2019
Annual Report

Free Bird Institute Limited

Russia
France
Czech Republic
Japan
South Korea
China
Taiwan
PNG

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KEY HIGHLIGHTS

01

$6.13m Total revenue including finance income

Decrease of 4% from prior year

02

$0.72m Profit before tax

Decrease of 21% from prior year

03

$0.9 million in free cash flow

5.5% decrease from prior year

04

$7.3millon Total assets

Increase of 29% from prior year

05

$2.41 Net asset per share

Increase of 10% from prior year

06

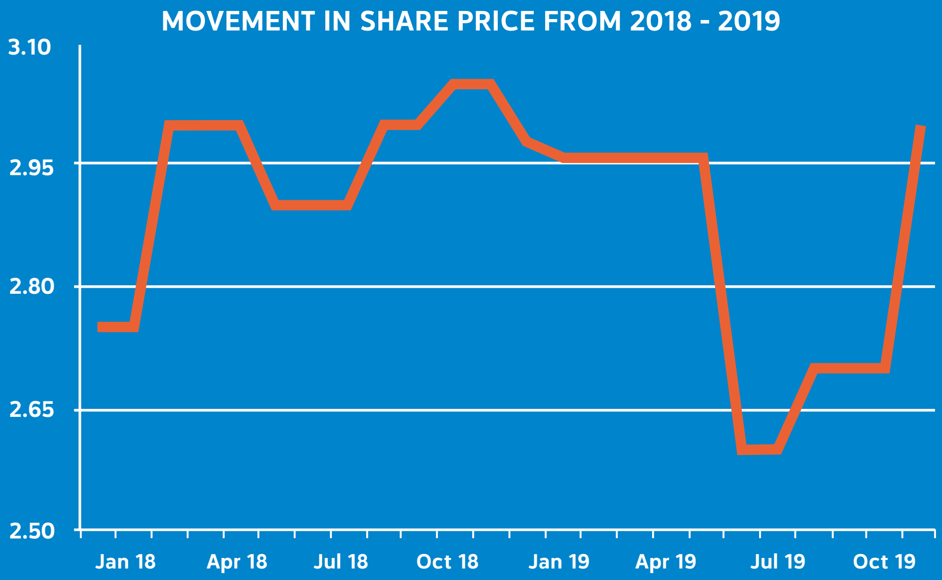
Paid $210,000 in dividends

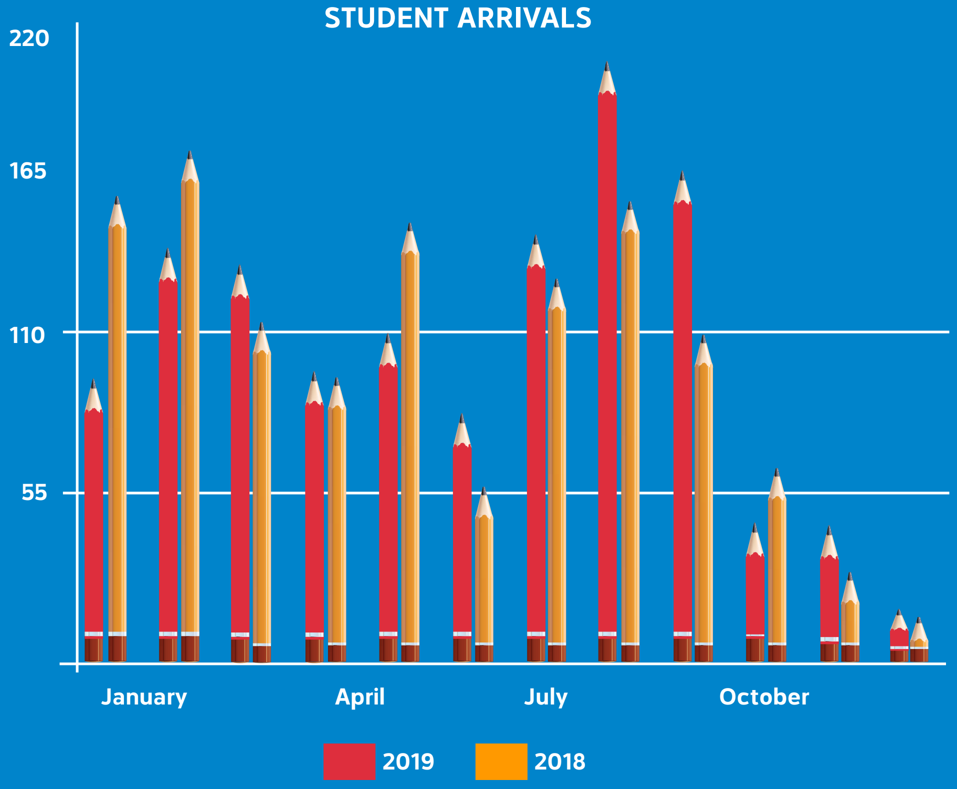
Increase by 17% from prior year

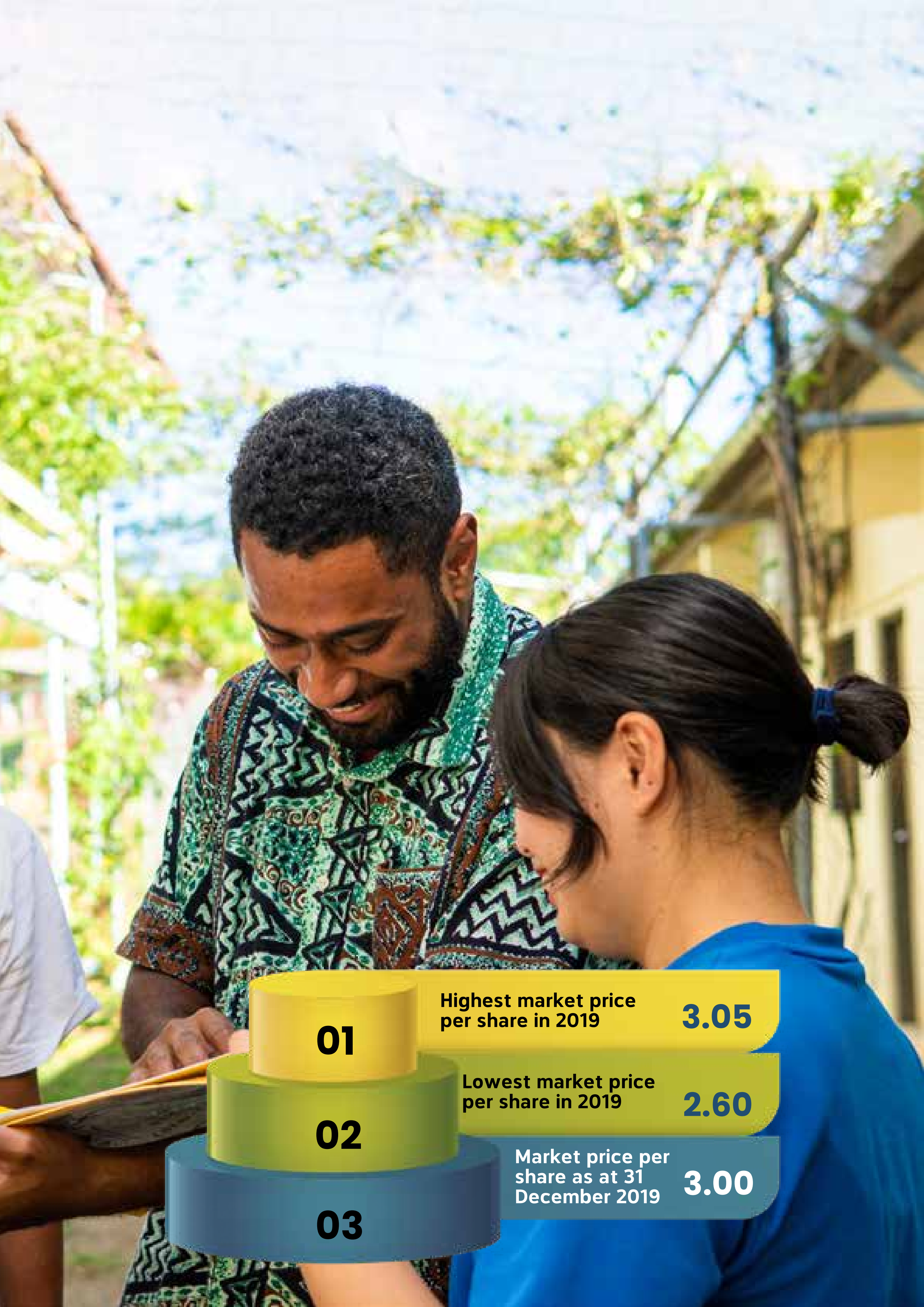
07

Supported over 500 families

KEY HIGHLIGHTS






01
Highest market price per share in 2019
3.05
02
Lowest market price per share in 2019
2.60
03
Market price per share as at 31 December 2019
3.00

FIVE-YEAR HISTORICAL **INFORMATION**

	2019	2018	2017	2016	2015
Total income (includes finance cost)	6,126,899	6,372,685	6,323,178	5,360,215	4,156,275
Net profit before tax	719,591	913,428	1,185,288	1,026,485	359,998
Net profit after tax	639,055	803,764	1,057,827	824,394	276,337
Net profit margin	12%	13%	17%	15%	7%
Cash flow from operations	977,819	977,845	1,105,216	1,286,172	529,135
Net capital expenditure	69,810	25,767	109,540	161,371	44,934
Net free cash flows	908,009	952,078	995,676	1,124,801	484,201
Earnings per share	32 cents	40 cents	53 cents	41 cents	14 cents
Shareholders' ROI	2.59%	3.60%	3.57%	2.40%	Nil
Dividends paid during the year	10.5 cents	9 cents	12 cents	Nil	Nil
Total Assets	7,326,252	5,660,788	5,159,983	4,608,276	3,545,400
Working capital ratio	3.58	4.66	4.49	3.10	3.68
Thin Capital Ratio	0.10	0.17	0.24	0.42	0.56
Net asset per share	2.42	2.21	1.89	1.48	1.07
Student numbers	1,306*	1,272*	1,420	1,319	1,188

*Student numbers for 2019/2018 include new high school students as a result of the integration.

EXECUTIVE CHAIRMAN'S REPORT

Dear Shareholder,

I am pleased to provide this Annual Report of your Company's performance for 2019. We recorded another profit for the year in the face of an incredibly competitive overseas market, however, we ensured that our shareholders continued to receive lucrative returns during the year. We paid a total of $210,000 during the year as returns to our shareholders and continued to reward our people with our bonus incentive plans.

We had an exciting year for our recruitment business as we forged more partnerships with various stakeholders in Japan. This means that more Fijians would now have had the opportunity to work in Japan over the coming years resulting in the growth of this segment by 271%. We also established our Japanese language school department towards the end of the year aimed to equip the 70 Fijians that were recruited during the year with the necessary language skills and knowledge to be able to work in Japan.

