# Free Bird Institute Limited

# 2018

## Annual Report




Free Bird Institute Limited (FBL) runs the largest English-only language institute in Fiji, catering to foreign students wishing to learn English.


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# Key Highlights

1

**Taught over 1,100 students**

2

**$6.3m Total revenue and other income**
(Decrease of 13% from prior year)

3

**Supported over 500 families**

4

**$0.91m**
**Profit before tax**
(Decrease of 23% from prior year)

5

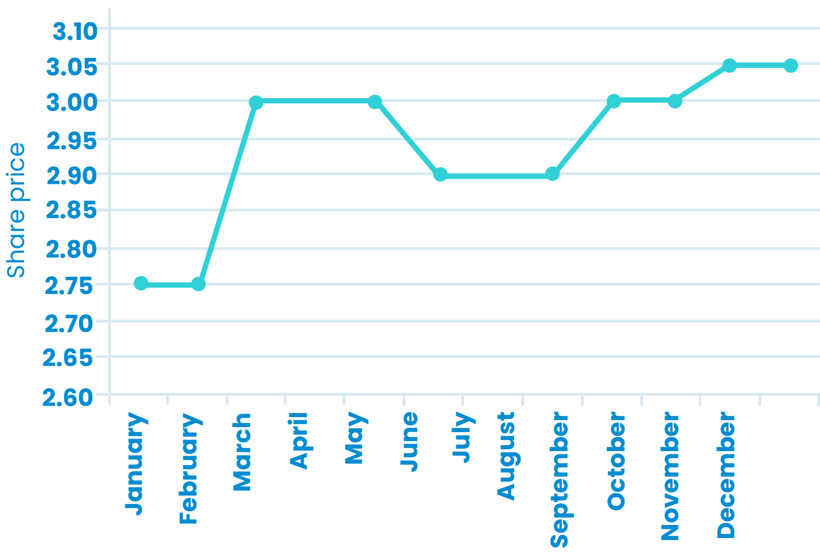
**$5.66m**
**Total assets**
(Increase of 10% from prior year)

6

**$2.21**
**Net asset per share**
(Increase of 16% from prior year)

# Key Highlights (continued)

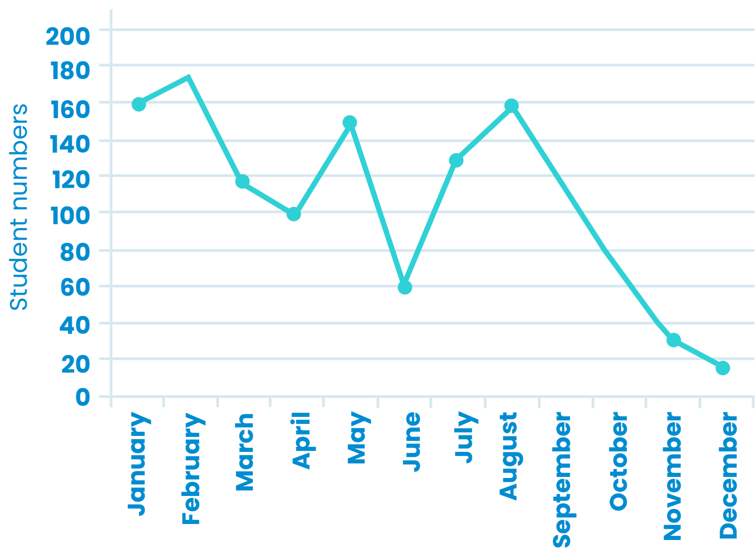
## 2018 Movements in Share Price




*The prices used in the above graph is made up of the closing market price at the end of each month

| | FJ$ |
|---|---|
| Highest market price per share | 3.10 |
| Lowest market price per share | 2.55 |
| Market price per share as at 31 December 2018 | 3.05 |

