2020

Free Bird Institute Limited

Annual Report

Our Markets

France — Czech Republic — Russia — China — South Korea — Japan — Taiwan — PNG

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Significant Events of 2020

On 11 March 2020, the World Health Organisation (WHO) declared the COVID-19 outbreak a pandemic.

From 19 March 2020, Fiji started closing its borders to non-Fiji citizens.

As a result of the border closures, no new students arrived in Fiji from 1 April 2020 through to the end of December.

From 6 April 2020, FBL started its cost saving measures by placing all Management & Executives on a 20% pay cut as a result of the global pandemic.

On 24 April 2020, FBL chartered an A320 aircraft with Fiji Airways to repatriate most of the Japanese students along with other foreign nationals.

From 1 June 2020, because of the on-going uncertainty brought about by the pandemic, FBL entered its second phase of cost saving measures by reducing its entire operating hours from 5 days to 4 days a week. This meant all staff would have their working hours reduced.

From 10 August 2020. FBL entered phase 3 of its cost cutting measures by further reducing its operational working hours from 4 days to 2 days for the administration & English language offices whilst other departments continued to operate for 4-5 days albeit at reducing rates.

On 25 August 2020, FBL received an approval from the COVID-19 Risk Mitigation Taskforce (CRMT) to allow international students from Japan to return to Fiji.

On 27 December 2020, FBL chartered an A320 aircraft with Air NZ from Auckland to Nadi to bring the international students to Fiji. The charter flight coincided with Air NZ's commercial flight from Narita to Auckland therefore providing the needed connectivity to Fiji.

"The decisions being made throughout the year were carefully taken in line with the existing circumstances at that time."

Our COVID-19 Response

Crisis	Impact	Response
Lockdown of Lautoka on 12 March 2020 & closure of international borders	Students that were to return to Japan during this lockdown period were unable to leave Lautoka.	FBL Chartered an Airbus A330 from Nadi to Narita to repatriate all the students that had missed their flights as a result of the lockdown and closure of borders.
Restriction of entries into Fiji for foreigners	Students that were scheduled to arrive in Fiji from April onwards were unable to travel to Fiji as a result of this. As a result, student numbers were low.	• FBL communicated with all stakeholders and students to advise them of the evolving COVID-19 situation in Fiji and proposed for a deferral of their study period in Fiji. • As a result of the low student numbers, FBL had to relook at its manpower and adjust accordingly. • Pay cuts were implemented at the upper level of the Company - Board (30-50%), Executives (20%), & Management (5-10%).
Extension of border closures and cancellation of all international flights in June	Further impact to all students scheduled to arrive in June onwards. Students that remained in Fiji started to return to Japan through NZ bringing the number of our English language school students down to less than 20.	• FBL started discussions on ways in which we would see our students returning to Fiji and started engaging the relevant government authorities. • Reduction in operating hours from 5 days to 4 days resulting in a 20% pay cut company wide. • Request for reduction in rent from landlords as a result of COVID-19 and the response was well received. • We closed our Namaka campus and only operated from our Lautoka campus.
Extension of border closures to December	Difficulty to continue selling Fiji as a destination to study abroad as a result of the pandemic and the uncertainties that surrounded that.	• Received approval from CRMT to bring students to Fiji in August. • Further reduction to operating hours from 4 days to 2 days with the exception of some departments working 4-5 days (although at reduced rates).
Further cancellations of Fiji Airways flights till December.	With the approval received from CRMT, we were not able to get the students to Fiji as Fiji Airways extended their cancelation of international flights through till December.	We started discussions with Air NZ to charter an A320 aircraft that would bring our students to Fiji through Auckland on 27 December 2020.
Implementation of health and protective measures.	• With the new normal, the CRMT and the Ministry of Health had strict requirements and protocols that needed to be followed for the safety of everyone including the requirement for a 14-day self-quarantine at a government mandated facility; and • This made studying abroad more costly on top of the expensive airfares available during the pandemic. The cost factor made it difficult to sell Fiji as a destination to study abroad at this stage.	• Our teams emphasised on Fiji's "COVID-contained" status for advertising and negotiated for reasonable return airfares for our students given that they were coming in a large group; • We also obtained reasonable quotes from Nalagi Hotel who was able to quarantine all our students upon arrival; • Information was disseminated to our teams and everyone briefed on requirements of the CRMT and Ministry of Health. We engaged approved tour companies like Pacific Destinations to transport our students in a COVID-safe manner to Nalagi hotel upon arrival; and • Information was also shared with our teams in Japan who communicated the same requirement and expectation in Fiji upon their arrival.

> Difficulty to continue selling Fiji as a destination to study abroad as a result of the pandemic and the uncertainties that surrounded that.