Your Board and Management understand the importance of diversifying our market to reduce the reliance on one market. We acknowledge that this was never going to be an easy task given the geographical location of our business as well as the resources available to tap into these markets. However, with the very limited resources, we were able to grow our markets in China and South Korea during the year by 57% and grow our revenue from these markets by 47% .

Our Performance

Whilst the Company surpassed its budgeted total revenue of $5.5 million set at the beginning of the year, the total revenue for 2019 in comparison to 2018 was lower by 5% which was a direct result of the reduction in the average duration of study by students.

During the year, we had an unfortunate insurable event that resulted in a significant payout to the beneficiaries. With the implementation of the new International Financial Reporting Standard (IFRS) 16, the Company had to recognize additional depreciation costs as well as lease finance costs during the year. Both these circumstances contributed to the reduction in the Company's profits by approximately 20%.

However, the Management continued to be prudent in managing its expenses in line with revenue it generated during the year. It is commendable to note that the overall operating expenses increased by a mere 2% compared to the same period last year owing to the two circumstances highlighted above. As a result, the Company's net profit percentage reduced by the same percentage from 13% in the previous year.

The Company's financial position continues to remain strong with the increase in assets attributing to the recognition of leased assets in its books as well as a corresponding lease financing liability because of the implementation of IFRS 16.

Returns to our Shareholders

We remain committed to ensuring that our shareholders continue to receive a competitive return on your investment. As such, the returns paid during the year increased by 17% in comparison to the same period last year. These returns equated to a 3.78% return on your investment.

Economic Conditions

Whilst the Japanese market continues to be our primary market, we continue to invest into our secondary markets such as China and South Korea. However, strong economic conditions from either of these countries will continue to be challenging for us as more job opportunities are available to students, leaving studying abroad a lesser desired alternative for them.

Whilst the Fijian economy remained buoyant in 2019, the business environment in which we operate continue to provide us with challenges that slow down or hinder the progress of our business. Some of these challenges include regulatory red tapes that your Board has been addressing with the relevant regulatory bodies.

However, the strengthening of the US dollar and Japanese Yen continue to make our fees more affordable to students, but we need to be mindful that this effect is widespread to other similar businesses around the world.