## 2018 New Student Arrivals

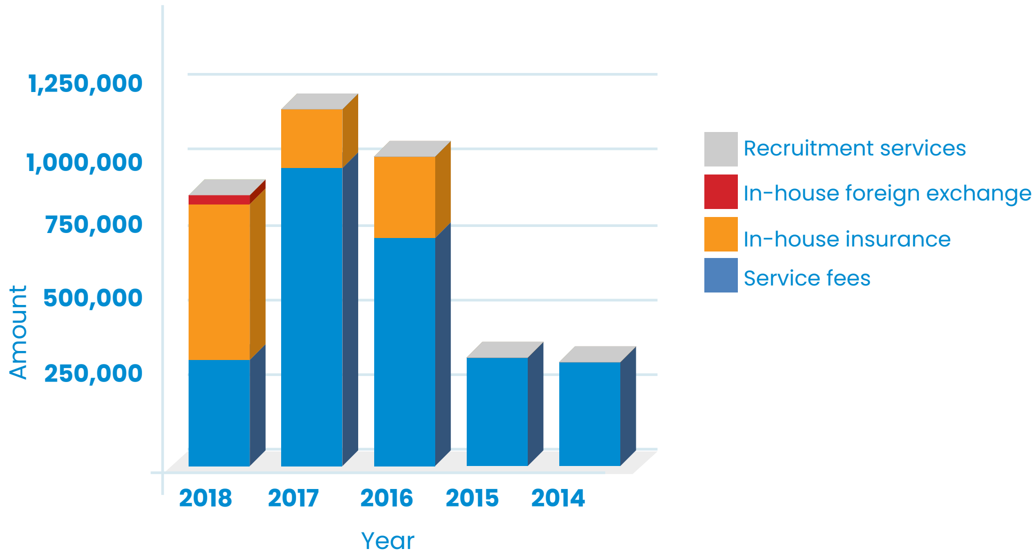


# Five-year historical information

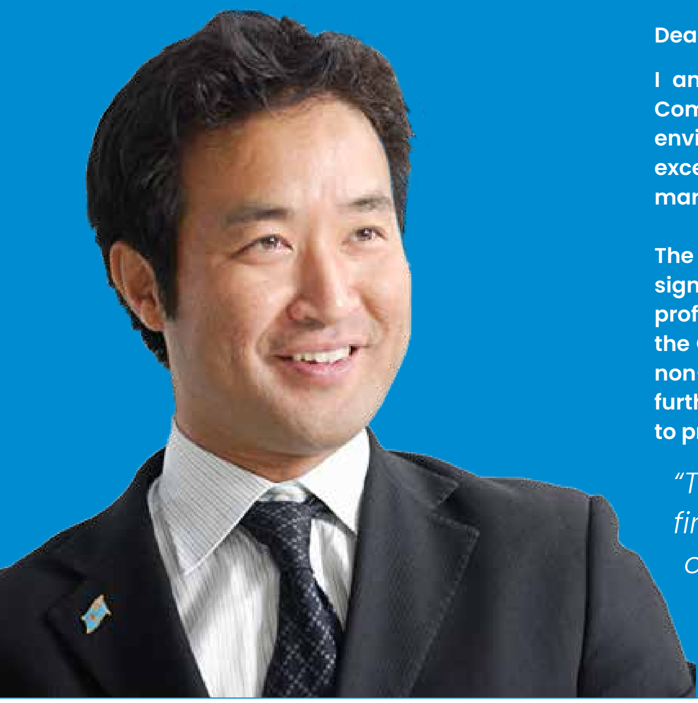
| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Total income (includes finance income) | 6,372,685 | 6,323,178 | 5,360,215 | 4,156,275 | 3,994,320 |
| Net profit before tax | 913,428 | 1,185,288 | 1,026,485 | 359,998 | 315,208 |
| Net profit after tax | 803,764 | 1,057,827 | 824,394 | 276,337 | 237,749 |
| Net profit margin | 13% | 17% | 15% | 7% | 6% |
| Cash flow from operations | 977,845 | 1,105,216 | 1,286,172 | 529,135 | 283,065 |
| Net capital expenditure | 25,767 | 109,540 | 161,371 | 44,934 | 29,068 |
| Net free cash flows | 952,078 | 995,676 | 1,124,801 | 484,201 | 253,997 |
| Earnings per share | 40 cents | 53 cents | 41 cents | 14 cents | 12 cents |
| Shareholders' ROI | 3.60% | 3.57% | 2.40% | Nil | Nil |
| Dividend per share paid | 9 cents | 12 cents | Nil | Nil | Nil |
| Total Assets | 5,660,788 | 5,159,983 | 4,608,276 | 3,545,400 | 3,249,742 |
| Working capital ratio | 4.66 | 4.49 | 3.10 | 3.68 | 2.04 |
| Thin Capital Ratio | 0.17 | 0.24 | 0.42 | 0.56 | 0.59 |
| Net asset per share | 2.21 | 1.89 | 1.48 | 1.07 | 0.93 |
| Student numbers | 1,272* | 1,420 | 1,319 | 1,188 | 1,349 |

**Student numbers for 2018 include new high school students as a result of the integration during the year*

## Pre-tax profit



# Executive Chairman's Report



**Dear Shareholder**

**I am pleased to report to you another profitable year for the Company in the last financial year despite the challenging business environments. Majority of the business segments performed exceptionally well than others directly reflective of the growing market conditions in Japan.**

**The introduction of the integrated products contributed significantly to the profits for the year resulting in a vast shift to the profit components of the Company. However, during the last year, the Company continued to extensively explore and invest into the non-Japanese markets. This resulted in the Company pursuing further developments in the Chinese and Russian markets targeted to provide a more diversified student portfolio.**

*"The Board and Management continue to be firmly focused on reinforcing the diversification of its source markets which is at the heart of its financial foundation in order to support continuous growth in its future profitability."*

## Our Performance

The total revenue for the Company during the year was inclusive of the new integrated in-house foreign exchange that was introduced as part of services to the students in May along with the revenue derived from the recruitment related services provided to the Narita Airport Business Co Ltd during the year. In addition to this, the internal restructure and integration of the high school department within the Company saw fees paid by international students attending local high schools directed to FBL to cater for the human resource capital employed in the high school department which is reflective in the increase in total emoluments in the year.

The business continues to face incessant decline in the student numbers from the Japan market in the last quarter as a result of timing differences for leave using the Japanese calendar as most student holidays are taken either in February, March, July or September. Working adults from this market tend to leave their employment either in March or December before commencing their study abroad programmes in months immediately following this. However, the decision to study abroad can vary from six to twelve months preceding this.

The Company further strengthened its financial position by continuously investing in interest-bearing deposits to capitalize on the excess cash flows during the year. This drove the Company's total assets up by 10% and further enhancing its balance sheet with the increase in the net assets by 16%.

## Returns to our Shareholders

The Company paid out a total of $180,000 to the shareholders during the year which represented a total return of investment of 3.08%. The vigilant financial management of our team makes this possible by ensuring that the Company continues to maintain a very strong cash flow position during the year despite the challenging business environment. We continue to ensure that our financial performance of the business remains steadfast during these times to enable and support these returns to all our shareholders.

## Economic conditions

Over 94% of our student numbers in the last year continue to come from the Japan market and this continues to be the Company's niche market. However, the Company saw a decline in the number of Japanese students by 20%; attributable to the continued growth in the Japanese economy.

The growth in the Japanese economy has an inverse effect on our student numbers from this market. This is because, as the economy grows, more job opportunities are available for the Japanese people, making study abroad a less desirable option. Japan's parliament passed labour market regulations in November 2018 designed to set a legal cap on overtime work which could potentially cause further strain to the shortage in labour force as organisations will now need to find an additional headcount to make up for the hours that was once done by one individual.

An economic review report from the Reserve Bank of Fiji for December 2018 indicated that the Fijian economy is envisaged to grow above 3.0 percent over the medium term supported by robust consumption and public spending and further improvement in private investment spending post elections.

Whilst the direct flight from Fiji Airways contributed to the increase in the visitor arrivals from Japan last year, the student numbers from the Japanese market were not significantly affected as decisions to study abroad would have already been made by the Japanese months in advance with all arrangements and confirmations made during that time.

