

Free Bird Institute Limited

Fiji Islands

25 March 2020

MARKET ANNOUNCEMENT

- **2019 Audited Financial Statement**

The Board is pleased to release the Company's Audited Financial Statements for the year ended 31 December 2019.

The total revenue for the year declined by 4.7% in comparison to the last financial year and as a direct result of the overall decrease in the average length of stay of students during the year. Fortunately, with Management's pragmatic efforts, operating expenses were minimised by 3.3% resulting in a 13.2% operating profit percentage, down by 1.3% in comparison to the same period last year.

"Whilst the overall student numbers increased by 3%, we experienced a decline in the average length of stay of each student. This is attributed to several factors such as the increase in employment opportunities in Japan. However, we continued to remain vigilant with our spending during the year," said the Chief Executive Officer, Mr Hiroshi Taniguchi.

The Company's profit before tax was \$719,591 which reflects a 12% margin of total revenue compared to a 14.6% margin in the previous year.

The Company's financial position remains strong with its total assets increasing by 29%, however, a significant part of this increase was relating to the impact of the implementation of IFRS 16 which resulted in the inclusion of a right of use asset and a corresponding lease liability in the balance sheet.

Chief Financial Officer, Waisale Iowane said, "With the growing restrictions on international flying in place, we expect a significant decrease in the number of new arrivals in Fiji over the next couple of months and as a result, we are discussing various ways to manage the impact this has on our business, especially our people at this crucial time. While the Company is in a good cash flow position right now, we still need to ensure that we preserve as much as possible to ensure the sustainability of the Company in the future and as a result, we are looking at various means to achieve this. We will surely be making some very uncomfortable conversations and tough but necessary decisions with our employees and our students over the next couple of days and weeks. Our profits for the 2020 financial year will inevitably be impacted but we need everyone's support now more than ever. This is a very difficult time for every business globally, but we will get through this together."

The Board and Management are closely monitoring the covid-19 situation and the advice from the Government and have plans in place to safeguard the interests of its shareholders and the business. Our people, students and stakeholders have been requested to practise good hygiene, limit any face to face interactions where practically possible, practise social distancing and our people have been requested to work from home where possible.

We look forward to everyone's support as we navigate together through this crisis.



Mereseini Baleilevuka
Executive Director



Roqiqi Korodrau
Company Secretary



Free Bird Institute Limited
Financial Statements
For the year ended 31 December 2019

Free Bird Institute Limited
For the year ended 31 December 2019

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Free Bird Institute Limited
Directors' report
For the year ended 31 December 2019

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 2019 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 2019 and the accompanying statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Company for the year then ended.

Principal activities

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

Results

The recorded net profit of the Company after income tax expense of \$80,536 (2018: \$109,664) for the year amounted to \$639,055 (2018: \$803,764).

Dividends

The directors declared a final dividend of \$70,000 (\$0.035 per shares) from the profits for the year ended 31 December 2018. The Company paid an interim dividend of \$140,000 (\$0.07 per share) during the year. Total dividends paid for the year ended 31 December 2019 amounted to \$210,000 (2018: \$180,000).

Current assets

The directors took reasonable steps before the Company's financial statements were made out to ascertain that the current assets of the Company were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the current assets in the financial statements to be misleading.

Receivables

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

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

Free Bird Institute Limited
Directors' report (continued)
For the year ended 31 December 2019

Related party transactions

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

Going concern

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

Events subsequent to balance date

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

However, in September 2019, a fatal accident involving one of the Company's insured students resulted in a total insurance claim of \$89,339 which was subsequently paid in 2020.

Subsequent to balance sheet date, travel restrictions have been put in place for persons travelling from certain countries as a result of the recent global coronavirus outbreak.

This has significantly reduced student numbers from China and South Korea which make up the second and third largest markets for student enrolment.

However, for the first two months of 2020, overall student numbers have increased compared to the same period last year, as a result of students from Japan, which makes up the vast majority of student numbers, increasing.

Management is closely monitoring the situation to ensure the protection of students, staff and community.

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.

Unusual circumstances

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


Directors' 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	-	25,000	-	-

Dated at Nadi this 25th day of March 2020.

Signed in accordance with a resolution of the Directors.



Director



Director

Free Bird Institute Limited
Statement by Directors
For the year ended 31 December 2019

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 2019;
- (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 2019;
- (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 2019;
- (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 2019;
- (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 25th day of March 2020.

Signed in accordance with a resolution of the Directors.



Director



Director



Independence Declaration

For the year ended 31 December 2019

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 2019 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

25 March , 2020

Nadi, Fiji

Sharvek Naidu, Partner



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 2019, 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 33.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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 (IESBA Code), 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 recognition – Service Fee (\$5,063,164)

Refer to Note 4(g) of the financial statements

The key audit matter

The Company has service fees from the parent company as the major source of revenue.
Revenue recognition is a key audit matter due to the significance of revenue to the financial statements.
Service fee includes various services being tuition, accommodation (which is either homestay or dormitory accommodation) and

How the matter was addressed in our audit

Our procedures included:

- Evaluating the appropriateness of the Company's revenue recognition policies against the requirements of IFRS 15 *Revenue from contracts with customers*.



Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

obtaining visas for students. These services are billed on a monthly basis to the parent company at a fixed rate. The rates are different for each type of service. We focussed our attention on:

- Checking the various services were provided to the student.
 - Checking the amount billed on a monthly basis for tuition, accommodation and visa by comparing the number of students multiplied by the agreed rate per student charged to the parent company.
- Selecting a haphazard sample of students billed to the parent company during the year and checking:
 - The students were registered on the student data base maintained by the parent company to have been billed for tuition.
 - The accommodation type the student had selected. In addition we checked evidence the student had arrived in the country for the service to have been rendered.
 - Visa application for students were made.
 - We tested the service fee revenue against the actual revenue recorded by comparing:
 - 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.
 - Checking service fees billed for the year to the parent company against receipts in the bank statements.



Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report and the 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 while the Directors' report was obtained prior to the date of this auditors' report. Our opinion on the financial statements does not cover the other information and we do not and 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 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. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Management is responsible for the preparation 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 International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



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)

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

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

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

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



Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

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

In our opinion:

- i). proper books of account have been kept by the Company, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and
- ii). to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Companies Act 2015, in the manner so required.

KPMG

25 March , 2020

Nadi, Fiji

Sharvek Naidu, Partner

Free Bird Institute Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	2019 \$	2018 \$
Revenue from contracts with customers			
Service fees		5,063,164	5,346,870
Recruitment services		45,972	12,383
		<u>5,109,136</u>	<u>5,359,253</u>
Other revenue			
In-house insurance premiums	8	830,904	899,589
Other income		40,828	17,707
		<u>5,980,868</u>	<u>6,276,549</u>
Expenses			
In-house insurance claims	9	(186,907)	(79,769)
In-house insurance commission expense	10	(338,990)	(341,633)
Direct operating expenses	11	(1,578,558)	(1,711,630)
Depreciation		(180,944)	(105,288)
Personnel expenses	12	(2,451,764)	(2,472,641)
Other expenses	13	(451,371)	(654,955)
		<u>792,334</u>	<u>910,633</u>
Profit from operations			
Finance income	14 (a)	146,031	96,136
Finance cost	14 (b)	(218,774)	(93,341)
		<u>(72,743)</u>	<u>2,795</u>
Net finance (costs) / income			
		(72,743)	2,795
Profit before tax			
		719,591	913,428
Income tax expense	15 (a)	(80,536)	(109,664)
		<u>639,055</u>	<u>803,764</u>
Profit for the year			
		639,055	803,764
Other comprehensive income, net of income tax		-	-
		<u>639,055</u>	<u>803,764</u>
Total comprehensive income for the year			
		<u>639,055</u>	<u>803,764</u>
Earnings per share			
Basic and diluted earnings per share	28	<u>\$ 0.32</u>	<u>\$ 0.40</u>

The notes on pages 14 to 45 are an integral part of these financial statements.

Free Bird Institute Limited
Statement of changes in equity
For the year ended 31 December 2019

	Share capital \$	Retained Earnings \$	Equity contribution reserve \$	Total \$
Balance at 1 January 2018	2,000,000	1,531,345	255,237	3,786,582
Total comprehensive income for the year				
Profit for the year	-	803,764	-	803,764
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>803,764</u>	<u>-</u>	<u>803,764</u>
Transactions with owners of the Company				
Contributions and distributions				
Dividend declared and paid - refer Note 27 (d)	-	(180,000)	-	(180,000)
Total transactions with owners of the Company	<u>-</u>	<u>(180,000)</u>	<u>-</u>	<u>(180,000)</u>
Balance at 31 December 2018	<u>2,000,000</u>	<u>2,155,109</u>	<u>255,237</u>	<u>4,410,346</u>
At 1 January 2019	2,000,000	2,155,109	255,237	4,410,346
Total comprehensive income for the year				
Profit for the year	-	639,055	-	639,055
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>639,055</u>	<u>-</u>	<u>639,055</u>
Transactions with owners of the Company				
Contributions and distributions				
Dividend declared and paid - refer Note 27 (d)	-	(210,000)	-	(210,000)
Total transactions with owners of the Company	<u>-</u>	<u>(210,000)</u>	<u>-</u>	<u>(210,000)</u>
Balance at 31 December 2019	<u>2,000,000</u>	<u>2,584,164</u>	<u>255,237</u>	<u>4,839,401</u>

The notes on pages 14 to 45 are an integral part of these financial statements.