Financial Highlights

	2020	2019	2018	2017	2016
Total revenue (including finance income)	5,134,551	6,126,899	6,372,685	6,323,178	5,360,215
Net profit before tax	792,158	719,591	913,428	1,185,288	1,026,485
Net profiit before tax % margin	15%	12%	14%	19%	19%
Cash and cash equivalent as a % of total assets	22%	22%	32%	48%	43%
Cash and cash equivalent as a % of total liabilities	76%	64%	145%	179%	121%
Working capital ratio	4.43	3.58	4.66	4.49	3.10
Net asset per share	2.77	2.42	2.21	1.89	1.48
Debt to equity ratio	0.42	0.51	0.28	0.36	0.55
Earnings per share (cents)	35.52	31.95	40.19	52.89	41.22
Closing share price as at 31 December	3.20	3.00	3.05	2.55	N/A
Current assets	4,764,097	4,112,975	3,604,271	3,047,053	2,473,649
Non current assets	3,106,214	3,213,277	2,056,517	2,112,930	2,134,627
Total assets	7,870,311	7,326,252	5,660,788	5,159,983	4,608,276
Current liabilities	1,076,050	1,148,390	773,341	679,302	797,686
Non-current liabilities	1,244,473	1,338,461	477,101	694,099	841,835
Total liabilities	2,320,523	2,486,851	1,250,442	1,373,401	1,639,521
Shareholders' equity	5,549,788	4,839,401	4,410,346	3,786,582	2,968,755

Significant decline in total revenue (including finance income) by 16%.

Cost savings of 19% as a result of the implementation of the Management's strategic response to the pandemic.

Increase in profit after tax & earnings per share by 11% from prior year.

Increase in cash & cash equivalent by 11% in comparison to previous year.

Highest share price: $3.20

Lowest share price: $2.92

Closing Share price as at 31 December 2020: $3.20

Executive Chairman's Report

Dear Shareholder,

I am pleased to present to you our Annual Report for the 2020 financial year. As I write this report to you, I reflect on what a year 2020 has been for our nation, our people and the business community at large.

It has been without a doubt one of the most difficult years for our business and our people as we struggled to understand the pandemic and forecast the extent of the consequences it would bring with it. Riddled with so much uncertainty, it challenged the business models of most businesses globally where leaders were forced to make swift but tough decisions in a rapidly changing business environment.

The COVID-19 pandemic threw a curve ball and completely placed the world at its feet. With international borders shut and several health protective measures put in place by numerous governments globally, the business world as we once knew it came to a complete halt. Disruptions in business and the supply chain were inevitable. Economies grappled with the rapid increase in unemployment, the financial and social pressures that families were now faced with and the mental health well-being of its people. It surely has been a series of highs and lows for our business.

Our Performance

Our financial performance in 2020 clearly demonstrates the impact the pandemic has had on our business. Our service fee revenue decreased by 43% in comparison to the previous year as a direct result of the border closures put in place by various governments from March in a bid to control the spread of COVID-19. This meant that the arrival of all new students came to a complete stop from April onwards. Total revenue on the other hand decreased by 17% which was inclusive of the charter flight income.

Our Executive Management team, in consultation with the Board was tasked with some of the most difficult decisions in the Company's history in the bid to protect the business from the full brunt of the pandemic. The approach taken was to ensure that all avenues were exhausted prior to any decision being made considering the impact this would have on the business, our people and their respective families.

We progressively took the following measures in 2020 to ensure that we came out of the financial year unscathed to enable sustainability in our operations and business:

Phase 1: From 6 April 2020, Board members agreed to take a 30% and 50% reduction in allowance for resident and non-resident directors respectively. The Executive management team agreed to a 20% reduction in salary whilst Management teams agreed to a salary reduction between 5%-10%;

Phase 2: From 1 June 2020, we reduced our operating days from 5 to 4 days a week except for our high school department who continued to work 5 days albeit at a reduced rate. This equated to a 20% reduction in hours across the board for all employees; and

Phase 3: From 10 August 2020, we further reduced our operating days from 4 days to 2 days for our back office and English language schools whilst our Japanese language school & high school departments continued for 4 and 5 days respectively. This resulted in a 40-60% reduction in hours for employees across the entire company.

The decisions being made throughout the year were carefully taken in line with the existing circumstances at that time. With so much uncertainty looming over international borders, we realised that they weren't going to open up anytime soon. These decisions did not come easy for our Management teams and as they were being made, however, we have been so grateful for the understanding of our employees who showcased a great deal of compassion not only with us but with each other.

The outcome of the measures taken saw an overall reduction in our expenses by 20%, none of which would be possible without the on-going support and understanding of our employees and stakeholders. This facilitated the increase of 31% in our net profit before tax margin from 12% in 2019 to 15% in 2020.

Return to shareholders

Our shareholders remain one of our key stakeholders in our business ensuring that we give you the best competitive returns for your investment. We understand that you are also greatly affected from this pandemic and we can assure you that we are taking every effort to ensure the sustainability of your business in the long term. Given the uncertainty and challenges that 2020 had presented us with, we have been unable to provide you any return during the year, a decision the Board had not taken very lightly. Despite the business chartering a flight in December, the number of students that we currently have is only up to 30% of our normal capacity in the years prior to 2020. We therefore, are treading very carefully into 2021, fully aware of the risks and challenges faced in 2020 and developing strategies to ensure that we mitigate those risks to be able to not only sustain the business operations but also enable us to provide some form of return again for our shareholders.