## Forward looking

Following the restructure of the high school department, the Board and Management continue to be firmly focused on reinforcing the diversification of its source markets which is at the heart of ifs financial foundation in order to support continuous growth in its future profitability.

Your Board and Management remain committed to ensuring that all the decisions it makes is for the benefit of the Company, its shareholders and all other relevant stakeholders. It will continue to invest into diversifying into the non-Japanese market over the next few years to lessen the reliance on the Japanese market.

Whilst we remain cautious of the Japanese economy in the short term, your Board continues to take a more structured approach towards implementing a more dynamic strategic plan for the Company that will ensure that the Company and your interests remain safeguarded in the long term. With this, I would like to commend the Board, Management and staff for their continuous commitment and dedication in delivering yet another profitable year for your Company.

Thank you for your continued support of FBL.

Hiroshi!

**Hiroshi Taniguchi**
Executive Chairman

# Key Operational Highlights

## 01 JANUARY

- Change in Company Secretary
- Extension of in-house insurance scheme to FBL employees
- Receipt of Actuarial Report for In-house Insurance
- Japanese preparatory classes commenced the successful candidates recruited to work at the Narita Airport

## 04 APRIL

- Declaration of final dividend for the financial year ended 31 December 2017
- Receiving of Certificate of Eligibility to Work in Japan for the successful candidates for the Narita Airport as well the signing of their employment contracts with the Narita Airport Business Co Ltd

## 05 MAY

- Introduction of the integrated in-house foreign exchange business
- Company CFO accorded the Young Accountant of the year award by the Fiji Institute of Accountants
- Company held its 8th Annual General Meeting
- Students and teachers embarked on cleaning the streets of Lautoka as part of their CSR activity
- Collaborated with Fiji Airports Ltd to provide work attachment programmes to its students


## 06 JUNE

- Narita candidates departed Fiji to commence employment in Japan

## 07 JULY

- Executive Chairman launched autobiography in Japan titled “Free Bird”
- Board & Management met with Narita Business Co Ltd Executive Management team in Tokyo to discuss future plans

## 09 SEPTEMBER

- Declaration of Interim dividend for the six months ended 30 June 2018
- Recruitment of Chinese Marketing Personnel solely responsible for expanding the Chinese and Taiwanese markets.

## 10 OCTOBER

- FBL wins two awards at the SPSE Annual Awards 2018
- FBL officials were part of a Study Travel symposium in Russia to speak with potential agents for partnerships in Russia

# 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 Bachelor of Arts Degree 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**
Executive 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.

**YOKO NAMEKI**
Non-Executive
Independent Director

Yoko has extensive experience in the Education Sector in Japan of over 12 years. She holds a Bachelor's degree in Business Management from Fort Hays State University from the United States of America (USA) and provides strategic advice to the Board with regards to the changing demands of study abroad in the Japanese market.

She was very instrumental with the introduction of the High School department in the Group working closely with various stakeholders to ensure the smooth operation and integration of this.

**WAISALE IOWANE MAICD (Aust)**
Executive Director

Waisale is the Chief Financial & Compliance Officer of 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.

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

Latileta is 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 well 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, 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 was also appointed Company Secretary by the Board on 12 December 2017 with his secretarial duties to officially commence from 1 January 2018.

**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.

**Mai Kindaichi**
Student Support Services Manager – Language School

Mai holds a Bachelor's of Education from the Shizuoka University, Japan as well as a Diploma in Early Childhood from the MEGT Institute in Sydney, Australia. She has well over 10 years of experience in the Education industry starting her career as an English teacher with AEON Corporation in Shizuoka, Japan before joining the Company in 2012.

Mai is responsible for the ensuring that the well-being of the students that attend the Language School is being taken care off during their stay in Fiji. She has held various roles within the business over the last 8 years before been given her current role.

**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 sales and customer experience having previously worked 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**
Student Support Services Manager – High School

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.

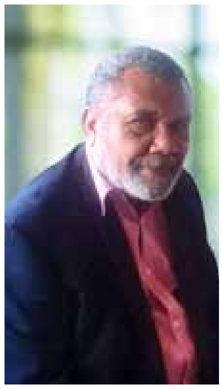
Prior to joining the Company, he worked for Mars Japan Limited for 7 years responsible for its Supply Chain Management.

**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

**Free Bird Institute Limited (FBL) supports the Corporate Governance Code for the Capital Market issued by the Reserve Bank of Fiji in June 2008. The Code entails 10 core principles with implementation guidance in the form of best practise recommendations.**

## Principle 1: Role 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.

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.

Additionally, 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.

## Principle 2: Composition of the Board

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.

**Meetings of the Board**

The Board Charter requires the Board to meet at least three times per year. The Board recognises the importance of adequately meeting in order to assess the business performance and formulate strategic directions for the Company.

It is at these board meetings that the board members are able to sit together and have thorough discussions and vote on business decisions proposed by the management.

The board met 5 times during the year and the attendance of the board meetings by the members is provided below.

| | 14/03/18 | 25/05/18 | 05/07/18 | 28/09/18 | 14/12/18 |
|---|---|---|---|---|---|
| Hiroshi Taniguchi | P | P | P | P | P |
| Mereseini Baleilevuka | P | P | P | P | P |
| Waisale Iowane | P | P | P | P | P |
| Yoshinobu Higashi | P | P | P | P | AP |
| Adi Litia Qionibaravi | P | P | P | P | P |
| Latileta Qoro | AP | P | P | AP | P |
| Yoko Nameki | P | P | P | P | P |

**Key:**
**P – Present A - Absent AP - Apologies**

## Principle 3: Appointment of a Chief Executive Officer (CEO)

The CEO is appointed by the FBL Board and the remuneration of the CEO is decided and approved by the Board.

The CEO's responsible for the day-to-day management of the Company with all powers, discretions and delegations authorised, from time to time, by the Board.

## Principle 4: Board & Company Secretary

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.