Free Bird Institute Limited
Statement of financial position
As at 31 December 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	16	1,588,953	1,807,144
Trade and other receivables	17	675,095	502,557
Prepayments	18	71,734	84,570
Term deposits	19	1,740,466	1,210,000
Current tax assets	15 (d)	36,727	-
Total current assets		<u>4,112,975</u>	<u>3,604,271</u>
Non-current assets			
Trade and other receivables	17	84,529	84,529
Term deposits	19	72,889	72,889
Financial assets	20	23,100	-
Right-of-use assets	21	1,153,708	-
Property, plant and equipment	22	1,869,719	1,898,980
Deferred tax asset	15 (c)	9,332	119
Total non-current assets		<u>3,213,277</u>	<u>2,056,517</u>
Total assets		<u>7,326,252</u>	<u>5,660,788</u>
Liabilities			
Current liabilities			
Trade and other payables	23	326,887	161,838
Payable to related parties	24	154,868	41,982
Interest bearing borrowings	25	283,479	259,104
In-house insurance liabilities	26	304,882	212,893
Current tax liability	15 (d)	-	69,438
Lease liabilities	21	46,751	-
Employee benefits		31,523	28,086
Total current liabilities		<u>1,148,390</u>	<u>773,341</u>
Non-current liabilities			
Lease liabilities	21	1,137,404	-
Interest bearing borrowings	25	201,057	477,101
Total non-current liabilities		<u>1,338,461</u>	<u>477,101</u>
Total liabilities		<u>2,486,851</u>	<u>1,250,442</u>
Shareholders' equity			
Share capital	27 (b)	2,000,000	2,000,000
Retained earnings		2,584,164	2,155,109
Equity contribution reserve	27 (c)	255,237	255,237
Total shareholders' equity		<u>4,839,401</u>	<u>4,410,346</u>
Total shareholders' equity and liabilities		<u>7,326,252</u>	<u>5,660,788</u>

Signed on behalf of the Board



Director



Director

The notes on pages 14 to 45 are an integral part of these financial statements.

Free Bird Institute Limited
Statement of cash flows
For the year ended 31 December 2019

	Note	2019 \$	2018 \$
Operating activities			
Receipts from customers		5,176,426	5,384,353
Payment to suppliers and employees		(4,441,080)	(4,848,676)
In-house insurance premiums received		499,123	584,736
In-house insurance claims paid		(98,026)	(79,769)
Interest received		84,390	41,137
Income tax paid	15 (d)	(195,914)	(76,242)
Interest paid		(47,100)	(27,694)
Net cash from operating activities		<u>977,819</u>	<u>977,845</u>
Investing activities			
Acquisition of property, plant and equipment	22	(77,810)	(25,767)
Proceeds from sale of property, plant and equipment		8,000	-
Investment in term deposits		(530,466)	(1,201,452)
Investment in shares		(13,100)	-
Net cash used in investing activities		<u>(613,376)</u>	<u>(1,227,219)</u>
Financing activities			
Dividends paid	27 (d)	(210,000)	(180,000)
Repayments of interest bearing borrowings		(264,411)	(275,360)
Payment of lease liabilities		(132,000)	-
Net cash used in financing activities		<u>(606,411)</u>	<u>(455,360)</u>
Net decrease in cash and cash equivalents		(241,968)	(704,734)
Effect of movements in exchange rates on cash held		23,777	52,443
Cash and cash equivalents at 1 January		1,807,144	2,459,435
Cash and cash equivalents at 31 December	16	<u>1,588,953</u>	<u>1,807,144</u>

The notes on pages 14 to 45 are an integral part of these financial statements.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

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 25 March 2020.

(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 2019

3. Changes in significant accounting policies

(a) IFRS 16 Leases

The Company applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below.

(i) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (p).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(ii) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

For leases of other assets, which were classified as operating under IAS 17, the Company recognised right-of-use assets and lease liabilities.

a. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company incremental borrowing rate as at 1 January 2019.

Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessees incremental borrowing rate at the date of initial application – the Company did not apply this approach; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Company applied this approach to all leases.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied the exemption not to recognise right-of-use assets and liabilities for leases with remaining term of less than 12 months.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

3. Changes in significant accounting policies (continued)

(a) IFRS 16 Leases (continued)

(ii) As a lessee (continued)

b. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

At 1 January 2019, the Company did not have any lease previously classified as a finance lease.

(iii) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

At 1 January 2019, the Company did not have any leases which it acts as an lessor.

(iv) Impacts on financial statements

On transition to IFRS 16, the Company recognised an additional \$1,227,582 of right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 7.4%.

Operating lease commitment at 31 December 2018 as disclosed in the Company's financial statements	\$2,580,543
Discounted using the incremental borrowing rate at 1 January 2019	<u>\$1,227,582</u>
Lease liabilities recognised at 1 January 2019	<u>\$1,227,582</u>

4. Significant accounting policies

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

(a) 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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(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.