Economic Conditions

Fiji has achieved a "COVID-contained" status in October 2020 and is reflective of the success in the various health and safety measures that the Government has put in place during the pandemic.

This has not come without a cost as the Government have and will continue to face challenges in keeping the economy afloat as its revenue levels continue to decline. It announced tax reforms and massive tax reductions in its 2020-2021 National Budget targeted to stimulating businesses and consumption activity.

Governments around the world have implemented various health and safety measures to reduce the spread of COVID-19 in the local communities. With the re-opening of borders and international travel still looming with uncertainty, many economies have amped their promotion in their domestic markets with many encouraging buying locally and spending locally in the economy. The Fiji Government implemented various strategies to cushion the impact of unemployment one of which is through the Fiji National Provident Fund (FNPF) to allow affected members access to their own funds during this difficult time.

The Australian Department of Foreign Affairs & Trade (DFAT) stated in an October 2020 report that like most countries, Fiji's health systems remain vulnerable to an outbreak with existing challenges particularly with Non-Communicable Diseases (NCD's), would result in complex cases due to comorbidities.

With the COVID-19 vaccination rollouts commencing globally, we can expect this to also be the same in Fiji in 2021. The Fiji government has indicated that it would obtain the World Health Organisation (WHO) certified vaccine

Economies grappled with the rapid increase in unemployment, the financial and social pressures that families were now faced with and the mental health well-being of its people. It surely has been a series of highs and lows for our business.

that would be suitable for storage in the Fiji environment. They have also indicated that it would be calling for a vaccine passport that would serve as an essential travel document in the bid to restart global tourism.

Whether the introduction of a vaccine passport would remove the need for the 14-day mandatory quarantine is something that remains uncertain. Economic recovery will be slow and challenging as the government will explore ways to continue to support businesses and those that are unemployed, a crucial strategy for immediate and long-term recovery.

Future Outlook

This pandemic has brought about many hurdles for the business world including ours. It challenges Executives to continuously assess and make critical decisions as we go along, some of which have been unprecedented. It forces businesses to re-think about its business models and assess how they would need to change to adapt to the new normal.

This has been evident for us where international travel and border closures continue to be a roadblock for our business. We obtained the approval from the government in August to allow international students back into Fiji, however, this does not mean that we are able to resume operations as usual.

Whilst we have changed our business models to arrange for charter flights for our students, the cost of such arrangements does not come cheap. The decision to either pass on the cost to the student or absorb the costs continues to be a double-edged sword.

Similarly, the 14-day mandatory self-quarantine requirement, whilst important and necessary to keep Fijian's safe, unfortunately creates a barrier to businesses such as ours. Theses added costs of travel and quarantine make studying abroad a lesser desirable option for the study abroad market. However, we are hoping that with Fiji's continuous proven track record of being "COVID-contained" we would be able to generate interest from students who are willing to pay these extra costs to study abroad.

We will continuously work with the various regulatory bodies such as the Fiji Immigration Department to ensure that the processes that are put in place for our students do not result in more barriers for potential students who wish to come and study in Fiji.

Over the years we have understood the need to mitigate our market concentration risk by expanding our market concentration beyond Japan, however, this pandemic has proven that even in doing so, a simple closure of international borders throws all of that away. We have now understood that we need to look at the bigger picture, one in which we segregate the two distinct market as the international and local markets.

Hence, we have set-up our new Udon noodle restaurant business in February this year to capture some of the local market. Whilst the operation is relatively small given the size and nature of our business, we believe that this is the first step in the right direction. We will endeavour to explore more ways in which we are able to source more revenue locally to enable us to sustain the business and keep our people employed.

The pandemic has taught us a lot of lessons and surely placed businesses' crisis management plans to a test. However, in the midst of the pandemic, it has been quite encouraging to see the humanity showcased in our communities and in our people through the various forms of assistance offered, a true reflection of the Fijian spirit!

We hope that 2021 will bring us more triumphs, we will learn from the lessons this pandemic has taught us and continue to provide support to our people and their families in the best way that we possibly can.

Hiroshi Taniguchi
Chairman

"In the midst of the pandemic, it has been quite encouraging to see the humanity showcased in our communities and in our people through the various forms of assistance offered, a true reflection of the Fijian spirit!"

Board of Directors

1 Adi Litia Qionibaravi

Non-Executive Independent Director

Hon. Adi Litia brings a wealth of knowledge and experience to the board having a diverse professional background in Accounting and Law. She has held key positions in the past including serving as the Chief Executive of the Fijian Affairs Board. She led the strategic transformational changes that enabled the organisation to be more forward looking and dynamic. Her invaluable network reinforces the board's relationships with key stakeholders that ensures processes involved with the expansion & growth plans of the business are adequately addressed with the highest level of integrity.

She holds an Masters in Business Administration & Law, a Bachelor of Law (LLB) degree from Bond University at the Gold Coast, Australia and a Bachelor of Arts degree in Accounting from the University of the South Pacific.