Forward Looking

We commenced our Japanese language school at the beginning of this year and we are also pleased to have received the approval from the Land Transport Authority of Fiji to operate an in-house driving school to address the pre-requisites of candidates that our business partners in Japan wish to have. This will enable us to equip our Fijian students with the knowledge of the Japanese language as well as enable them to drive, both of which are key requirements to be able to work in Japan. Our in-house driving school will also be marketed to our international students who wish to obtain a license in Fiji. This incentive will encourage students to stay longer in Fiji and not only be able to learn how to drive, but also be learning English in a different setting whilst doing so.

The impact of COVID 19 is expected to leave a scar in the financial health of the Company in 2020. The restrictions placed by governments around the world as a protective measure to slow down the spread of COVID-19 has already had a negative impact on many businesses around the world and we are no exception to this.

We anticipate that the student numbers will dramatically fall, together with our revenue over the coming years. Given the uncertainty of the situation surrounding COVID-19, we are unable to ascertain the extent of the impact this will have on our business not only in 2020 but in other years to come.

In response to this pandemic, the Company has put in place heart-staking measures to reduce the impact of COVID-19 as much as possible and ensure the sustainability of Company during this time. Such measures include a reduction in the workforce, pay cuts and suspension of all bonus incentive payments until further notice. We have also put in place protective measures for all our employees and students to ensure that we also slow the spread of COVID-19 in our community.

We have also implemented online classes for our students to ensure that they continue to be engaged and motivated to complete what they came to Fiji to do. Like many businesses, we continue to follow the development and advice of Government in relation to COVID-19 and continue to plan our business around those developments. This pandemic will change the landscape for many businesses including our own to ensure that we are better prepared for similar situations in the future.

Our teams stand ready to start face to face classes and accept new students when it is safe to do so. In the meantime, we pray for those who have been greatly affected by this pandemic and we must remain resilient through this.

We know that this is an incredibly difficult time for everyone and we appreciate your continuous support as we continue to navigate through it together.

Hiroshi Taniguchi
Chairman

KEY OPERATIONAL HIGHLIGHTS

FEBRUARY

- Inclusion of new programs such as the IETLS preparatory classes and the provision of one to one classes for our students
- Narita Airport Business Co Ltd (NAAB) delegation team visited FBL to explore employment opportunities for Fijians in Japan in the coming year(s).

02

MARCH

- Declaration of final dividend for the financial year ended 31 December 2018

03

MAY

- Company held its 9th Annual General Meeting
- Students and teachers embarked on cleaning the streets of Lautoka as part of their CSR activity

05

JULY

- Receives re-certification for Employment Agency. This means that FBL can continue to work with various business partners in Japan who wish to employ Fijians to work in Japan.
- Recruitment of Fijians for World Enterprise Co Ltd as a result of the partnership with NAAB.

07

SEPTEMBER

- Occurrence of a material insured event resulting in the provision of a material payout.

06

OCTOBER

- Declaration of interim dividend for the for the 6 month period ended 30 June 2019

09

DECEMBER

- Departure of 6 Fijians to commence employment with World Enterprise Co Ltd.
- Establishment of Japanese language school department

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THE BOARD OF DIRECTORS

ADI LITIA QIONIBARAVI

Non-Executive Independent Director

Adi brings a wealth of knowledge and experience to the board having a professional background in accountancy, business administration and law and is currently a Member of Parliament.

She was admitted as a chartered accountant in 1984 with the Fiji Institute of Accountants. She was admitted in February 1993 as a Barrister of the Supreme Court of New South Wales and as a Barrister/Solicitor of the High Court of Fiji in September 1993.

She had served in various company Boards including Fiji TV, Fijian Holdings, Telecom (Fiji) Limited, Amalgamated Telecom Holdings and Yasana Holdings.

YOSHINOBU HIGASHI

Non-Executive Non-Independent Director

Yoshinobu is a lawyer by profession and holds a Bachelor of Law degree from Tokyo University, Japan. He has held various posts with the Japanese Government including diplomatic postings as the Ambassador for Japan to Geneva and Romania.

He was also the Director General for Economy and Political Coordination, Vice Minister for Policy Co-ordination, Director General for Okinawa Development with the Japanese Government.

Additionally, he was a Professor at the Tohoku University and the General Manager of Josai University in Japan. He is also a Director with South Pacific Free Bird Co Ltd in Japan.

MERESEINI BALEILEVUKA

Executive Director

Mereseini is a teacher and businesswoman by profession. She holds a Bachelors of Arts in Education and English Literature from the University of the South Pacific.

She has had extensive experience of over 20 years in the education sector in Fiji and has over the years been extensively involved with the strategic planning and expansion of the company in Fiji. She also currently holds the position of Chief Operations Officer of the Company as well as the Principal position in the School.

She is also a Director of the parent company, South Pacific Free Bird Co Ltd in Japan.

Hiroshi Taniguchi

Chairman

Hiroshi is the founder of FBL and its parent Company South Pacific Free Bird Co Ltd (SPFB) in Japan. He also holds the position of Chief Executive Officer & Executive Chair in both Companies.

After gaining extensive experience in various business sectors throughout Asia, Hiroshi decided to invest in Fiji, moving here in 2006. He is a businessman and Entrepreneur and has been instrumental with innovative integrated products that the company continues to offer.

WAISALE IOWANE MAICD (Aust)
Executive Director

Waisale is the Chief Financial & Compliance Officer of the Company. He was appointed to the Board in November 2015 by virtue of his position in the Company.

He has over 8 years of experience in the accounting profession and was instrumental in the successful listing of the Company in 2017. He was accorded the Young Accountant of the Year award by the Fiji Institute of Accountants as well as the Enterprising Achiever of the Year award by the South Pacific Stock Exchange in 2018.

He holds a Bachelor's Degree in Commerce with double majors in Accounting & Banking from the University of the South Pacific. He is an Associate Member of CPA Australia, a Provisional Member of the Fiji Institute of Accountants and a Member of the Australian Institute of Company Directors.

YOKO NAMEKI
Non-Executive Independent Director

Yoko was the outgoing General Manager in charge of the high school division with the parent company South Pacific Free Bird Co Ltd in Japan. Her work experience and knowledge of the Education sector in Japan spans for more than 12 years. She was also a Director of the Japanese Department of the SISA English Institute Inc. in California USA from 2008 till 2010.

Yoko holds a Bachelor's Degree in Business Management from Fort Hays State University in USA and was appointed to the Board on 12 April 2017.

LATILETA QORO MAICD (Aust)
Non-Executive, Non-Independent Director

Latileta is the Group Manager HR, Governance & Corporate Affairs at Vinod Patel. Prior to joining Vinod Patel she was a Human Capital Management Consultant with Maxumise and has led consultancies in JEE, competence assessments, formulation of individual performance measures in line with strategic objectives, role design and management of end-to-end recruitment (both local and international incumbents) across various roles for local and regional clients in the retail, manufacturing and tourism development industries.