(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. In 2018, the Company had extended the in-house insurance scheme to employees which covers life and medical. Insurance contracts are those contracts that transfer significant insurance risk. As a general guide, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(d) In-house insurance contracts (continued)

(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.

(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; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

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 classification of financial assets as at 31 December 2019 are as follows:

	Classification
Cash and cash equivalents (excluding cash on hand)	Amortised cost
Trade and other receivables	Amortised cost
Term deposits	Amortised cost
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 the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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

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

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

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

Financial assets: Subsequent measurement and gains and loss

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

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

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

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Derecognition (continued)

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 that has been determined to have a low credit risk at the reporting date;
- cash at bank balances and term deposits for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition;
- immigration and other bonds comprise of receivables 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. SPFB has been determined to have a low credit risk at the reporting date.

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

The Company considers trade and other receivables and cash and cash equivalents to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be BBB- or higher per rating agency Standards & Poor's (S&P). Impairment for amounts receivable from related parties have been considered based on qualitative factors.

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).

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(f) Impairment (continued)

(i) Non derivative financial assets (continued)

Financial instruments and contract assets (continued)

The maximum period considered when estimating ECL's is the maximum contractual period over which the Company is exposed to credit risk.

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.

(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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Non financial assets (continued)

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 from Contracts with Customers

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

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

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

Recruitment services

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

(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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(i) Trade and other payables 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.

(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) In-house money

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

(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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(o) Income tax (continued)

(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.

(p) Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the Comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 3(a).

Policy applicable from 1 January 2019

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 assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(p) Leases (continued)

Policy applicable from 1 January 2019 (continued)

This policy is applied to contracts entered into, or changed, on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. As a lessee

Under IFRS 16 – from 1 January 2019

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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(p) Leases (continued)

i. As a lessee (continued)

Under IFRS 16 – from 1 January 2019 (continued)

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 21).

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 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.

Under IAS 17 – before 1 January 2019

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

4. Significant accounting policies (continued)

(p) Leases (continued)

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.

At 1 January 2019, the Company did not have any leases which it acts as an 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.

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 2019 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 2021.

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

6. Risk management

(a) Insurance risk

Insurance contracts transfer risk to the insurer by indemnifying the policy holders against adverse effects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to contracts will be different to the amounts estimated at the time a product was designed and priced. The Company is exposed to this risk because the price for a contract must be set before the 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 (2018: \$1,000,000) in term deposits 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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

6. Risk management (continued)

(b) Financial risk management (continued)

Risk management framework

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

(i) **Credit risk**

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

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

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.

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

Trade receivables

Trade receivables are from the parent company. Impairment as at 31 December 2019 has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Company considers that its trade receivables have a low credit risk based on financial stability of the parent. As at 31 December 2019, the Company does not consider the impairment allowance to be material.

Cash and cash equivalents and term deposits

The Company held cash at bank and short term deposits of \$1,588,939 (2018: \$1,804,515) and term deposits of \$1,813,355 (2018: \$1,282,889) . Cash and term deposits are held with banks which are rated Aa3 and B2 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 at BSP and Kontiki Finance, based on the external ratings of the counterparties.

The Company did not recognise impairment allowance as at 31 December 2019 as the Company does not consider the impairment allowance to be material.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

6. Risk management (continued)

(b) Financial risk management (continued)

Risk management framework (continued)

(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.

	Carrying amount	Total	Contractual cash flows		
			Up to 1 year	1-2 years	More than 2 years
31 December 2019	\$	\$	\$	\$	\$
Trade and other payables *	229,418	229,418	229,418	-	-
Payable to related parties	154,868	154,868	154,868	-	-
Interest bearing borrowings	484,536	549,103	336,704	212,399	-
	<u>868,822</u>	<u>933,389</u>	<u>720,990</u>	<u>212,399</u>	<u>-</u>

* excludes contract liabilities

31 December 2018	\$	\$	\$	\$	\$
Trade and other payables *	147,609	147,609	147,609	-	-
Payable to related parties	41,982	41,982	41,982	-	-
Interest bearing borrowings	736,205	814,224	305,334	305,334	203,556
	<u>925,796</u>	<u>1,003,815</u>	<u>494,925</u>	<u>305,334</u>	<u>203,556</u>

* excludes contract liabilities

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

6. Risk management (continued)

(b) Financial risk management (continued)

Risk management framework (continued)

(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:

	2019	2018
	\$	\$
Fixed rate instruments		
<u>Financial assets</u>		
Term deposits	1,813,355	1,282,889
Cash and cash equivalents - short term deposits	<u>577,292</u>	<u>55,335</u>
<u>Financial liabilities</u>		
Interest bearing borrowings	(484,536)	(736,205)
Lease liability	<u>(1,184,155)</u>	<u>-</u>

Fair value sensitivity analysis for fixed rate instruments

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

Currency risk

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

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

Exposure to currency risk

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

	2019	2018
	Yen	Yen
<u>Financial assets</u>		
Trade receivables	<u>11,029,817</u>	<u>12,672,072</u>

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

6. Risk management (continued)

(b) Financial risk management (continued)

(iii) *Market risk (continued)*

Currency risk (continued)

Exposure to currency risk (continued)

	2019	2018
	Yen	Yen
<u>Financial liabilities</u>		
Interest bearing borrowings	25,527,362	40,242,970

The above amounts are in Yen as at 31 December.