Appointment date: 14 July 2016 **Age:** 67

2 Yoshinobu Higashi Non-Executive Non-Independent Director

Yoshinobu is a lawyer by profession with over 35 years of experience working in the Japanese cabinet holding various key leadership roles including diplomatic postings such as Japan's Ambassador to Romania from 2008 to 2009. His international relations and diplomacy network is vital in strategic alliances with stakeholders in the international market, a key in our relationship management initiatives.

He holds a Bachelor of Laws degree from the University of Tokyo and also serves as a director with the parent company, South Pacific Free Bird Co Ltd in Japan.

Appointment date: 25 March 2014 **Age:** 73

3 Mereseini Baleilevuka Executive Director

Mereseini is a teacher by profession and a serial entrepreneur with over 20 years of teaching experience in Fiji. She also holds the position of Chief Operating Officer at the Company. Her vast experience in the education sector gives her the ability to strategically design the appropriate curriculum to suit the students. Her familiarity with the business for over 10 years gives her the profound knowledge and skills to conceptualise growth and effectively communicate with key stakeholders of the business.

She holds a Bachelor of Arts degree in Education and English literature from the University of the South Pacific.

Appointment date: 12 August 2010 **Age:** 58

4 Hiroshi Taniguchi Executive Chairman

Hiroshi is an avid businessman who is also the founder of the Company. In addition to this, he also holds the position of Chief Executive Officer. His rapid growth mind-set and processual strategic approach has given him the ability to identify new business opportunities that has enabled the Company to diversify and expand its operations over the years. With an extensive experience in the Asian market, he is able to recognise the demands of the market and effectively allocate the appropriate resources and skills where necessary in the Company.

He also holds the position of Executive Chairman for the parent company, South Pacific Free Bird Co Ltd in Japan, an adviser of Scala Partners Ltd in Japan & Myanmar and a committee member of several Charitable Trusts in Japan.

Appointment date: 12 August 2010 **Age:** 49

5 Yoko Ishimoda Nameki Non-Executive Independent Director

Yoko has over 15 years of extensive experience in sales in the educational tourism sector both in the USA and Japan. This is demonstrated in the key roles she held in the past as a Director of the Japanese department for the SISA English language school in California and as the General Manager sales of the High School department for the parent company South Pacific Free Bird Co Ltd. Her understanding of the market and customer needs has led to the Company's successful market penetration and continuous development of the high school market in Japan over the years.

She holds a Bachelor of Business Management degree from Fort Hays State University in Kansas, USA.

Appointment date: 12 April 2017 **Age:** 38

6 Waisale Iowane (MAICD, Aust) Executive Director

Waisale is a finance professional with over 10 years of experience including over 4 years in professional service firms. His contribution in the business as Chief Financial Officer is key in driving innovation and learning as well as supporting growth and expansion plans of the business. His transformational leadership ability facilitates the necessary adaptive changes and value creation that are eminent in today's rapidly changing business environment. He holds a Bachelor of Commerce degree in Accounting & Banking from the University of the South Pacific and is a member of the Australian Institute of Company Directors.

He is also an associate member of CPA Australia, a provisional member of the Fiji Institute of Accountants and an alumnus of Leadership Fiji as well as serving as a Western Committee member of the Fiji Institute of Accountants.

Appointment date: 1 November 2015 **Age:** 32

7 Latileta Qoro Non-Executive Non-Independent Director

Latileta is a corporate finance and human capital management specialist with over 13 years of professional experience. Her professional expertise is in the areas of corporate finance, strategic planning, corporate governance, policy development and human capital management. She is currently the General Manager – Group Governance and HR at Vinod Patel and has over the years held key positions at the Reserve Bank of Fiji and the South Pacific Stock Exchange.

She holds a Master of Commerce degree in Accounting and a Bachelor of Economics degree from the University of Sydney, Australia.

Appointment date: 1 April 2017 **Age:** 38

8 Roqiqi Korodrau Company Secretary

Roqiqi is an accountant by profession has over 8 years of progressive experience in finance having worked in the professional services firm, Ernst & Young as well as working as the Finance Manager in the hospitality industry in the Cook Islands. His apt mindset and thorough understanding of the relevant laws, rules and regulations is evident in his ability to carry out the services of company secretary during the year.

He holds a Bachelor of Commerce Degree in Accounting & Information System from the University of the South Pacific and holds the position of Finance Manager in the Company.