Ms Qoro's professional expertise is in the areas of corporate finance, strategic planning, corporate governance, policy development and strategic planning and human capital management. She served with PricewaterhouseCoopers Fiji as an auditor, the Reserve Bank of Fiji and the South Pacific Stock Exchange. In line with her professional expertise, she currently serves as a committee member of the Australian Institute of Company Directors' Fiji chapter. She holds a Masters of Commerce in Accounting and a Bachelors of Economics degree from the University of Sydney, Australia and also serves on the board of Pleass Global Limited

MANAGEMENT TEAM





Losalini Tagiteci
Human Resources & Administration Manager

Losalini has been with the company since 2007 and has held various positions within the organisation. She started her career with FBL as an Accounts Officer and worked her way up the ranks to Manager Accounts and now the HR & Admin Manager.

She holds a Bachelor's of Arts in Economics and Management & Public Administration from the University of the South Pacific as a Diploma in Business Studies from the Fiji National University. She has also completed the Reserve Bank of Fiji's Securities and Licensing Exam.

Roqiqi Korodrau
Finance Manager

Roqiqi joined the company in 2017 as Finance Manager. Prior to joining FBL, he held the position of Finance Manager at Te Vara Niu Cultural Tours in the Cook Islands and was a Senior Accountant at Ernst & Young Fiji.

He holds a Bachelors of Commerce in Accounting and Information systems from the University of the South Pacific. He also serves as the Company Secretary.

Marica Debalevu
Vice Principal

Marica is a qualified ESL teacher by profession and has been with the company since 2008. She is responsible for the administration of the school curriculum in consultation with the Principal.

She holds a Master of Arts and Post Graduate Diploma in Teaching English as Second Language from the University of Fiji. She also holds an International Diploma in Every English for Everyone from Cambridge International College and a Diploma in Industrial Laboratory Technology from the Fiji National University.

Seru Raconawa
Vice Principal

Seru holds a Certificate of Primary School Teaching from the Lautoka Teachers College as well as currently working towards attaining an Advance Diploma in Leadership and Management from the Fiji National University.

He joined the Company in 2011 and has held various positions in the business and gradually moving into more senior roles in the school operations.

Yuji Suzuki
Student Support Services Manager – Language School

Yuji holds a Bachelor's of Engineering from the Tsukuba University, Japan. He joined the Company in late 2019 from Sony Corporation where he had spent more than 38 years heavily involved in marketing and product planning for professional Audio-Visual products and Semiconductor Image Sensors

Yuji is responsible for ensuring that the well-being of the students that attend the Language School is being taken care off during their stay in Fiji.

Toko Uchiyama

Student Support Services Manager – Language School

Toko holds a Bachelor's in International Relations as well as a Certificate for Japanese Language Teaching from Tsuda University in Tokyo, Japan. She has extensive experience with sal s and customer experience having previouslyMworked for Ransad Limited in Tokyo before joining the Company in 2017.

Toko is responsible for the student welfare of students attending the Language School in ensuring that their study abroad experience is well looked after.

Akifumi Kawakami

Sales and Marketing Manager

Akifumi holds a Bachelor's Degree in Social Sciences from the Hitotsubashi University in Tokyo, Japan. He joined the Company in 2017 to oversee and grow the High School market and ensure that their study abroad experience is well managed and looked after.

Prior to joining the Company, he worked for Mars Japan Limited for 7 years responsible for its Supply Chain Management.

Tokumasa Tamai

Student Support Services Manager – High School

Tokumasa graduated from the Hitotsubashi University with a Bachelor of Social Sciences and had been working for almost 5 years with SoftBank Corporation in Japan before he joined Free Bird Institute Limited.

Tokumasa is responsible for the student welfare of students attending High School in ensuring that their study abroad experience is well looked after.

Dilikoti Cagi

ESL Manager – High School

Dilikoti is a teacher by profession having over 40 years of experience in the Education sector in Fiji. She has held various teaching positions over the years including holding Assistant and Head Teacher positions since 1986 making her well versed with the Fiji Education system.

She joined the Company in 2010 and has held various positions over the years. She has been a key player in the Company's High School division responsible for the welfare and management of the teachers that provide English as Second Language (ESL) tuition services in the three high schools that FBL is associated with.

She holds a Certificate of Primary School teaching from the then Nasinu Teachers College.

Meli Tora

Special Administrator – High School

Meli has extensive experience in the Education industry in Fiji having held various teaching positions for over 30 years including holding Principal posts for various High Schools for over 13 years. His expertise in administrating the various schools in his various capacities brings value to the Company in ensuring that the learning environment of our international students that attend the various high schools in Fiji are conducive for them.

Meli holds a Bachelors of Arts from the University of the South Pacific, a Diploma in Education and Primary Teachers Certificate from the then Nasinu Teachers College.

CORPORATE GOVERNANCE STATEMENT

This report is structured on the principles of corporate governance set out in the Annual Compliance Report on Corporate Governance issued by South Pacific Stock Exchange ("SPX") in 2019.

Principle	Requirement	Compliance Status
1. Establish clear responsibilities for board oversight	Separation of duties: Clear separation of duties between Board and Senior Management.	The Board is the focal point of corporate governance in the Company, responsible for setting and reviewing the strategic plan and direction of the Company and provides an oversight role with Management to ensure that such plans are being implemented. Such strategic plans also include the management of risks associated with the Company and ensure that proper safeguards are put in place to minimise or mitigate such risks. The Board shall assume ultimate accountability and responsibility for the performance and affairs of the Company and shall in doing so, effectively represent and promote the legitimate interests of the Company, its shareholders and other relevant stakeholders. The Board delegates and oversees management responsibilities.
	Board Charter: Adopt a Board Charter detailing functions and responsibilities of the Board.	The Board has a Charter which sets out the roles, functions, obligations, rights, responsibilities and powers of the Board. It also highlights the policies and practices of the Board in respect of its duties, functions and responsibilities to ensure that the creation, protection and enhancement of shareholder value.
2. Constitute an effective Board	Board Composition: Balance Board Composition with Executive and Non-Executive directors of which 1/3rd of total number of directors to be independent directors.	The Board composition is structured to add value to the business and promote the best interest of the Company, its shareholders and the relevant stakeholders at large. Thus, the composition must have an appropriate balance of skills, knowledge, experience, independence and diversity to enable the Board to carry out its duties and responsibilities collectively and with a broader perspective. The Board continues to ensure that majority of its members remain Non-Executive and remain committed to ensuring that one-third of its members are Independent Non-Executives. The Board promotes that all Directors, whether independent or not, are required to bring independent judgment to bear on Board decisions to ensure an objective decision is exercised so that the Company interests and shareholder interests are placed ahead of all other interests. FBL currently has one third of its directors who are independent. Each board member also possesses the necessary skill and expertise that it believes is best suited for the business in which it operates.
	Gender Diversity: Do you have a policy for promoting gender diversity at Board level and have you achieved your policy goals?	The gender diversity recommendation is inclusive in the Board's charter where the Board must take into consideration an adequate gender mix in its composition where preferably not less than one third of the Board shall be female. Currently, 57% of the Board composition are women.