The following significant exchange rates have been applied:

	Year end spot rates	
	2019	2018
JPY	50.70	51.49

Sensitivity analysis

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

<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 2019</u>				
Financial assets	(21,755)	21,755	(19,777)	19,777
Financial liabilities	50,350	(50,350)	41,958	(41,958)
<u>31 December 2018</u>				
Financial assets	(24,611)	24,611	(22,373)	22,373
Financial liabilities	78,157	(78,157)	65,131	(65,131)

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 2019

7. Operating segments

(a) Basis for segmentation

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

The following summary describes the operations of each reportable segment.

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

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

(b) Informational about reportable segments

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

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

Reportable segments

<u>2019</u>	Service fees	In-house insurance	Recruitment services	Total
	\$	\$	\$	\$
External revenue	5,063,164	830,904	45,972	5,940,040
Other income	40,828	-	-	40,828
Interest income	-	92,782	-	92,782
Interest expense	(135,674)	-	-	(135,674)
Depreciation expense	(180,944)	-	-	(180,944)
Operating expenses	(4,030,322)	(525,897)	-	(4,556,219)
Segment profit before tax	<u>275,830</u>	<u>397,789</u>	<u>45,972</u>	<u>719,591</u>
Segment assets	<u>6,237,420</u>	<u>1,038,723</u>	<u>50,109</u>	<u>7,326,252</u>
Segment liabilities	<u>2,181,969</u>	<u>304,882</u>	<u>-</u>	<u>2,486,851</u>

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

7. Operating segments (continued)

(b) Informational about reportable segments (continued)

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

(c) Major Customer

Service fees from South Pacific Free Bird Company Limited represents \$4,761,062 and 80% (2018: \$5,137,770 and 82%) of the Company's total revenues.

	2019	2018
	\$	\$
8. In-house insurance premium		
Gross written insurance premium	893,173	911,213
Premiums refunded during the year and third party taxes	(59,161)	(15,995)
Unearned premium movement	(3,108)	4,371
	<u>830,904</u>	<u>899,589</u>
9. In-house insurance claims		
Gross in house insurance claims incurred	186,907	79,769
	<u>186,907</u>	<u>79,769</u>
10. In-house insurance commission expense		
Commission expense	332,651	348,198
Add / less prepaid commission expense movement	6,339	(6,565)
	<u>338,990</u>	<u>341,633</u>
11. Direct operating expenses		
Accommodation cost and supplies	7,892	9,136
Classroom supplies	59,085	65,848
Electricity and water	73,744	65,596
Home stay fees	1,243,530	1,334,930
Immigration and government fees	194,307	236,120
	<u>1,578,558</u>	<u>1,711,630</u>

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

12. Personnel expenses	2019	2018
	\$	\$
Wages and salaries	1,808,333	1,878,695
Key management compensation - short term benefits	462,149	415,001
- contribution to Fiji National Provident Fund	46,215	41,500
Contributions to Fiji National Provident Fund	105,842	113,426
Fiji National University Levy	15,023	12,825
Other staff costs	14,202	11,194
	<u>2,451,764</u>	<u>2,472,641</u>
13. Other expenses		
Accounting fees	29,451	27,480
Audit fees	22,000	25,000
Advertising & marketing	25,201	16,541
Bank charges	6,376	5,971
Directors' fees	24,000	24,000
Education and training	6,440	4,169
Freight, postage and courier	2,287	3,013
Insurance	5,136	3,683
License and rates	42,843	43,134
Meals and entertainment	4,897	6,768
Motor vehicle expenses	15,344	18,023
Office expenses	38,156	42,759
Other expense	5,581	30,016
Printing & Stationery	39,355	24,729
Professional fees	11,796	8,886
Rent	-	132,000
Repair and maintenance	26,748	50,802
Stamp duty	-	22,653
Subscriptions	13,169	8,036
Telephone and internet	61,298	54,130
Travel & Accommodation	71,293	103,162
	<u>451,371</u>	<u>654,955</u>
14. Finance income and finance cost		
(a) Finance income		
Interest income	92,782	41,875
Realised foreign exchange gain - in house exchange	53,249	29,687
Realised foreign exchange gain - others	-	24,574
	<u>146,031</u>	<u>96,136</u>
(b) Finance cost		
Interest expense on borrowings	47,100	63,247
Interest expense on Lease liabilities (note 21)	88,574	-
Unrealised foreign exchange loss	63,876	30,094
Realised foreign exchange loss	19,224	-
	<u>218,774</u>	<u>93,341</u>