# Corporate Governance Statement
Continued

**Whilst the recommendations are not mandatory and cannot, in themselves, prevent corporate failure or mistakes in corporate decision making, they do provide a reference point for enhanced structures to safeguard an entity and optimise performance and accountability.**

## Principle 5: Timely and balanced disclosure

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 SPSE 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.

## Principle 6: Promote ethical and responsible decision-making

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.

## Principle 7: Register of Interests

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.

## Principle 8: Respect the rights of the Shareholders

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.

FBL has transferred its shareholder register to Central Share Registry Limited (CSR) which shall be responsible for receiving and addressing all shareholder queries and concerns. Shareholders are able to access information directly through the CSR platform and are able to communicate with the Registry in terms of shareholding queries.

## Principle 9: Accountability and audit

FBL is audited annually by an external auditor who is appointed by the shareholders at an AGM. The Auditors report directly to the members and board of FBL. 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.

Management accounts are provided to the Board on a monthly basis to ensure that information relating to the Company affairs is relayed to the Board on a timely basis and remains relevant.

## Principle 10: Recognise and manage risk

FBL is committed to embedding risk management practices that support the achievement of the business objectives and fulfill corporate governance obligations. It is the role of the Board to set the risk appetite and ensure that the Company's risk management systems are both in place and effective. Management is responsible for identifying, monitoring, assessing and reporting such risks to the Board.

The Board is also responsible for the disclosures on risk management in the annual reports and financial statements. The Board and Management need to ensure that risk assessments are undertaken at least annually for the purposes of making its public statements on risk management.

# Financial Statements

For the year ended 31 December 2018

# DIRECTORS' REPORT

For the year ended 31 December 2018

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

**Directors**

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

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

**State of affairs**

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

**Principal activities**

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

**Results**

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

**Dividends**

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

**Current assets**

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

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

**Receivables**

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

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

**Related party transactions**

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

**Going concern**

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

**Events subsequent to balance date**

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

**Other circumstances**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amounts stated in the financial statements to be misleading.

# DIRECTORS' REPORT

For the year ended 31 December 2018

**Directors' interests**

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

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

No director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors as shown in the financial statements) by reason of a contract made by the Company or related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

Dated at Nadi this 22nd day of March 2019.

Signed in accordance with a resolution of the Directors.

Director

Director

FREE BIRD INSTITUTE LIMITED

# STATEMENT BY DIRECTORS

For the year ended 31 December 2018

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

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

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

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

(d) the accompanying statement of cash flows of the Company is drawn up so as to give a true and fair view of the cash flows of the Company for the year ended 31 December 2018;

(e) at the date of this statement there are reasonable grounds to believe the Company will be able to pay its debts as and when they fall due;

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

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

Dated at Nadi this 22nd day of March 2019.

Signed in accordance with a resolution of the Directors.

Director

Director

# INDEPENDENCE DECLARATION

For the year ended 31 December 2018

**AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 395 OF THE COMPANIES ACT 2015**

To: The Directors of Free Bird Institute Limited

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

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

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

KPMG
22 March, 2019
Nadi, Fiji

Sharvek Naidu, Partner

# INDEPENDENT AUDITORS' REPORT

**To the Shareholders of Free Bird Institute Limited**

## Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of Free Bird Institute Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in Notes 1 to 32.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for Opinion

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

## Key Audit Matters

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

<table>
<tr><th colspan="2">Revenue recognition – Service Fee ($5,346,870)</th></tr>
<tr><td colspan="2">Refer to Note 4(h) of the financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Company has service fees from the parent company as the major source of revenue.<br><br>Revenue recognition is a key audit matter due to the significance of revenue to the financial statements.<br><br>Service fee includes various services being tuition, accommodation (which is either homestay or dormitory accommodation) and obtaining visas for students.<br><br>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:<br>• Checking the various services were provided to the student.<br>• 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.</td><td>Our procedures included:<br>• Evaluating the appropriateness of the Company's revenue recognition policies against the requirements of IFRS 15 Revenue from contracts with customers.<br>• Selecting a haphazard sample of students billed to the parent company during the year and checking:<br>- The students were registered on the student data base maintained by the parent company to have been billed for tuition.<br>- 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.<br>- Visa application for students were made.<br>• We tested the service fee revenue against the actual revenue recorded by comparing:<br>- 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.<br>- The number of homestay nights paid for by the Company to homestay providers during the year multiplied by the agreed fee per student.<br>- The number of dormitory nights occupied during the year multiplied by the agreed fee per student.<br>- The number of students for which visas were applied for multiplied by the agreed fee per student.<br>• Checking service fees billed for the year to the parent company against receipts in the bank statements.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Free Bird Institute Limited (continued)

## Report on the Audit of the Financial Statements (continued)

## Other Information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

KPMG

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Free Bird Institute Limited (continued)

## Report on the Audit of the Financial Statements (continued)

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

- 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.

## Report on Other Legal and Regulatory Requirements

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

In our opinion:

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

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

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

KPMG<br>Nadi, Fiji<br>22 March, 2019

Sharvek Naidu, Partner

FREE BIRD INSTITUTE LIMITED

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

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

The notes on pages 33 to 57 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

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

The notes on pages 33 to 57 are an integral part of these financial statements.

FREE BIRD INSTITUTE LIMITED

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

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

Signed on behalf of the Board

**Director** **Director**

The notes on pages 33 to 57 are an integral part of these financial statements.

FREE BIRD INSTITUTE LIMITED

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

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

The notes on pages 33 to 57 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS



**1. Reporting Entity**

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

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

**2. Basis of preparation**

(a) Statement of compliance

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

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

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

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

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

**3. Changes in significant accounting policies**

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

(a) IFRS 15 Revenue from Contracts with Customers

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

**3. Changes in significant accounting policies (continued)**

(a) IFRS 15 Revenue from Contracts with Customers (continued)

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

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

(b) IFRS 9 Financial Instruments

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

As a result of the adoption of IFRS 9 Financial Instruments, the Company adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI.

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

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

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

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI (fair value through other comprehensive income) and FVTPL (fair value through profit or loss). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of "loans and receivables".