Appointment date: 1 January 2018 **Age:** 29

Corporate Governance Statement

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

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

2. Constitute an effective Board	**Nomination Committee:** Selection, approval, renewal, and succession of Directors to be conducted by Nomination Committee in accordance with Articles of Association of the Company and Fit and Proper Policy of Reserve Bank.	While FBL does not have a Nomination Committee, all appointments and election of directors are confirmed at the Annual General Meeting done each year.
	Board Evaluation: Process of evaluation of performance of the Board, its Committees and individual directors. Evaluation to be linked to key performance indicators of the listed entity.	Whilst the Board charter includes a brief guide into the evaluation of its members including the Company Secretary, the Board is looking to implement a more detailed policy to provide specific guidelines to the evaluation of the Board and its members. The Board looks at implementing this policy in 2022.
	Directors Training: Directors' training and induction procedure to be in place to allow new directors to participate fully and effectively.	Inclusive in its Board Charter, new Board members shall participate in an induction program that is tailored to effectively orient the member of the Company's business, strategy, objective, policies, procedures, operations, senior management, and the business environment. The Company supports on-going training for its Directors and as such invites Directors to the various trainings provided externally where necessary. The Company also ensure that the Directors have the suitable mix of skills, experience, and expertise to carry out its roles and responsibilities.
	Board Sub-committees: Board must have sub-committees which must at a minimum include - ✓ Audit Committee; ✓ Risk Management Committee; and ✓ Nomination Committee/ Recruitment Committee.	The Board was unable to form a subcommittee in 2020 as previously indicated in our last report given the tasks that were more imminent during the pandemic. However, we are now anticipating implementing two sub-committees in 2022 which will comprise of the Audit & Risk Committee and the Nominations & Recruitment Committees. The Board Charter also recommends that these committees be chaired by a Non-Executive Director. At present, in the absence of these committees, all decisions pertaining to audit, risk, nomination, and or recruitments are made by the main Board.
3. Appointment of Chief Executive Officer/Managing Director	**CEO**: To appoint a suitably qualified and competent Chief Executive Officer/ Managing Director	The CEO is appointed by the Board and the remuneration of the CEO is decided and approved by the Board. The CEO is responsible for the day-to-day management of the Company with all powers, discretions and delegations authorised, from time to time, by the Board.
4. Appointment of a Board and Company Secretary	**Company Secretary:** Board to appoint a suitably qualified and competent Company Secretary, who is accountable to the Board, through Chair, for all compliance and governance issues.	The Company secretary is the administrative link between the Board and Management and is responsible for ensuring compliance to company activities and is accountable directly to the Board through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary also monitors statutory and administrative requirements for the Board to ensure the accuracy and timeliness of reporting under these requirements. The Board has appointed a qualified and suitable candidate to the role of Company Secretary.

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

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

9. Accountability and audit	**Internal Audit:** To appoint an internal auditor or an alternative mechanism to achieve the objectives of risk management, control and governance.	The Board and Management have put in place controls to ensure that risks are minimal. In doing so, the Board also expects Management to provide timely and relevant financial reports monthly which allows the Board to independently verify and identify any indication of risks in its reports. This also allows for effective decisions to be made on a timely manner.
	External Audit: To appoint an external auditor who reports directly to the Board Audit Committee.	FBL is audited annually by an external auditor who reports directly to the members and board of FBL. The Auditors are appointed by the shareholders at an AGM. The external auditors are required to be independent and must make a declaration as such in accordance with Section 395 of the Fiji Companies Act 2015. This declaration forms part of the Audited Financial Reports issued by FBL.
	Rotation of External Auditor: To appoint the external auditor for a fixed term requiring senior partner of the audit firm to rotate once in every three or less financial years.	The Board supports the notion to rotate the Senior partner of the audit periodically. FBL relies on the independent procedures and declarations by the external auditors to ensure that they remain independent throughout the course of the engagement.
	Audit Committee: To establish an Audit Committee comprising of at least 3 members of which majority are independent and Chair is not Chair of the Board.	The Board is intending to form an Audit & Risk Committee in 2022 which will be Chaired by a Non-Executive Director as recommended by the Board Charter. At present, the external auditors present their report to the Board and highlight any material issues that needs to be addressed, All decisions are made by the Board in relation to the recommendations by the auditors and this is delegated to Management to ensuring that these recommendations are implemented.
10. Risk Management	**Risk Management Policy:** To establish a Risk Management Policy to address risk oversight, risk management and internal control. The Policy to clearly define the roles and responsibilities of the Board, Audit committee, management and internal audit function.	The Board is currently drafting a Risk Management Framework Policy that will provide guidance and oversight to the identification, management, and mitigation of such risks. This will be drafted by the proposed Audit & Risk Committee and hopes to have this implemented in 2022. As a result of the pandemic, the Risk Management Policy will now have to factor in the challenges and lessons learnt from the pandemic in order to minimise risk.
	Whistle Blower Policy: As part of risk management strategy, establish a Whistle Blower Policy by creating a mechanism of reporting concerns of unethical behavior, actual or suspected fraud or violation of the listed entity's code of conduct or ethics policy, SPX Rules or Companies Act. [Refer Rule 68 of the Listing Rules]	The Company has a Whistle Blower Policy in place as it prides itself on having a strong values culture that encourages openness, integrity, and accountability. The Board is committed to fostering a culture that allows whistleblowers to freely and without the fear of detriment, raise concerns regarding situations that they observe that concerns them.

FREE BIRD INSTITUTE LIMITED

Financial Statements

For the year ended 31 December 2020

Directors' Report

For the year ended 31 December 2020

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 2020 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

Directors

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

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

State of affairs

In the opinion of the directors, the accompanying statement of financial position gives a true and fair view of the state of affairs of the Company as at 31 December 2020 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 $81,771 (2019: $80,536) for the year amounted to $710,387 (2019: $639,055).