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

15. Income tax

(a) Income tax expense recognised in the income statement	2019	2018
<u>Current tax expense</u>	\$	\$
Current year	89,749	114,159
<u>Deferred tax expense</u>		
Origination and reversal of temporary differences	(9,213)	(4,495)
Income tax expense	<u>80,536</u>	<u>109,664</u>
(b) Reconciliation of effective tax rate		
Operating profit before income tax	719,591	913,428
Prima facie income tax expense on profit before tax at 10% (2018:10%)	71,959	91,343
Tax effect of permanent differences	8,577	18,321
Income tax expense	<u>80,536</u>	<u>109,664</u>
(c) Recognised deferred tax asset / (liability)		
Employee benefits	3,151	2,808
Unrealised Foreign exchange gain	6,388	-
Right-of-use assets	(115,371)	-
Lease liability	118,416	-
Property plant and equipment	(3,252)	(2,689)
	<u>9,332</u>	<u>119</u>

Movement in temporary differences during the year

	1 January 2019	Recognised in income statement	31 December 2019
	\$	\$	\$
Employee benefits	2,808	343	3,151
Unrealised Foreign exchange gain	-	6,388	6,388
Right-of-use assets	-	(115,371)	(115,371)
Lease liability	-	118,416	118,416
Property plant and equipment	(2,689)	(563)	(3,252)
	<u>119</u>	<u>9,213</u>	<u>9,332</u>
	1 January 2018	Recognised in income statement	31 December 2018
	\$	\$	\$
Employee benefits	-	2,808	2,808
Unrealised Foreign exchange gain	(2,324)	2,324	-
Property plant and equipment	(2,052)	(637)	(2,689)
	<u>(4,376)</u>	<u>4,495</u>	<u>119</u>

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

15. Income tax (continued)

	2019	2018
	\$	\$
(d) Income tax asset / payable		
Opening balance	69,438	31,522
Current tax expense	89,749	114,158
Payments made during the year	<u>(195,914)</u>	<u>(76,242)</u>
Closing balance	<u><u>(36,727)</u></u>	<u><u>69,438</u></u>

16. Cash and cash equivalents

Cash on hand	14	2,629
Cash at bank	1,011,647	1,749,180
Short term deposits	<u>577,292</u>	<u>55,335</u>
Cash and cash equivalents in the Statement of Cash flows	<u><u>1,588,953</u></u>	<u><u>1,807,144</u></u>

Short term deposits with ANZ Bank amounting to \$77,292 (2018: \$55,335) represents an overnight account and interest rate on this deposit is 0.1% (2018: 0.1%). Short term deposits with BSP Bank amounting to \$500,000 (2018: \$Nil) with interest rate of 5.35% (2018: Nil).

	2019	2018
	\$	\$
17. Trade and other receivables		
Receivable from South Pacific Free Bird Company Limited - service fee	212,163	242,967
Receivable from South Pacific Free Bird Company Limited - in-house insurance premium	5,388	3,150
Immigration and other bonds	346,190	276,970
Other receivables - South Pacific Free Bird Company Limited	56,959	50,350
Other receivables - Ba Provincial Free Bird Institute High School	49,501	-
Other receivables - others	<u>89,423</u>	<u>13,649</u>
	<u><u>759,624</u></u>	<u><u>587,086</u></u>
<u>Classified in the financial statements as follows:</u>		
Current	675,095	502,557
Non Current	<u>84,529</u>	<u>84,529</u>
	<u><u>759,624</u></u>	<u><u>587,086</u></u>

18. Prepayments

	Note	2019	2018
		\$	\$
Commission prepaid	26 (iii)	30,238	36,577
Other prepayments		<u>41,496</u>	<u>47,993</u>
		<u><u>71,734</u></u>	<u><u>84,570</u></u>

Free Bird Institute Limited
Notes to the financial statements
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19. Term deposits	2019	2018
	\$	\$
Current	1,740,466	1,210,000
Non current	72,889	72,889
	<u>1,813,355</u>	<u>1,282,889</u>

Term deposits will mature on 25 January 2020, 24 December 2020, 17 August 2021, 7 March 2020, 1 June 2020 and 30 December 2020 with interest rates between 1.7% to 5.75% per annum (2018: 25 January 2019, 25 October 2019, 17, 24 and 27 December 2020 and 17 August 2021 with interest rate of between 1.7% to 3% per annum).

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

Term deposits amounting to \$72,889 (2018: \$72,889 stamped to \$70) are held as registered security for immigration bonds guaranteed by the bank on behalf of the Company.

20. Financial Assets	2019	2018
	\$	\$
Shares in Port Denarau Marina Ltd (PDML)	<u>23,100</u>	<u>-</u>

Shares in PDML are valued at market price and any gains/losses are recorded in the statement of profit or loss.