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 4 (f). The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

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

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

**3. Changes in significant accounting policies (continued)**

(b) IFRS 9 Financial Instruments (continued)

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are generally recognised earlier than under IAS 39 – see Note 4 (g).

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

(iii) Transition

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

- The Company has used the exemption note to restate comparative information prior periods with respect to classification and measurement (including impairment) requirements. Therefore comparative years have not been restated therefore is not comparable to the information presented for 2018 under IFRS 9.

- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

**4. Significant accounting policies**

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

(a) Foreign currency transactions

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

(b) Cash and cash equivalents

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

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The cost of the day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

**4. Significant accounting policies (continued)**

## (c) Property, plant and equipment(continued)

(iii) Depreciation

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

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

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

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

## (d) Employee benefits

Defined contribution plan

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

Short-term benefits

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

Annual leave

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

## (e) In-house insurance contracts

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

(i) In-house insurance premium revenue

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

(ii) Unearned premium

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

(iii) Commission

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

(iv) In-house insurance claims

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

**4. Significant accounting policies (continued)**

(f) IFRS 9: Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

***Financial assets – Policy applicable from 1 January 2018***
On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

All financial assets not classified as measured at amortised cost are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

***Financial assets: Business model assessment – Policy applicable from 1 January 2018***
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

**4. Significant accounting policies (continued)**

(f) IFRS 9: Financial instruments (continued)

(ii) Classification and subsequent measurement (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 – Policy applicable from 1 January 2018***

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

***Financial assets – Policy applicable before 1 January 2018***

The Company classified its financial assets into the loans and receivables and held to maturity categories. Financial assets under these categories were initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognised through other comprehensive income are included 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.

**Financial liabilities**
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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

**4. Significant accounting policies (continued)**

(g) Impairment

(i) Non derivative financial assets

**Policy applicable from 1 January 2018**

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

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

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

The Company considers trade receivables and cash and cash equivalents to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency Standards & Poor's (S&P).

12-month ECL's are the portion of ECL's that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

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 considerotherwise;
- 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.

**4. Significant accounting policies (continued)**

(g) Impairment (continued)

(i) Non derivative financial assets (continued)

**Policy applicable before 1 January 2018**

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

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

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

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

(ii) Non financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

(h) Revenue from Contracts with Customers

**Policy applicable from 1 January 2018**

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

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

Service fees

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

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

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

4. **Significant accounting policies (continued)**

(h) Revenue from Contracts with Customers (continued)

Recruitment services

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

**Policy applicable before 1 January 2018**

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

(i) Share capital

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

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

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

(k) Loans and borrowings

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

(l) Provisions

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

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

(m) Finance income and finance cost

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

(n) In-house money 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 favorable. The gain on the transfer is recognised as a realised exchange gain and included in finance income.

(o) Dividend distribution

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

(p) Income tax

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

(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)**

(p) 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.

(q) Operating leases

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

(r) Comparative figures

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

**5. Standards issued but not yet effective**

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

IFRS 16 Leases

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

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 loses relating to the product are known. Hence the insurance business involves inherent uncertainty.

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

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

**6. Risk management (continued)**

(b) Financial risk management

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

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

**Risk management framework**

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

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

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

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

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

Comparative information under IAS 39
The following table provides information regarding the ageing of the Company's trade and other receivables that are neither past due nor impaired and past due but not impaired at at 31 December 2017 is as follows:

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

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

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

**6. Risk management (continued)**

(b) Financial risk management (continued)

(i) Credit risk (continued)

Cash and cash equivalents and term deposits (continued)

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

On initial application of IFRS 9, the Company recognised $Nil impairment allowance as at 1 January 2018 as the Company does not consider the impairment allowance to be material. The amount of the allowance did not change during 2018.

(ii) Liquidity risk

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

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

Exposure to liquidity risk

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

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

* excludes contract liabilities

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

* excludes services fees received in advance

(iii) Market risk

Market risk is the risk that changes in market price such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

**Interest rate risk**

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

**6. Risk management (continued)**

(b) Financial risk management (continued)

(iii) Market risk (continued)

Exposure to interest rate risk

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

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

*Fair value sensitivity analysis for fixed rate instruments*

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

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

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

*Exposure to currency risk*

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

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

The above amounts are in Yen as at 31 December.

**6. Risk management (continued)**

(b) Financial risk management (continued)

(iii) Market risk (continued)

Currency risk (continued)
*Exposure to currency risk (continued)*

The following significant exchange rates have been applied:

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

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

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

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

**7. Operating segments**

(a) Basis for segmentation

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

The following summary describes the operations of each reportable segment.

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

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

## 7. Operating segments (continued)

(b) Informational about reportable segments

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

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

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

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

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

## 8. In-house insurance premium

| | **2018** | **2017** |
|---|---|---|
| | **$** | **$** |
| Gross written insurance premium | 911,213 | 963,538 |
| Premiums refunded during the year and third party taxes | (15,995) | (51,517) |
| Unearned premium movement | 4,371 | (15,843) |
| | 899,589 | 896,178 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