Dividends

There were no dividends declared and paid during the year (2019: $210,000).

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.

Directors' Report (continued)

For the year ended 31 December 2020

Related party transactions

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

Going concern

The directors continue to have a reasonable expectation that the Company has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate. The outbreak of the COVID-19 pandemic and the measures adopted to help mitigate its spread by the government of Fiji and the governments of countries that the Company provides service to, have impacted the Company, particularly the closure of international borders from March 2020. These measures resulted in a decline in student numbers enrolled in language learning programs during the year which is the Company's core revenue. This had negatively impacted the Company's financial performance during the year.

For the year ended 31 December 2020, the Company recognised a net profit of $710,387 (2019: $639,055). The increase in profits were driven by significant cost reduction strategies implemented during the year which included large pay-cuts and reduced working hours. The Company's net current assets as at 31 December 2020 was $3,688,047. The Company has $3,524,594 of liquid assets comprising cash and cash equivalents and term deposits available at the date of authorisation of these financial statements.

There is still uncertainty over how the future development of the outbreak and roll-out of the vaccinations will impact the Company's business and demand for its services in the next 12 months. The appropriateness of the going concern basis of accounting is dependent on the continued enrolment of international students which is dependent on international travel to re-commence and/or approval from respective authorities for special charter flights for students.

Also, to respond to a severe downside scenario, management has the ability to take the following mitigating actions to reduce costs, optimise the Company's cash flow and preserve liquidity:

- reducing non-essential capital expenditure and deferring or cancelling discretionary spend;
- reducing staff working hours and freezing non-essential recruitment; and
- chartering flights to bring international students into the country.

The Company, has also received a written undertaking from its parent entity, South Pacific Free Bird Company Limited, that it undertakes to provide financial and operational support as and when necessary for a period not less than 12 months from the date of signing of the financial statements to enable the Company if required to continue to operate and to meet its debt as and when they fall due and to meet any debt or liability incurred during the period of financial support.

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

Events subsequent to balance date

Subsequent to year end, the Company opened a restaurant business. The restaurant is located in the RSL building at 23 Tavewa Avenue in Lautoka and offers the popular Japanese Udon meals. Udon is a thick noodle made from wheat flour used in many Japanese cuisines.

Other than this, 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.

Directors' Report (continued)

For the year ended 31 December 2020

Other circumstances

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

Unusal circumstances

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

Directors' interests

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

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

Dated at Nadi this 24th day of March 2021.

Signed in accordance with a resolution of the Directors.

Director

Director

Statement by Directors

For the year ended 31 December 2020

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 2020;

(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 2020;

(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 2020;

(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 2020;

(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 24th day of March 2021.

Signed in accordance with a resolution of the Directors.

Director

Director

KPMG

Independence Declaration
For the year ended 31 December 2020
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 2020 and up to the date of this report there have been:

i). no contraventions of the Auditor independence requirements as set out in the Companies Act 2015 in relation to the audit; and
ii). no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.
KPMG
24 March, 2021
Nadi, Fiji

Sharvek Naidu, Partner

KPMG

Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Free Bird Institute Limited ("the Company"), which comprise the statement of financial position as at 31 December 2020, 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 34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

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

- Revenue recognition - Service fee
- Revenue recognition - Recruitment services

Revenue recognition – Service fees ($2,867,067)	
Refer to Note 4(g) of the financial statements	
The key audit matter	How the matter was addressed in our audit
Revenue recognition - Service fees is a key audit matter due to: • the significance of Service fees to the financial statements (58% of the total revenue); and	Our procedures included: Controls - design and implementation • Obtaining an understanding of the Company's processes and controls across the different services offered.

KPMG

Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

• the additional audit effort required in assessing in the application of IFRS 15 *Revenue from contracts with customers*. This is due to complexity arising from the various services provided to students and the different rates for each type of service.	Substantive testing – test of details • Evaluating the appropriateness of the Company's revenue recognition policies against the requirements of IFRS 15 *Revenue from contracts with customers*. • We recalculated the service fee revenue charged to the parent company and compared it the actual revenue recorded. The attribute used and the calculation performed are as follows: o The number of students multiplied by the number of days in a month of tuition provided multiplied by the agreed fee per student per day. o The number of homestay nights paid for by the Company to homestay providers during the year multiplied by the agreed fee per student. o The number of dormitory nights occupied during the year multiplied by the agreed fee per student. o The number of students for which visas were applied for multiplied by the agreed fee per student. • The attributes used in the recalculation were also substantively tested. We selected a sample of students billed to parent company during the year and checked: o The students were registered on the student database maintained by the parent company to have been billed for tuition. o The type of accommodation, the student had selected. In addition, we checked evidence the student had arrived in the country for the service to have been rendered for the relevant period. o Visa application for students were made and approved. • We checked service fees billed for the year to the parent company against receipts in the bank statements. • For other agents, we checked a sample of service fees billed for the year to other against the receipts in the bank statements. Disclosures • Assessing the disclosures relating to the service fees against the requirements of the accounting standard and evidence obtained throughout our audit.