21. Leases	2019
	\$
Rights-of-use assets	\$
Balance at 1 January 2019	1,227,581
Depreciation charge for the year	(73,873)
Balance at 31 December 2019	<u>1,153,708</u>
Lease Liabilities	
Maturity analysis – contractual undiscounted cash flows	
Less than one year	132,000
One to five years	321,025
More than five years	1,995,518
Total undiscounted lease liabilities at 31 December 2019	<u>2,448,543</u>
Lease liabilities included in the statement of financial position at 31 December 2019:	
Current	46,751
Non-current	1,137,404
	<u>1,184,155</u>
Amounts recognised in profit or loss	
Interest on lease liabilities	88,574
Depreciation on ROU Assets	73,873
	<u>162,447</u>
Amounts recognised in the statement of cash flows	
Total cash outflow for leases	<u>132,000</u>

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

22. Property, plant and equipment

	Buildings	Motor vehicles	Walkway and Fence	Office equipment & Furniture	Total
	\$	\$	\$	\$	\$
Cost					
Balance as at 1 January 2018	2,012,923	107,421	244,949	283,635	2,648,928
Additions	-	-	-	25,767	25,767
Balance at 31 December 2018	2,012,923	107,421	244,949	309,402	2,674,695
Balance at 1 January 2019	2,012,923	107,421	244,949	309,402	2,674,695
Additions	-	64,220	-	13,590	77,810
Disposals	-	(27,163)	-	-	(27,163)
Balance at 31 December 2019	2,012,923	144,478	244,949	322,992	2,725,342
Depreciation					
Balance as at 1 January 2018	418,598	54,586	50,122	147,121	670,427
Depreciation charge for the year	50,325	18,776	6,124	30,063	105,288
Balance at 31 December 2018	468,923	73,362	56,246	177,184	775,715
Balance at 1 January 2019	468,923	73,362	56,246	177,184	775,715
Depreciation charge for the year	50,323	21,070	6,124	29,554	107,071
Disposals	-	(27,163)	-	-	(27,163)
Balance at 31 December 2019	519,246	67,269	62,370	206,738	855,623
Carrying amount					
At 1 January 2018	1,594,325	52,835	194,827	136,514	1,978,501
At 31 December 2018	1,544,000	34,059	188,703	132,218	1,898,980
At 31 December 2019	1,493,677	77,209	182,579	116,254	1,869,719

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

	2019	2018
23. Trade and other payables	\$	\$
Trade payables	89,781	44,315
Accruals	119,311	73,889
Withholding tax payable	2,427	2,796
Other payables	17,899	26,609
Contract liabilities	97,469	14,229
	<u>326,887</u>	<u>161,838</u>

Contract liabilities include service fees received in advance of the service being provided. The amount of \$14,229 relating to service fees received in advance as at 31 December 2018 has been recognised as revenue for the year ended 31 December 2019.

	2019	2018
24. Payable to related parties	\$	\$
Payable to South Pacific Free Bird Company Limited	<u>154,868</u>	<u>41,982</u>

The above payables are unsecured and non interest bearing.

25. Interest bearing borrowings		
South Pacific Free Bird Company Limited	<u>484,536</u>	<u>736,205</u>
<u>Disclosed as follows:</u>		
Current	283,479	259,104
Non current	<u>201,057</u>	<u>477,101</u>
	<u>484,536</u>	<u>736,205</u>

Borrowings from South Pacific Free Bird Company Limited are unsecured with monthly repayments of 1,310,138 Yen (2018: 1,310,138 Yen) with interest charged at a rate of 3% per annum (2018: 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.

Free Bird Institute Limited
Notes to the financial statements
For the year ended 31 December 2019

25. Interest bearing borrowings (continued)

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

	2019	2018
	\$	\$
Interest bearing borrowings		
Balance at 1 January	736,205	915,052
<u>Changes from financing cash flows</u>		
Repayment of borrowings	(264,411)	(275,360)
<u>Other changes</u>		
Interest expense	47,100	63,247
Interest paid	(19,904)	(27,694)
The effect on interest expense of discounting	(27,196)	(35,553)
The effect of changes in foreign exchange rates	12,742	96,513
Balance at 31 December	<u>484,536</u>	<u>736,205</u>

26. In-house insurance liabilities

Claims incurred but not reported	(i)	1,827	1,827
Unearned premium	(ii)	73,766	70,658
Claims incurred but not paid		229,289	140,408
		<u>304,882</u>	<u>212,893</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 calculation of IBNR was based on an Actuarialist Review undertaken in the financial year. The calculated IBNR for 2019 was not materially different compared to 2018. Management therefore, has not made any adjustments to this amount in the financial year ended 31 December 2019.