CORPORATE GOVERNANCE STATEMENT (continued)

Principle	Requirement	Compliance Status
	Nomination Committee: Selection, approval, renewal, and succession of Directors to be conducted by Nomination Committee in accordance with Articles of Association of the Company and Fit and Proper Policy of Reserve Bank.	While FBL does not have a Nomination Committee,all appointments and election of directors are confirmed at the Annual General Meeting.
	Board Evaluation: Process of evaluation of performance of the Board, its Committees and individual directors. Evaluation to be linked to key performance indicators of the listed entity.	Whilst the Board charter includes a brief guide into the evaluation of its members including the Company Secretary, the Board is looking to implement a more detailed policy to provide specific guidelines to the evaluation of the Board and its members. The Board looks at implementing this policy in 2021.
	Directors Training: Directors' training and induction procedure to be in place to allow new directors to participate fully and effectively.	Inclusive in its Board Charter, new Board members shall participate in an induction program that is tailored to effectively orient the member of the Company's business, strategy, objective, policies, procedures, operations, senior management, and the business environment. The Company supports on-going training for its Directors and as such invites Directors to the various trainings provided externally where necessary. The Company also ensure that the Directors have the suitable mix of skills, experience, and expertise to carry out its roles and responsibilities.
	Board Sub-committees: Board must have sub-committees which must at a minimum include - ✓ Audit Committee; ✓ Risk Management Committee; and ✓ Nomination Committee/ Recruitment Committee.	Since being listed in 2016, the Board is yet to establish any sub-committees, however, the Board is looking to implement two sub-committees in 2020 which will comprise of the Audit & Risk Committee and the Nominations & Recruitment Committees. The Board Charter also recommends that these committees be chaired by a Non-Executive Director. At present, in the absence of these sub-committees, all decisions pertaining to audit, risk, nomination and or recruitments are made by the main Board.
3. Appointment of Chief Executive Officer/ Managing Director	CEO: To appoint a suitably qualified and competent Chief Executive Officer/ Managing Director	The CEO is appointed by the Board and the remuneration of the CEO is decided and approved by the Board. The CEO is responsible for the day-to-day management of the Company with all powers, discretions and delegations authorised, from time to time, by the Board.
4. Appointment of a Board and Company Secretary	Company Secretary: Board to appoint a suitably qualified and competent Company Secretary, who is accountable to the Board, through Chair, for all compliance and governance issues.	The Company secretary is the administrative link between the Board and Management and is responsible for ensuring compliance to company activities and is accountable directly to the Board through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary also monitors statutory and administrative requirements for the Board to ensure the accuracy and timeliness of reporting under these requirements. The Board has appointed a qualified and suitable candidate to the role of Company Secretary.

CORPORATE GOVERNANCE STATEMENT (continued)

Principle	Requirement	Compliance Status
5. Timely and balanced disclosure	Annual Reports: Timely and accurate disclosures are made in Annual reports as per Rule 51 of Listing Rules.	Material information is publicly disclosed immediately viamarket announcements by the Company. The Company also ensures timely and accurate disclosures are made in the Annual Reports as per Rule 51 of Listing Rules.
	Payment to Directors and Senior management: Sufficient information to be provided to shareholders on remuneration paid to Directors and Senior management.	All transactions with all related parties are disclosed in the notes to the financial statements each year.
	Continuous Disclosure: General disclosures or company announcements to be made in a timely manner. The disclosures should be factual without omitting material information and to be expressed in a clear and objective manner to shareholders.	FBL is committed to ensuring that transparent and consistent communication with all its members and relevant stakeholders are made on a timely and orderly manner to guarantee a more informed market when trading its shares. This includes any financial and non-financial information that the Company deems material and the Board is devoted to ensure that it complies with all the continuous listing requirements at all times. FBL proactively communicates such information through the SPX and its website so that all stakeholders are able to get access to this information. In addition to this, the company releases on an annual basis its audited accounts at the end of the financial year as well as its Annual Report. The company's compliance officer also ensures that all statutory filings are made on a timely basis.
6. Promote ethical and responsible decision-making	Code of Conduct: To establish a minimum Code of Conduct of the listed entity applicable to directors, senior management and employees and conduct regular trainings on the same.	FBL promotes and believes that all its directors and employees must uphold high standards, honesty and fairness in all aspects of their employment and association with the Company. This is made possible through the internal Fit & Proper Policy which ensures that Board Directors and officers holding key positions are those that have been assessed as having and have clearly demonstrated ethical decision making abilities. Included in the internal Fit & Proper Policy is a Whistle Blowing provision which gives employees and Directors the freedom to confidentially report certain instances of unethical or irresponsible behaviours to the Reserve Bank of Fiji at any time. The Board has also adopted an Insider Trading Policy designed to take an active role in the prevention of insider trading violations by the Board, its officers, employees and other related individuals. This imposes restrictions on trading in securities while in possession of material non-public information. As such, all covered personnel under this policy are required to obtain a pre-clearance of trades from the Compliance Officer.
7. Register of Interests	Conflicts of Interest: Transactions with related parties resulting in conflict of interest are disclosed and a register is maintained for this purpose.	The Company maintains a register of interest for Directors which records declarations of any business or personal interest which may conflict with their ability to objectively deliver their responsibilities as members of the Board of FBL. This declaration is made on an annual basis. FBL Board of Directors are not to use any information gained in the course of their duties to promote their private interests or for personal, direct or indirect gain or lay Directors open to suspicion of doing so.