KPMG

Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Revenue recognition – Recruitment services ($336,683)	
Refer to Note 4(g) of the financial statements	
The key audit matter	How the matter was addressed in our audit
Revenue recognition - Recruitment services is a key audit matter as it is relatively a new revenue stream and additional audit effort was required in assessing in the application of IFRS 15 *Revenue from contracts with customers*. This is due to complexity arising from the different recruitment services provided and the different rates for each type of service.	Our procedures included: Controls design and implementation • Obtaining an understanding of the Company's processes and controls across the new services offered. Substantive testing – test of details • Evaluating the appropriateness of the Company's revenue recognition policies against the requirements of IFRS 15 *Revenue from contracts with customers.* • We recalculated the recruitment service fee revenue charged to the parent company and compared it the actual revenue recorded. The attribute used and the calculation performed are as follows: o The number of students enrolled as per the student register multiplied by the agreed fee per student multiplied by the number of terms the student has enrolled. o The number of students multiplied by the agreed tuition fee per student multiplied by the number of months of tuition provided divided by the number of months the tuition should be provided. • The attributes used in the recalculation were also substantively tested. We selected a sample of students from the student register and checked that there was a valid contract for the service endorsed by the student and the Company. • We also checked for a sample of recruitment service fees billed to the key customers for the year against receipts in the bank statements. Disclosures • Assessing the disclosures relating to the recruitment services against the requirements of the accounting standard and evidence obtained throughout our audit.

Other Information

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein of this other information, we are required to communicate that fact. We have nothing to report in relation to the directors' report.

KPMG

Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on the Audit of the Financial Statements (continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Independent Auditors' Report

To the Shareholders of Free Bird Institute Limited

Report on Other Legal and Regulatory Requirements

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

In our opinion:

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

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

KPMG.

KPMG
24 March, 2021
Nadi, Fiji

Sharvek Naidu, Partner

FREE BIRD INSTITUTE LIMITED

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

	Note	2020 $	2019 $
Revenue from contracts with customers			
Service fees		2,867,067	5,063,164
Charter flight		1,204,500	-
Recruitment services		336,683	45,972
		4,408,250	5,109,136
Other revenue			
In-house insurance premiums	8	502,671	830,904
Other income	9	65,093	40,828
		4,976,014	5,980,868
Expenses			
In-house insurance claims	10	(31,493)	186,907)
In-house insurance commission expense	11	(203,199)	(338,990)
Direct operating expenses	12	(2,009,091)	(1,578,558)
Depreciation	22 / 23	(193,011)	(180,944)
Personnel expenses	13	(1,443,155)	(2,451,764)
Other expenses	14	(344,411)	451,371)
Profit from operations		751,654	792,334
Finance income	15 (a)	158,537	146,031
Finance cost	15 (b)	(118,033)	(218,774)
Net finance income / (costs)		40,504	(72,743)
Profit before tax		792,158	719,591
Income tax expense	16 (a)	(81,771)	(80,536)
Profit for the year		710,387	639,055
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year		710,387	639,055
Earnings per share			
Basic and diluted earnings per share	29	$ 0.36	$ 0.32

The notes on page 34 to 62 are an integral part of these financial statements.

FREE BIRD INSTITUTE LIMITED

Statement of changes in equity

For the year ended 31 December 2020

	Share capital $	Retained Earnings $	Equity contribution reserve $	Total $
Balance at 1 January 2019	2,000,000	2,155,109	255,237	4,410,346
Total comprehensive income for the year				
Profit for the year	-	639,055	-	639,055
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	639,055	-	639,055
Transactions with owners of the Company				
Contributions and distributions				
Dividend declared and paid - refer Note 28 (d)	-	(210,000)	-	(210,000)
Total transactions with owners of the Company	-	(210,000)	-	(210,000)
Balance at 31 December 2019	**2,000,000**	**2,584,164**	**255,237**	**4,839,401**
At 1 January 2020	2,000,000	2,584,164	255,237	4,839,401
Total comprehensive income for the year				
Profit for the year	-	710,387	-	710,387
Total comprehensive income for the year	-	710,387	-	710,387
Transactions with owners of the Company				
Contributions and distributions				
Dividend declared and paid - refer Note 28 (d)	-	-	-	-
Total transactions with owners of the Company	-	-	-	-
Balance at 31 December 2020	**2,000,000**	**3,294,551**	**255,237**	**5,549,788**

The notes on page 34 to 62 are an integral part of these financial statements.