| | | 2018 $ | 2017 $ |
|---|---|---|---|
| **9.** | **In-house insurance claims** | | |
| | Gross in house insurance claims incurred | 79,769 | 389,895 |
| | Claims incurred but not reported | - | 1,827 |
| | | 79,769 | 391,722 |
| **10.** | **In-house insurance commission expense** | | |
| | Commission expense | 348,198 | 365,099 |
| | Less prepaid commission expense movement | (6,565) | (6,628) |
| | | 341,633 | 358,471 |
| **11.** | **Direct operating expenses** | | |
| | Accommodation cost and supplies | 9,136 | 11,152 |
| | Classroom supplies | 65,848 | 82,171 |
| | Electricity and water | 65,596 | 81,030 |
| | Home stay fees | 1,334,930 | 1,358,786 |
| | Immigration and government fees | 236,120 | 276,781 |
| | | 1,711,630 | 1,809,920 |
| **12.** | **Personnel expenses** | | |
| | Wages and salaries | 1,878,695 | 1,248,422 |
| | Key management compensation - short term benefits | 415,001 | 361,358 |
| | - contribution to Fiji National Provident Fund | 33,203 | 36,136 |
| | Contributions to Fiji National Provident Fund | 121,723 | 93,315 |
| | Fiji National University Levy | 12,825 | 11,967 |
| | Other staff costs | 11,194 | 4,883 |
| | | 2,472,641 | 1,756,081 |
| **13.** | **Other expenses** | | |
| | Accounting fees | 27,480 | 12,221 |
| | Audit fees | 25,000 | 17,500 |
| | Advertising & marketing | 16,541 | 20,926 |
| | Bank charges | 5,971 | 7,409 |
| | Directors' fees | 24,000 | 22,565 |
| | Education and training | 4,169 | 7,634 |
| | Freight, postage and courier | 3,013 | 1,751 |
| | Insurance | 3,683 | 2,905 |
| | License and rates | 43,134 | 39,494 |
| | Gain on sale of motor vehicle | - | (379) |
| | Meals and entertainment | 6,768 | 17,301 |
| | Motor vehicle expenses | 18,023 | 16,723 |
| | Office expenses | 42,759 | 38,355 |
| | Balance carried forward | 220,541 | 204,405 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 13. Other expenses (continued)

| | 2018 $ | 2017 $ |
|---|---|---|
| Balance brought forward | 220,541 | 204,405 |
| Other expense | 30,016 | 5,707 |
| Printing & Stationery | 24,729 | 16,556 |
| Professional fees | 8,886 | 88,067 |
| Rent | 132,000 | 132,000 |
| Repair and maintenance | 50,802 | 25,255 |
| Stamp duty | 22,653 | - |
| Subscriptions | 8,036 | 4,064 |
| Telephone and internet | 54,130 | 51,944 |
| Travel & Accommodation | 103,162 | 79,551 |
| | 654,955 | 607,549 |

## 14. Finance income and finance cost

### (a) Finance income

| | 2018 $ | 2017 $ |
|---|---|---|
| Interest income | 41,875 | 44,705 |
| Realised foreign exchange gain - in house exchange | 29,687 | - |
| Realised foreign exchange gain - others | 24,574 | - |
| Unrealised foreign exchange gain | - | 23,242 |
| | 96,136 | 67,947 |

### (b) Finance cost

| | 2018 $ | 2017 $ |
|---|---|---|
| Interest expense on borrowings | 63,247 | 78,042 |
| Realised foreign exchange loss | - | 37,765 |
| Unrealised foreign exchange loss | 30,094 | - |
| | 93,341 | 115,807 |

## 15. Income tax

### (a) Income tax expense recognised in the income statement

| | 2018 $ | 2017 $ |
|---|---|---|
| Current tax expense | | |
| Current year | 114,159 | 117,400 |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | (4,495) | 10,061 |
| Income tax expense | 109,664 | 127,461 |

### (b) Reconciliation of effective tax rate

| | 2018 $ | 2017 $ |
|---|---|---|
| Operating profit before income tax | 913,428 | 1,185,288 |
| Prima facie income tax expense on profit before tax at 10% (2017:10%) | 91,343 | 118,529 |
| Tax effect of permanent differences | 18,321 | 8,932 |
| Income tax expense | 109,664 | 127,461 |

# NOTES TO THE FINANCIAL STATEMENTS



## 15. Income tax (continued)

**(c) Recognised deferred tax asset / (liability)**

| | 2018 $ | 2017 $ |
|---|---|---|
| Employee benefits | 2,808 | - |
| Unrealised Foreign exchange gain | - | (2,324) |
| Property plant and equipment | (2,689) | (2,052) |
| | 119 | (4,376) |

Movement in temporary differences during the year

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

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

**(d) Income tax payable**

| | 2018 $ | 2017 $ |
|---|---|---|
| Opening balance | 31,522 | 29,101 |
| Current tax expense | 114,158 | 117,400 |
| Payments made during the year | (76,242) | (114,979) |
| Closing balance | 69,438 | 31,522 |

## 16. Cash and cash equivalents

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

| | | 2018 $ | 2017 $ |
|---|---|---|---|
| **17.** | **Trade and other receivables** | | |
| | Receivable from South Pacific Free Bird Company Limited - service fee | 242,967 | 271,221 |
| | Receivable from South Pacific Free Bird Company Limited - in-house insurance premium | 3,150 | 5,866 |
| | Immigration and other bonds | 276,970 | 221,757 |
| | Other receivables - South Pacific Free Bird Company Limited | 50,350 | 35,000 |
| | Other receivables - others | 13,649 | 11,561 |
| | | 587,086 | 545,405 |
| | Classified in the financial statements as follows: | | |
| | Current | 502,557 | 460,976 |
| | Non Current | 84,529 | 84,429 |
| | | 587,086 | 545,405 |
| **18.** | **Prepayments** | | |
| | Commission prepaid | 36,577 | 30,012 |
| | Other prepayments | 47,993 | 65,190 |
| | | 84,570 | 95,202 |
| **19.** | **Term deposits** | | |
| | Current | 1,210,000 | 31,440 |
| | Non current | 72,889 | 50,000 |
| | | 1,282,889 | 81,440 |

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

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

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

### 20. Property, plant and equipment

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

| | | 2018 $ | 2017 $ |
|---|---|---|---|
| **21.** | **Trade and other payables** | | |
| | Trade payables | 44,315 | 19,678 |
| | Accruals | 73,889 | 108,627 |
| | Withholding tax payable | 2,796 | 987 |
| | Other payables | 26,609 | 48,208 |
| | Contract liabilities | 14,229 | - |
| | Service fees received in advance | - | 13,080 |
| | | 161,838 | 190,580 |

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

| | | 2018 $ | 2017 $ |
|---|---|---|---|
| **22.** | **Payable to related parties** | | |
| | Payable to South Pacific Free Bird Company Limited | 41,982 | 14,607 |

The above payables are unsecured and non interest bearing.

| | | | |
|---|---|---|---|
| **23.** | **Interest bearing borrowings** | | |
| | South Pacific Free Bird Company Limited | 736,205 | 915,052 |
| | Disclosed as follows: | | |
| | Current | 259,104 | 225,329 |
| | Non current | 477,101 | 689,723 |
| | | 736,205 | 915,052 |

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

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

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

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

| | | | 2018<br>$ | 2017<br>$ |
|---|---|---|---|---|
| **24.** | **In-house insurance liabilities** | | | |
| | Claims incurred but not reported | (i) | 1,827 | 1,827 |
| | Unearned premium | (ii) | 70,658 | 75,029 |
| | Claims incurred but not paid | | 140,408 | 140,408 |
| | | | 212,893 | 217,264 |

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

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

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

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

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

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

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

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

Shares of the Company do not have a par value.