CORPORATE GOVERNANCE STATEMENT (continued)

Principle	Requirement	Compliance Status
8. Respect the rights of shareholders	Communication with shareholders: To design communication strategy to promote effective communication with shareholders and encourage their participation. Examples: Communication through Annual Reports, Annual General Meetings, or any other means of electronic communication.	In implementing this Principle, FBL ensures that all shareholders are given appropriate notice in-lieu for Annual General Meetings inclusive with the Annual Report which contains relevant information including audited financial statements. This allows for effective dialogue between shareholders, the Board and Management. Additionally, the external auditor is required to attend the AGM and is available to answer shareholder questions in relation to the audit. The Company has an Open-Door policy for all its shareholders should they wish to raise questions or complaints directly with the Company, so long as such matters are related to their shareholding of the Company. The Board has also subsequently developed a Grievance Redressal Mechanism policy designed to provide efficient services to investors and to effectively address and redress the grievances in a timely manner. FBL has transferred its Shareholders Register to Central Share Registry Pte Limited (CSRL) which shall be responsible for receiving and addressing all shareholder queries and concerns. Shareholders are able to access information directly through the CSRL platform and are able to communicate with the Registry in terms of shareholding queries.
	Website: To create and maintain a Website of the listed entity to communicate effectively with shareholders and other stakeholders. All matters of importance to be updated regularly on the Website.	The Company has a website which contains all market announcements released through the SPX website. This information is updated as and when the announcements are released by SPX to ensure that all shareholders have access to this information on a timely manner. All this information can be accessed by visiting our website on www.fbi.ac.fj
	Grievance Redressal Mechanism: To establish a Grievance Redressal Mechanism for Shareholders to address shareholders complaints and grievances.	The Company has a Grievance Redressal Mechanism policy and is formulated to provide efficient services to the investors of FBL and effectively address and redress the grievances of these investors in a timely manner.
	Shareholders' Complaints: To provide the number of shareholders' complaints received and attended to during the year. Provide reasons if any complaint is unresolved or unattended.	There were no complaints received from Shareholders during the year.
	Corporate Sustainability: To adopt a business approach that creates long-term shareholder value by embracing opportunities, managing risks, maximising profits and minimising negative social, economic, and environmental impacts.	The Board ensures that its business strategies and Risk Management Frameworks are put in place to ensure the enhancement of the shareholder's value in the long-term. Such strategies ensure that profits are maximized with the most minimal impact to the society, economy and environment in which we operate in.

CORPORATE GOVERNANCE STATEMENT (continued)

Principle	Requirement	Compliance Status
9. Accountability and audit	Internal Audit: To appoint an internal auditor or an alternative mechanism to achieve the objectives of risk management, control and governance.	The Board and Management have put in place controls to ensure that risks are minimal. The Board also requires Management to provide financial reports on a monthly basis which allows the Board to independently verify and identify any indication of risks in its reports.
	External Audit: To appoint an external auditor who reports directly to the Board Audit Committee.	FBL is audited annually by an external auditor who report directly to the members and board of FBL. The Auditors are appointed by the shareholders at an AGM. The external auditors are required to be independent and must make a declaration as such in accordance with Section 395 of the Fiji Companies Act 2015. This declaration forms part of the Audited Financial Reports issued by FBL.
	Rotation of External Auditor: To appoint the external auditor for a fixed term requiring senior partner of the audit firm to rotate once in every three or less financial years.	The Board supports the notion to rotate the Senior partner of the audit periodically. FBL relies on the independence procedures and declarations by the external auditors to ensure that they continue to remain independent throughout the course of their engagement.
	Audit Committee: To establish an Audit Committee comprising of at least 3 members of which majority are independent and Chair is not Chair of the Board.	The Board is intending to form an Audit & Risk Committee in 2020 which will be Chaired by a Non-Executive Director as recommended by the Board Charter. At present, the external auditors present their report to the Board and highlight any material issues that needs to be addressed. All decisions are made by the Board in relation to the recommendations by the auditors and this is delegated to Management to ensuring that these recommendations are implemented.
10. Risk Management	Risk Management Policy: To establish a Risk Management Policy to address risk oversight, risk management and internal control. The Policy to clearly define the roles and responsibilities of the Board, Audit committee, management and internal audit function.	The Board is currently drafting a Risk Management Framework Policy that will provide guidance and oversight to the identification, management, and mitigation of such risks. This will be drafted by the proposed Audit & Risk Committee and hopes to have this implemented in 2021.
	Whistle Blower Policy: As part of risk management strategy, establish a Whistle Blower Policy by creating a mechanism of reporting concerns of unethical behavior, actual or suspected fraud or violation of the listed entity's code of conduct or ethics policy, SPX Rules or Companies Act. [Refer Rule 68 of the Listing Rules]	The Company has a Whistle Blower Policy in place as it prides itself on having a strong values culture that encourages openness, integrity, and accountability. The Board is committed to fostering a culture that allows whistleblowers to freely and without the fear of detriment, raise concerns regarding situations that they observe that concerns them.

FREE BIRD INSTITUTE LIMITED

Financial Statements

For the year ended 31 December 2019

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

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.

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.

Unusal 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:

	Beneficially		Non-beneficially	
	Additions	Holding	Additions	Holding
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

KPMG

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.

KPMG

Sharvek

Sharvek Naidu, Partner

25th March **, 2020**

Nadi, Fiji

KPMG

Independent Auditor's Report

For the year ended 31 December 2019

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	How the matter was addressed in our audit
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	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 Auditor's Report

For the year ended 31 December 2019

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

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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.

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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.

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Independent Auditor's Report

For the year ended 31 December 2019

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:

KPMG

Independent Auditor's Report

For the year ended 31 December 2019

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 Auditor's Report

For the year ended 31 December 2019

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

KPMG

Sharvek Naidu, Partner

25th March **, 2020**

Nadi, Fiji

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
		5,109,136	5,359,253
Other revenue			
In-house insurance premiums	8	830,904	899,589
Other income		40,828	17,707
		5,980,868	6,276,549
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)
Profit from operations		792,334	910,633
Finance income	14 (a)	146,031	96,136
Finance cost	14 (b)	(218,774)	(93,341)
Net finance (costs) / income		(72,743)	2,795
Profit before tax		719,591	913,428
Income tax expense	15 (a)	(80,536)	(109,664)
Profit for the year		639,055	803,764
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year		639,055	803,764
Earnings per share			
Basic and diluted earnings per share	28	$0.32	$0.40

The notes on pages 37 to 68 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	-	803,764	-	803,764
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	-	(180,000)	-	(180,000)
Balance at 31 December 2018	**2,000,000**	**2,155,109**	**255,237**	**4,410,346**
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	-	639,055	-	639,055
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	-	(210,000)	-	(210,000)
Balance at 31 December 2019	**2,000,000**	**2,584,164**	**255,237**	**4,839,401**

The notes on pages 37 to 68 are an integral part of these financial statements.

FREE BIRD INSTITUTE LIMITED

Statement of financial position

As at 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		4,112,975	3,604,271
Non-current assets			
Trade and other receivables	17	84,529	84,529
Term deposit	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		3,213,277	2,056,517
Total assets		**7,326,252**	**5,660,788**
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		1,148,390	773,341
Non-current liabilities			
Lease liabilities	21	1,137,404	-
Interest bearing borrowings	25	201,057	477,101
Total non-current liabilities		1,338,461	477,101
Total liabilities		2,486,851	1,250,442
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		4,839,401	4,410,346
Total shareholders' equity and liabilities		**7,326,252**	**5,660,788**

Signed on behalf of the Board

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Director Director

The notes on pages 37 to 68 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		977,819	977,845
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		(613,376)	(1,227,219)
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		(606,411)	(455,360)
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	1,588,953	1,807,144

The notes on pages 37 to 68 are an integral part of these financial statements.

