289</u> |

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| | 2021 | 2020 |
|-------------------------------------|----------------|----------------|
| 24. Trade and other payables | \$ | \$ |
| Trade payables | 39,428 | 167,274 |
| Accruals | 25,847 | 51,425 |
| Withholding tax payable | 27,491 | 4,440 |
| Other payables | 29,383 | 21,066 |
| | <u>122,149</u> | <u>244,205</u> |

| | | |
|---------------------------------|---------------|----------------|
| 25. Contract liabilities | | |
| Contract liabilities | <u>24,481</u> | <u>102,564</u> |

Contract liabilities include services fee received in advance of the service being provided.

| | 2021 | 2020 |
|--|---------------|---------------|
| 26. Payable to related parties | \$ | \$ |
| Payable to South Pacific Free Bird Company Limited | <u>36,846</u> | <u>58,946</u> |

The above payables are unsecured and non interest bearing.

| | | |
|---|----------------|----------------|
| 27. Interest bearing borrowings | | |
| South Pacific Free Bird Company Limited | <u>127,604</u> | <u>416,185</u> |
| <u>Disclosed as follows:</u> | | |
| Current | 127,604 | 289,101 |
| Non current | - | 127,084 |
| | <u>127,604</u> | <u>416,185</u> |

Borrowings from South Pacific Free Bird Company Limited are unsecured with monthly repayments of 1,310,138 Yen with interest charged at a rate of 3% per annum (2020: 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 decrease over the life of the loan to maturity. This accretion in the liability is recognised in profit or loss as interest expense.

On 1 January 2021, the Company recommenced it's monthly repayment after been granted a 9 month deferral on the loan repayments from South Pacific Free Bird Company Limited in 2020 due to the impact of COVID-19.

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27. Interest bearing borrowings (continued)

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

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$ | \$ |
| Interest bearing borrowings | | |
| Balance at 1 January | 416,185 | 484,536 |
| <u>Changes from financing cash flows</u> | | |
| Repayment of borrowings | - | (76,468) |
| <u>Changes from non-cash transaction</u> | | |
| Intercompany offset on repayment of borrowings and interest | (295,988) | - |
| <u>Other changes</u> | | |
| Gain on modification of financial liabilities | - | (25,093) |
| Interest expense | 21,433 | 32,567 |
| Interest paid | - | (3,730) |
| Interest payable | - | (7,656) |
| The effect on interest expense of discounting | (12,758) | (21,181) |
| The effect of changes in foreign exchange rates | (1,268) | 33,210 |
| Balance at 31 December | <u>127,604</u> | <u>416,185</u> |

28. In-house insurance liabilities

| | | |
|--------------------------------------|----------------|----------------|
| Claims incurred but not reported (i) | 1,827 | 1,827 |
| Unearned premium (ii) | 93,933 | 169,157 |
| Claims incurred but not paid | <u>140,408</u> | <u>140,408</u> |
| | <u>236,168</u> | <u>311,392</u> |

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:

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

This assessment of IBNR was done by management based on an Actuarial Review undertaken in 2019. The calculated IBNR for 2021 was not materially different compared to 2020. Management therefore, has not made any adjustments to this amount in the financial year ended 31 December 2021.

| | 2021 | 2020 |
|---|---------------|----------------|
| | \$ | \$ |
| (ii) <u>Unearned premium reconciliation</u> | | |
| Balance at the beginning of the year | 169,157 | 73,766 |
| Gross premiums received during the year | 426,713 | 629,795 |
| Premiums earned | (461,193) | (502,671) |
| Premiums refunded during the year and third party taxes | (40,744) | (31,733) |
| Balance at the end of the year | <u>93,933</u> | <u>169,157</u> |
| (iii) <u>Prepaid commission reconciliation</u> | | |
| Balance at the beginning of the year | 9,828 | 30,238 |
| Commission paid for the year | 187,796 | 182,789 |
| Amortisation of costs to profit or loss | (183,275) | (203,199) |
| Balance at the end of the year | <u>14,349</u> | <u>9,828</u> |

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28. In-house insurance liabilities (continued)

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.

29. Share capital

(a) Authorised capital

| | 2021 | 2020 |
|-----------------|-------------|-------------|
| Ordinary shares | 2,375,298 | 2,000,000 |

(b) Issued capital

| | 2021 | 2020 |
|-----------------------------|-------------|-------------|
| | \$ | \$ |
| 2,375,298 (2020: 2,000,000) | 3,159,671 | 2,000,000 |

Shares of the Company do not have a par value.