	2019	2018
	\$	\$
(ii) <u>Unearned premium reconciliation</u>		
Balance at the beginning of the year	70,658	75,029
Gross premiums received during the year	893,173	911,213
Premiums earned	(830,904)	(899,589)
Premiums refunded during the year and third party taxes	(59,161)	(15,995)
Balance at the end of the year	<u>73,766</u>	<u>70,658</u>

Free Bird Institute Limited
Notes to the financial statements
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26. In-house insurance liabilities (continued)	2019	2018
	\$	\$
(iii) <u>Prepaid commission reconciliation</u>		
Balance at the beginning of the year	36,577	30,012
Commission paid for the year	332,651	348,198
Amortisation of costs to profit or loss	<u>(338,990)</u>	<u>(341,633)</u>
Balance at the end of the year	<u>30,238</u>	<u>36,577</u>

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.

27. Share capital	2019	2018
	\$	\$
(a) Authorised capital		
20,000,000 Ordinary shares	<u>20,000,000</u>	<u>20,000,000</u>
(b) Issued capital		
2,000,000 (2018: 2,000,000)	<u>2,000,000</u>	<u>2,000,000</u>

Shares of the Company do not have a par value.

Shareholders at 31 December:

South Pacific Free Bird Company Limited (Japan)	1,360,600	1,360,600
FHL Trustees Ltd	250,806	250,806
Masayasu Muramatsu	106,336	50,000
IBC Ltd (Japan)	62,500	62,500
Capital Advisory Limited (Japan)	-	50,000
Platinum Insurance Limited (Vanuatu)	41,840	50,865
Toshikazu Torimoto	36,000	36,000
Yoshinobu Higashi	25,000	25,000
Others	116,918	114,229
	<u>2,000,000</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.

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27. Share capital (continued)

(d) Dividends

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

	2019	2018
	\$	\$
3.5 cents per ordinary share as final dividend for the year ended 31 December 2018 (2018: 2 cents per ordinary share)	70,000	40,000
7 cents per ordinary share as interim dividend for the year ended 31 December 2019 (2018: 7 cents per ordinary share)	140,000	140,000
	<u>210,000</u>	<u>180,000</u>

28. Earnings per share

The calculation of earnings per share at 31 December 2019 was based on profit attributable to ordinary shareholders of \$636,010 (2018: \$803,764) and a weighted average number of ordinary shares outstanding of 2,000,000 (2018: 2,000,000) calculated as follows:

	2019	2018
	\$	\$
Profit after income tax for the year	639,055	803,764
Weighted average number of shares outstanding	2,000,000	2,000,000
Basic and diluted earnings per share	<u>\$ 0.32</u>	<u>\$ 0.40</u>

29. 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.

	2019	2018
	\$	\$
(c) Amounts (payable to) / receivable from related parties		
<u>South Pacific Free Bird Company Limited</u>		
Interest bearing borrowings (note 25)	(484,536)	(736,205)
Other payables (note 24)	(154,868)	(41,982)
Trade receivables (note 17)	217,551	246,117
Other receivables (note 17)	56,959	50,350
Prepaid commission (note 26(iii))	30,238	36,577
	<u>(444,676)</u>	<u>(445,843)</u>

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29. Related parties (continued)

(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:

	2019	2018
<u>South Pacific Free Bird Company Limited</u>	\$	\$
Service fees	4,761,062	5,137,770
Commission expense	338,990	341,633
License fees for software use	36,550	36,550
Interest expense on borrowings	47,100	63,247
Payments made on behalf of South Pacific Free Bird Company Limited	-	50,350
Repayment of principal on borrowings	<u>264,411</u>	<u>275,360</u>

(e) Transactions with key management personnel

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

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

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

Key management compensation is disclosed under Note 12.

30. Commitments

Capital commitments not otherwise provided for in the financial statements amounted to \$Nil (2018: \$Nil).

31. Contingent liabilities

Contingent liabilities amount to \$Nil (2018: Nil).

32. 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:

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32. Capital risk management (continued)

	Note	2019	2018
		\$	\$
Total borrowings	25	484,536	736,205
Lease liability	21	1,184,155	-
Less: Cash and Cash Equivalents	16	<u>(1,588,953)</u>	<u>(1,807,144)</u>
Net Debt		79,738	(1,070,939)
Total Capital		<u>4,839,401</u>	<u>4,410,346</u>
Gearing Ratio		<u>2%</u>	<u>(24%)</u>

Excluding the lease liability as at 31 December 2019, the gearing ratio would be 23% (2018: 24%).

33. 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.

However, in September 2019, a fatal accident involving one of the Company's insured students resulted in a total insurance claim of \$89,339 which was subsequently paid in 2020.

Subsequent to balance sheet date, travel restrictions have been put in place for persons travelling from certain countries as a result of the recent global coronavirus outbreak.

This has significantly reduced student numbers from China and South Korea which make up the second and third largest markets for student enrolment.

However, for the first two months of 2020, overall student numbers have increased compared to the same period last year, as a result of students from Japan, which makes up the vast majority of student numbers, increasing.

Management is closely monitoring the situation to ensure the protection of students, staff and community.