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.

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.

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	$1,227,582
Lease liabilities recognised at 1 January 2019	$1,227,582

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.

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.

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.

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.

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.

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).

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.

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.

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 exchange

In-house money exchange income represents the net value of currencies traded as a result of the Company's operation as an in-house Bureau-de-change. Students and staff exchange their Japanese yen with the Company for Fiji dollars. The Company then deposits the Japanese Yen collected into its Japanese Yen bank account held locally and transfers the Japanese Yen 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.

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.

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.

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.

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.

6. Risk management (continued)

(b) <u>Financial risk management (continued)</u>

Risk management framework

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

(i) Credit risk

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

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

<u>Trade and other receivables</u>

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

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

<u>Trade receivables</u>

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.

<u>Cash and cash equivalents and term deposits</u>

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.

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.

			Contractual cash flows		
31 December 2019	**Carrying amount $**	**Total $**	**Up to 1 year $**	**1-2 years $**	**More than 2 years $**
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	-
	868,822	933,389	720,990	212,399	-

* 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
	925,796	1,003,815	494,925	305,334	203,556

* excludes contract liabilities

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:

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

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 Yen	**2018 Yen**
Financial assets		
Trade receivables	11,029,817	12,672,072

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 Yen	2018 Yen
Financial liabilities		
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.

	Profit or loss		Equity, net of tax	
Effect in FJD	*Strengthening*	*Weakening*	*Strengthening*	*Weakening*
31 December 2019				
Financial assets	(21,755)	21,755	(19,777)	19,777
Financial liabilities	50,350	(50,350)	41,958	(41,958)
31 December 2018				
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.

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			
2019	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	275,830	397,789	45,972	719,591
Segment assets	6,237,420	1,038,723	50,109	7,326,252
Segment liabilities	2,181,969	304,882	-	2,486,851

7. Operating segments (continued)

(b) Informational about reportable segments (continued)

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

(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
	830,904	899,589
9. In-house insurance claims		
Gross in house insurance claims incurred	186,907	79,769
	186,907	79,769
10. In-house insurance commission expense		
Commission expense	332,651	348,198
Add / less prepaid commission expense movement	6,339	(6,565)
	338,990	341,633
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
	1,578,558	1,711,630

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
Key management compensation - 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
	2,451,764	2,472,641

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
	451,371	654,955

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
	146,031	96,136

(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	-
	218,774	93,341

Notes to the financial statements

For the year ended 31 December 2019

15. Income tax

		2019 $	2018 $
(a)	Income tax expense recognised in the income statement		
	Current tax expense		
	Current year	89,749	114,159
	Deferred tax expense		
	Origination and reversal of temporary differences	(9,213)	(4,495)
	Income tax expense	80,536	109,664
(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	71,959
	Tax effect of permanent differences	8,577	18,321
	Income tax expense	80,536	109,664
(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)
		9,332	119

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)
	119	9,213	9,332

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

15. Income tax (continued)

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

16. Cash and cash equivalents

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

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).

17. Trade and other receivables

	2019 $	2018 $
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	89,423	13,649
	759,624	587,086
Classified in the financial statements as follows:		
Current	675,095	502,557
Non Current	84,529	84,529
	759,624	587,086

18. Prepayments

	Note		
Commission prepaid	26 (iii)	30,238	36,577
Other prepayments		41,496	47,993
		71,734	84,570

Notes to the financial statements

For the year ended 31 December 2019

19. Term deposits

	2019 $	2018 $
Current	1,740,466	1,210,000
Non current	72,889	72,889
	1,813,355	1,282,889

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)	23,100	-

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	1,153,708
Lease liabilities	
Maturity analysis - contractual undiscounted cash flows	132,000
Less than one year	321,025
One to five years	1,995,518
Total undiscounted lease liabilities at 31 December 2019	2,448,543
Lease liabilities included in the statement of financial position at 31 December 2019:	
Current	46,751
Non-current	1,137,404
	1,184,155
Amounts recognised in profit or loss	
Interest on lease liabilities	88,574
Depreciation on ROU Assets	73,873
	162,447
Amounts recognised in the statement of cash flows	
Total cash outflow for leases	132,000

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

	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
	326,887	161,838

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	154,868	41,982
The above payables are unsecured and non interest bearing.		
25. Interest bearing borrowings		
South Pacific Free Bird Company Limited	484,536	736,205
Disclosed as follows:		
Current	283,479	259,104
Non current	201,057	477,101
	484,536	736,205

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.

25. Interest bearing borrowings (continued)

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

	2019 $	2019 $
Interest bearing borrowings		
Balance at 1 January	736,205	915,052
Changes from financing cash flows		
Repayment of borrowings	(264,411)	(275,360)
Other changes		
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	484,536	736,205

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
		304,882	212,893

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

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

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

This calculation of IBNR was based on an Actuarialist Review undertaken in the 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) Unearned premium reconciliation		
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	73,766	70,658

26. In-house insurance liabilities (continued)

	2019 $	2018 $
(iii) Prepaid commission reconciliation		
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	(338,990)	(341,633)
Balance at the end of the year	30,238	36,577

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	20,000,000	20,000,000
(b) Issued capital		
2,000,000 (2018: 2,000,000)	2,000,000	2,000,000

Shares of the Company do not have a par value.

Shareholders at 31 December:	2019 $	2018 $
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
	2,000,000	2,000,000

(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.

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
	210,000	180,000

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	$ 0.32	$ 0.40

29. Related parties

(a) Directors

The directors in office during the year were:

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

Directors fees are disclosed in Note 13.

(b) Parent Company

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

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

	2019 $	2018 $
South Pacific Free Bird Company Limited		
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

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 $
South Pacific Free Bird Company Limited		
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	264,411	275,360

(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:

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	(1,588,953)	(1,807,144)
Net Debt		79,738	(1,070,939)
Total Capital		4,839,401	4,410,346
Gearing Ratio		2%	(24%)

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.

OTHER INFORMATION

Listing Requirements of the South Pacific Stock Exchange

(Unaudited and not included anywhere else in this Annual Report)

Shareholdings of those persons holding twenty (20) largest blocks of shares as required under section 51.2(v) of the Listing Rules.