Shareholders at 31 December:

| | 2021 | 2020 |
|---|------------------|------------------|
| South Pacific Free Bird Company Limited (Japan) | 1,482,687 | 1,355,140 |
| FHL Trustees Ltd ATF Fijian Holdings Unit Trust | 250,806 | 250,806 |
| Hiroshi Taniguchi | 155,000 | - |
| Masayasu Muramatsu | 132,145 | 106,336 |
| IBC Ltd (Japan) | 77,669 | 62,500 |
| Platinum Insurance Limited (Vanuatu) | 51,283 | 46,630 |
| Toshikazu Torimoto | 44,737 | 36,000 |
| Yoshinobu Higashi | 31,067 | 25,000 |
| Others | 149,904 | 117,588 |
| | <u>2,375,298</u> | <u>2,000,000</u> |

(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:

| | 2021 | 2020 |
|--|----------------|-------------|
| | \$ | \$ |
| An interim dividend was declared for the year ended 2021: \$0.75 per ordinary shares (2020: Nil) | 1,500,000 | - |
| Dividend reinvested in ordinary shares | (1,159,671) | - |
| Total dividend paid | <u>340,329</u> | <u>-</u> |

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30. Earnings per share

The calculation of earnings per share at 31 December 2021 was based on profit attributable to ordinary shareholders of \$410,110 (2020: \$710,387) and a weighted average number of ordinary shares outstanding of 2,375,298 (2020: 2,000,000) calculated as follows:

| | 2021 | 2020 |
|--------------------------------------|----------------|----------------|
| | \$ | \$ |
| Profit after income tax for the year | 410,110 | 710,387 |
| Number of shares outstanding | 2,375,298 | 2,000,000 |
| Basic and diluted earnings per share | <u>\$ 0.17</u> | <u>\$ 0.36</u> |

31. Related parties

(a) Directors

The directors in office during the year were:

| | |
|------------------------------|-----------------------|
| Hiroshi Taniguchi (Chairman) | Yoko Nameki |
| Mereseini Baleilevuka | Adi Litia Qionibaravi |
| Yoshinobu Higashi | Latileta Qoro |
| Waisale Iowane | |

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.

| | 2021 | 2020 |
|---|-------------|-------------|
| | \$ | \$ |
| (c) Amounts (payable to) / receivable from related parties | | |
| <u>South Pacific Free Bird Company Limited</u> | | |
| Interest bearing borrowings (note 27) | (127,604) | (416,185) |
| Other payables (note 26) | (36,846) | (58,946) |
| Trade receivables (note 18) | 406,892 | 603,847 |
| Other receivables (note 18) | 133,604 | 115,647 |
| Prepaid commission (note 28(iii)) | 14,349 | 9,828 |
| <u>Ba Provincial Free Bird Institute</u> | 123,770 | 57,071 |

(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:

| | 2021 | 2020 |
|---|-------------|---------------|
| | \$ | \$ |
| <u>South Pacific Free Bird Company Limited</u> | | |
| Service fees | 2,661,404 | 2,788,459 |
| Commission expense | 183,275 | 203,199 |
| License fees for software use | 36,846 | 39,417 |
| Interest expense on borrowings | 21,433 | 32,567 |
| Intercompany offset on repayment of borrowings and interest | 295,988 | - |
| Repayment of principal on borrowings | <u>-</u> | <u>76,468</u> |

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31. Related parties (continued)

(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 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 (Chairman) |
| Mereseini Baleilevuka | Chief Operations Officer (Director) |
| Waisale Iowane | Chief Financial Officer (Director)(resigned November 2021 as CFO) |
| Roqiqi Korodrau | Chief Financial Officer (appointed November 2021) |

Key management compensation is disclosed under Note 13.

32. Commitments

Capital commitments not otherwise provided for in the financial statements amounted to \$Nil (2020: \$Nil).

33. Contingent liabilities

Contingent liabilities amount to \$Nil (2020; Nil).

34. 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 | 2021 | 2020 |
|---------------------------------|-------------|--------------------|--------------------|
| | | \$ | \$ |
| Total borrowings | 27 | 127,604 | 416,185 |
| Lease liability | 22 | 1,117,344 | 1,172,136 |
| Less: Cash and Cash Equivalents | 17 | <u>(2,728,951)</u> | <u>(1,760,687)</u> |
| Net Debt | | (1,484,003) | (172,366) |
| Total Capital | | <u>5,619,569</u> | <u>5,549,788</u> |
| Gearing Ratio | | <u>(26%)</u> | <u>(3%)</u> |

Excluding the lease liability as at 31 December 2021 the gearing ratio would be (46%) (2020: (24%)).

35. 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.