**25. Share capital (continued)**

**(b) Issued capital (continued)**

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

**(c) Equity contribution reserve**

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

**(d) Dividends**

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

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

**26. Earnings per share**

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

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

**27. Related parties**

**(a) Directors**

The directors in office during the year were:

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

Directors fees are disclosed in Note 13.

**(b) Parent Company**

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

# NOTES TO THE FINANCIAL STATEMENTS



## 27. Related parties (continued)

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

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

### (d) Transactions with related parties

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

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

### (e) Transactions with key management personnel

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

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

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

Key management compensation is disclosed under Note 12.

## 28. Operating leases

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS



**29. Commitments**

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

**30. Contingent liabilities**

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

**31. Capital risk management**

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

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

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

**32. Events subsequent to balance date**

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


Certificate of Completion
Certificate of Completion
Certificate of Completion

# Other Information

**Listing Requirements of the South Pacific Stock Exchange**

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

**1.** Shareholdings of those persons holding twenty (20) largest blocks of shares as required under section 6.31(iv) of the Listing Rules.

| No | Shareholder Name | Number of shares | % of shares |
|---|---|---|---|
| 1 | South Pacific Free Bird Co Ltd | 1,360,600 | 68.03% |
| 2 | FHL Trustees Ltd T/A Fijian Holdings Unit Trust | 250,806 | 12.54% |
| 3 | IBC Co Ltd | 62,500 | 3.13% |
| 4 | Platinum Insurance Limited | 50,865 | 2.54% |
| 5 | Capital Advisory Co Ltd | 50,000 | 2.50% |
| 6 | Masayasu Muramatsu | 50,000 | 2.50% |
| 7 | Toshikazu Torimoto | 36,000 | 1.80% |
| 8 | Yoshinobu Higashi | 25,000 | 1.25% |
| 9 | Tomoko Tanaka | 16,200 | 0.81% |
| 10 | Naulu Baleilevuka | 11,397 | 0.57% |
| 11 | Jimaima T & Roland F Schultz | 10,200 | 0.51% |
| 12 | Pravin Patel | 8,000 | 0.40% |
| 13 | Shakuntla Prasad | 8,000 | 0.40% |
| 14 | Suresh Prasad | 8,000 | 0.40% |
| 15 | Namaka Public School | 8,000 | 0.40% |
| 16 | Tutanekai Investments Limited | 6,500 | 0.33% |
| 17 | Yavusa Solia Trust | 4,336 | 0.22% |
| 18 | Maria I Mausio, Mue S Mausio & Tifere V Mausio ATF Hanisi Mue Mausio | 2,033 | 0.10% |
| 19 | Coomberdale Limited | 2,000 | 0.10% |
| 20 | Purna Pravin Patel | 2,000 | 0.10% |

**2.** A distribution schedule of each class of equity security setting out the number of holders and percent-age as required under section 6.31(v) of the Listing rules.

| Holding | No. of Holders | % holding |
|---|---|---|
| Less than 500 shares | 67 | 0.57% |
| 500 to 5,000 shares | 20 | 1.33% |
| 5,001 to 50,000 shares | 12 | 11.86% |
| 50,001 to 100,000 shares | 2 | 5.67% |
| 100,001 to 1,000,000 shares | 1 | 12.54% |
| Over 1,000,000 shares | 1 | 68.03% |

# Other Information (continued)

**Listing Requirements of the South Pacific Stock Exchange (continued)**

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

**3.** Summary of key financial results for the previous five years of the company as required under section 6.31(xii) of the Listing Rules

| | 2018 | 2017 | 2016 | 2015* | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Net profit after tax | 803,764 | 1,057,827 | 824,394 | 276,337 | 237,749 | 114,750 |
| Current assets | 3,604,271 | 3,047,053 | 2,473,649 | 1,445,030 | 1,009,647 | 763,637 |
| Non-current assets | 2,056,517 | 2,112,930 | 2,134,627 | 2,100,370 | 2,240,095 | 2,287,601 |
| Total assets | 5,660,788 | 5,159,983 | 4,608,276 | 3,545,400 | 3,249,742 | 3,051,238 |
| Current liabilities | 773,341 | 679,302 | 797,686 | 392,486 | 494,443 | 625,471 |
| Non-current liabilities | 477,101 | 694,099 | 841,835 | 1,008,553 | 887,275 | 1,050,729 |
| Total liabilities | 1,250,442 | 1,373,401 | 1,639,521 | 1,401,039 | 1,381,718 | 1,676,200 |
| Shareholders' equity | 4,410,346 | 3,786,582 | 2,968,755 | 2,144,361 | 1,868,024 | 1,375,038 |

*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.

# Corporate Directory

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

# Notice of Annual General Meeting

Notice is hereby given that the 2019 Annual General of the members of Free Bird Institute Limited will be held on 24 May 2019 at 3pm at the Tanoa Skylodge in Nadi for the purpose of transacting the following business:

*(Explanatory notes containing information in relation to each of the resolutions below accompany this Notice)*

**Agenda**

**General Business:**

**Minutes of the last AGM**

To receive, consider and adopt the Minutes of the last Annual General Meeting held on 25 May 2018 as a true and correct record of the meeting.

**Ordinary Business**

1. **Audited Financial Statements for the year ended 31 December 2018**

   To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2018 comprising of the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, directors' report, statement by the directors and the Report of the Auditors together with the notes comprising significant accounting policies and other explanatory information for the year then ended.