Shareholder Name	Number of shares	Total % Holding
SOUTH PACIFIC FREE BIRD CO. LTD	1,360,600	68.03
FHL TRUSTEES LIMITED ATF FIJIAN HOLDINGS UNIT TRUST	250,806	12.54
MASAYASU MURAMATSU	106,336	5.32
IBC CO. LTD	62,500	3.13
PLATINUM INSURANCE LIMITED	41,840	2.09
TOSHIKAZU TORIMOTO	36,000	1.80
YOSHINOBU HIGASHI	25,000	1.25
JIMAIMA T & ROLAND F. SCHULTZ	20,200	1.01
TOMOKO TANAKA	16,200	0.81
NAULU BALEILEVUKA	11,397	0.57
PRAVIN PATEL	8,000	0.40
SHAKUNTLA PRASAD	8,000	0.40
SURESH PRASAD	8,000	0.40
NAMAKA PUBLIC SCHOOL	8,000	0.40
TUTANEKAI INVESTMENTS LIMITED	6,500	0.33
MARIA. I. MAUSIO, MUE. S. MAUSIO & TIFERE. V. MAUSIO ATF HANISI MUE MAUSIO	2,033	0.10
COOMBERDALE LIMITED	2,000	0.10
PURNA PRAVIN PATEL	2,000	0.10
NAPOLIONI NAQIA KAE BATIMALA	1,454	0.07
SOWANI TUIDROLA	1,146	0.06

A distribution schedule of each class of equity security setting out the number of holders and percentage as required under section 51.2(vi) of the Listing rules.

No. of Shareholders	Shareholding	Total Percentage Holding
66	0 – 500	0.55
18	501- 5,000 shares	0.98
5	5,001 - 10,000 shares	1.93
2	10,001 - 20,000 shares	1.38
2	20,001 - 30,000 shares	2.26
1	30,001 - 40,000 shares	1.80
1	40,001 - 50,000 shares	2.28
1	50,001 - 100,000 shares	3.13
2	100,001 - 1,000,000 shares	17.86
1	over 1,000,000 shares	67.84
99		**100**

Other Information (continued)

Listing Requirements of the South Pacific Stock Exchange (Continued)
(Unaudited and not included anywhere else in this Annual Report)

1. Summary of key financial results for the previous five years of the company as required under section 51.2(xiv) of the Listing Rules

	2019	2018	2017	2016	2015*
Net profit after tax	639,055	803,764	1,057,827	824,394	276,337
Current assets	4,112,975	3,604,271	3,047,053	2,473,649	1,445,030
Non-current assets	3,213,277	2,056,517	2,112,930	2,134,627	2,100,370
Total assets	7,326,252	5,660,788	5,159,983	4,608,276	3,545,400
Current liabilities	1,148,390	773,341	679,302	797,686	392,486
Non-current liabilities	1,338,461	477,101	694,099	841,835	1,008,553
Total liabilities	2,486,851	1,250,442	1,373,401	1,639,521	1,401,039
Shareholders' equity	4,839,401	4,410,346	3,786,582	2,968,755	2,144,361

*The 2015 figures reflect the amounts shown in the comparatives of the 2016 audited financial statements which have been adjusted for the transition to full IFRS.

2. Meetings of the Board

The board met 4 times during the year and the attendance of the board meetings by the members is provided below.

	22/03/19	24/05/19	25/10/19	14/12/19
Hiroshi Taniguchi	P	P	P	P
Mereseini Baleilevuka	P	P	P	P
Waisale Iowane	P	P	P	P
Yoshinobu Higashi	AP	P	P	P
Adi Litia Qionibaravi	P	P	P	AP
Latileta Qoro	A	P	P	P
Yoko Nameki	AP	P	P	P

Key:
P – Present A - Absent AP – Apologies

CORPORATE DIRECTORY

Registered Office:	Office 1, Level 1, Lot 13 Commercial Street Concave Subdivision, Namaka Nadi, Fiji Islands T: +679 6720 379 Postal Address: P.O Box 11065 Waimalika, Nadi, Fiji Islands
Campuses:	Namaka Campus Lot 3 Nasilivata Road, Namaka, Nadi Lautoka Campus 20 Mission Place, Lautoka
External Auditors:	KPMG Jetpoint Complex Queens Road, Martintar, Nadi T: +679 6727 188
Share Registry:	Central Share Registry Pte Limited Shop 1 and 11 Sabrina Building, Victoria Parade, Suva T: +679 3304 130
Company Secretary:	Roqiqi Korodrau
Compiled by:	Roqiqi Korodrau, Finance Manager
Cover Design, Layout, Concept Design & Print:	Pasifika Communications 14 McGregor Road, Suva. T: +679 3307 000

IMPORTANT NOTICE

Dear Shareholder

Re: Service of Notices/Documents through electronic mode

The Fiji Companies Act 2015 ("the Act") now permits a Company to send documents such as annual reports or financial statements or notices such as Notice of Meetings of Members via electronic means. Section 143 of the Act stipulates that members will only receive documents or notices via such means if they choose or nominate this option. Members who choose this option will be able to access such information electronically on a website instead of receiving a hard copy of the said documents like Annual reports as stipulated under section 400 of the Act.

The transmission and use of paperless or electronic documents reduces the cost of printing and storage of printed documents. Your Company is committed to protect the environment by reducing our carbon footprint and we are adamant that you will support your company with this initiative. In addition to this, choosing to receive or have access to documents and notices electronically gives you the added advantage of receiving such information from wherever you are and is a more convenient and faster method too.

All electronic documents and notices will be made available on the company's website on www.fbi.ac.fj or on the South Pacific Stock Exchange website on www.spx.com.fj.

If you wish to receive all future notices and documents electronically instead of having the hard printed documents sent to you, please complete the Consent form below and send to us as follows:

(a) Scanned and emailed to r.korodrau@fbi.ac.fj
(b) Posted/ hand delivered to the company's registered address or to:

The Company Secretary
Free Bird Institute Limited
P.O Box 11065
Waimalika, Nadi
Fiji

If you wish to continue to receive the printed hard copies of all notices and documents instead of the greener option by electronic means, no action is required from you to this letter.

We look forward to your support and should you require any further information and or clarification on this matter, please do not hesitate to contact the Company Secretary.

Roqiqi Korodrau
Company Secretary

CONSENT FORM

To: The Company Secretary
Free Bird Institute Limited
P.O Box 11065
Waimalika, Nadi
Fiji.

Dear Roqiqi,

I/We shareholder(s) of Free Bird Institute Limited, agree to receive all notices and documents including the Annual Report, Notice of General Meetings and other shareholders communication, from time to time, in electronic mode and to have access to such documents published on the Company website www.fbi.ac.fj or on South Pacific Stock Exchange website, www.spx.com.fj.

Therefore, please register the email address provided below in FBL's records for sending the above communications to.

Name of shareholder: ....

No. of shares held: ....

Nominated email address: ....

Alternate email address: ....

Date: ....

Place: ....

Signature: ....

For Companies:

....

Director/Company Secretary Company Seal

Free Bird Institute Limited
Office 1, First Floor,
Lot 13 Commercial Street, Concave Subdivision,
Namaka, Nadi, Fiji.

www.fbi.ac.fj