2. **Appointment and Retirement of Directors**

   To consider and if though fit; pass the following resolutions as ordinary resolutions:

   **a) Waisale Iowane**

   Waisale retires by rotation in accordance with Article 7.3 of the Company's Articles of Association and being eligible offers himself for re-appointment as a Director of the Company.

   **b) Mereseini Baleilevuka**

   Mereseini retires by rotation in accordance with Article 7.3 of the Company's Articles of Association and being eligible offers herself for re-appointment as a Director of the Company.

3. **Appointment of Auditors**

   The Board proposes that Messrs KPMG be re-appointed as auditors of the company until the next AGM and that the Board be authorised to fix their remuneration.

4. **Declaration of Dividends**

   The board had declared a final dividend of 3.5 cents per share for the year ended 31 December 2018.

**Other Business:**

Any other business brought up in conformity with the Articles of Association of the Company.

By order of the Board of Directors.

**Roqiqi Korodrau**
**Company Secretary**

# Notice of Annual General Meeting Continued

**Explanatory Notes**

The following notes are intended to provide shareholders with sufficient information to assess the merits of the resolutions contained in the Notice of the Annual General Meeting.

The Directors recommend that all the Shareholders read these explanatory notes in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the Notice of Meeting.

1. **Adoption of Financial Statements**
The Audited financial statements for the year ended 31 December 2018 comprising of the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, Reports of the Directors and Auditors included in the 2018 Annual Report is for the shareholders to read prior to the meeting.

As stipulated in section 401 of the Fiji Companies Act 2015, it is a requirement that the shareholders present at the AGM receive and adopt the Audited financial statements, reports of the directors and Auditors of the Company.

The Chairman of the meeting will allow a reasonable opportunity for shareholders to ask relevant questions about, or make comments on these reports. Shareholders will be given a reasonable opportunity to ask the company/auditor questions about the conduct of the audit and the content of the Directors'/Auditor's Report. Questions that cannot be answered at the AGM needs to be addressed through a market announcement by the Company within a reasonable timeframe.

2. **Election of Directors**

**(a) Waisale Iowane**

The Board proposes that Waisale be re-appointed as a Director of the Company and considers that he posses the attributes necessary for the development of the Company.

His background can be found on the Board of Directors' section in this Annual Report.

**(b) Mereseini Baleilevuka**

The Board proposes that Mereseini be re-appointed as a Director of the Company and considers that she posses the attributes necessary for the development of the Company.

Her background can be found on the Board of Directors' section in this Annual Report.

3. **Appointment of Auditors**
The Board proposes that KPMG, who have provided their consent pursuant to section 425 of the Fiji Companies Act 2015, be appointed as auditors of the Company until the conclusion of the next AGM and that the Board be authorized to fix their remuneration.

Pursuant to section 422 of the Fiji Companies Act 2015, every company shall, at each annual general meeting, appoint an auditor to hold office from the conclusion of that, until the conclusion of the next annual general meeting.

4. **Declaration of dividends**
The Board had declared a final dividend of 3.5 cents per share from the profits of 31 December 2018 and is sated herein for ratification purposes. The Board had also declared an interim dividend of 7 cents per share out of the six months profit at 30 June 2018. As a result, the total dividends declared from the profits of 2018 amounts to 10.5 cents per share.

Pursuant to article 11.1(a) of the Company's Articles of Association, the directors may declare a dividend, but the amount payable per share shall not exceed any amount stipulated by the Company in general meeting.

# Proxy Form

If you are unable to attend and vote at the meeting and wish to appoint a person to attend the meeting as your proxy, please complete this form. It is important to note that this form must be received by the Company 48 hours before the date and time of the AGM. Proxy forms received later than this will be invalid. A member entitled to attend and vote is entitled to appoint a proxy. A proxy need not be a member of the Company.

The completed proxy form may be:
Mailed to:
The Company Secretary
Free Bird Institute Limited
P.O Box 11065
Nadi Airport
Nadi, Fiji

Or emailed directly to the Company Secretary
on email r.korodrau@fbi.ac.fj

I/We ______________________________

of ______________________________

Being a shareholder of Free Bird Institute Limited hereby appoint ______________________________

of ______________________________

or failing this, the Chairman of the meeting has my/our proxy to vote for me/our behalf at the annual general meeting of the Company to be held on 24 May 2019 and at my adjournment thereof.

As witnessed to my/our hand(s) this ________ day of ________ 2019.

Name of shareholder : ______________________________ Signature of shareholder : ______________________________

Name of witness: ______________________________ Signature of witness: ______________________________

For Companies:

______________________________
Director/Company Secretary

______________________________
Company Seal

**Proxy Form (continued)**

| Resolution | For | Against | Abstain |
|---|---|---|---|
| To adopt the minutes of the last Annual General Meeting held on 25 May 2018 as true and correct record of the meeting. | | | |
| To adopt the Audited financial statements for the year ended 31 December 2018 comprising of the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, Reports of the Directors and Auditors. | | | |
| Re-appointment of Waisale Iowane as a Director of the Company | | | |
| Re-appointment of Mereseini Baleilevuka as a Director of the Company | | | |
| Appointment of KPMG as Auditors for the ensuing year until the conclusion of the next AGM and that the Board fix their remuneration. | | | |
| Ratification of final dividend | | | |
| (Any other business in conformity with the Articles of Association) | | | |

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your vote will not be counted in computing the required majority on a poll. A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked, the proxy may vote as they choose. Where more than one box is marked on an item, the vote will be invalid on that item.

# 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.spse.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.

Regards

**Roqiqi Korodrau**
**Company Secretary**

# Consent Form

To: The Company Secretary
Free Bird Institute Limited
P.O Box 11065
Nadi Airport
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.spse.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


PRINCETON
UNIVERSITY

**Free Bird** Institute Limited

Office 1, First Floor,
Lot 13 Commercial Street, Concave Subdivision,
Namaka, Nadi, Fiji.

www.fbi.ac.fj