FREE BIRD INSTITUTE LIMITED

Statement of financial position

As at 31 December 2020

Assets	Note	2020 $	2019 $
Current assets			
Cash and cash equivalents	17	1,760,687	1,588,953
Trade and other receivables	18	1,167,098	675,095
Prepayments	19	38,723	71,734
Term deposits	20	1,763,907	1,740,466
Current tax assets	16 (d)	33,682	36,727
Total current assets		4,764,097	4,112,975
Non-current assets			
Trade and other receivables	18	84,529	84,529
Term deposits	20	50,000	72,889
Equity investments	21	21,500	23,100
Right-of-use assets	22	1,114,422	1,153,708
Property, plant and equipment	23	1,834,172	1,869,719
Deferred tax asset	16 (c)	1,591	9,332
Total non-current assets		3,106,214	3,213,277
Total assets		7,870,311	7,326,252
Liabilities			
Current liabilities			
Trade and other payables	24	346,769	326,887
Payable to related parties	25	58,946	154,868
Interest bearing borrowings	26	289,101	283,479
In-house insurance liabilities	27	311,392	304,882
Lease liabilities	22	54,747	46,751
Employee benefits		15,095	31,523
Total current liabilities		1,076,050	1,148,390
Non-current liabilities			
Lease liabilities	22	1,117,389	1,137,404
Interest bearing borrowings	26	127,084	201,057
Total non-current liabilities		1,244,473	1,338,461
Total liabilities		2,320,523	2,486,851
Shareholders' equity			
Share capital	28 (b)	2,000,000	2,000,000
Retained earnings		3,294,551	2,584,164
Equity contribution reserve	28 (c)	255,237	255,237
Total shareholders' equity		5,549,788	4,839,401
Total shareholders' equity and liabilities		7,870,311	7,326,252

Signed on behalf of the Board

Director

Director

The notes on page 34 to 62 are an integral part of these financial statements.

FREE BIRD INSTITUTE LIMITED

Statement of cash flows

For the year ended 31 December 2020

	Note	2020 $	2019 $
Operating activities			
Receipts from customers		4,133,394	5,176,426
Payment to suppliers and employees		(3,837,485)	(4,441,080)
In-house insurance premiums received		177,598	499,123
In-house insurance claims paid		(31,493)	(98,026)
Interest received		55,815	84,390
Income tax paid	16 (d)	(70,985)	(195,914)
Interest paid	26	(3,730)	(47,100)
Net cash from operating activities		423,114	977,819
Investing activities			
Acquisition of property, plant and equipment	23	(83,112)	(77,810)
Proceeds from sale of property, plant and equipment		-	8,000
Investment in term deposits		-	(530,466)
Investment in shares		-	(13,100)
Net cash used in investing activities		(83,112)	(613,376)
Financing activities			
Dividends paid	28 (d)	-	(210,000)
Repayments of interest bearing borrowings	26	(76,468)	(264,411)
Payment of lease liabilities	22	(93,500)	(132,000)
Net cash used in financing activities		(169,968)	(606,411)
Net increase / (decrease) in cash and cash equivalents		170,034	(241,968)
Effect of movements in exchange rates on cash held		1,700	23,777
Cash and cash equivalents at 1 January		1,588,953	1,807,144
Cash and cash equivalents at 31 December	17	1,760,687	1,588,953

The notes on page 34 to 62 are an integral part of these financial statements.

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

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 24 March 2021.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

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

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

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

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

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

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

Going concern	Note 2(e)
Depreciation rates	Note 4(b)
Recoverability of deferred tax assets	Note 4(o)
Lease term and discount rate	Note 4(p)
Impairment of non-financial assets	Note 4(f)
Impairment of financial assets	Note 4(f)

(e) Going concern

The directors continue to have a reasonable expectation that the Company has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate. The outbreak of the COVID-19 pandemic and the measures adopted to help mitigate its spread by the government of Fiji and the governments of countries that the Company provides service to, have impacted the Company, particularly the closure of international borders from March 2020. These measures resulted in a decline in student numbers enrolled in language learning programs during the year which is the Company's core revenue. This had negatively impacted the Company's financial performance during the year.

For the year ended 31 December 2020, the Company recognised a net profit of $710,387 (2019: $639,055). The increase in profits were driven by significant cost reduction strategies implemented during the year which included large pay-cuts and reduced working hours. The Company's net current assets as at 31 December 2020 was $3,688,047. The Company has $3,524,594 of liquid assets comprising cash and cash equivalents and term deposits available at the date of authorisation of these financial statements.

There is still uncertainty over how the future development of the outbreak and roll-out of the vaccinations will impact the Company's business and demand for its services in the next 12 months. The appropriateness of the going concern basis of accounting is dependent on the continued enrolment of international students which is dependent on international travel to re-commence and/or approval from respective authorities for special charter flights for students.

Also, to respond to a severe downside scenario, management has the ability to take the following mitigating actions to reduce costs, optimise the Company's cash flow and preserve liquidity:

- reducing non-essential capital expenditure and deferring or cancelling discretionary spend;
- reducing staff working hours and freezing non-essential recruitment; and
- chartering flights to bring international students into the country."

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

The Company, has also received a written undertaking from its parent entity, South Pacific Free Bird Company Limited, that it undertakes to provide financial and operational support as and when necessary for a period not less than 12 months from the date of signing of the financial statements to enable the Company if required to continue to operate and to meet its debt as and when they fall due and to meet any debt or liability incurred during the period of financial support.

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

3. Changes in significant accounting policies

(a) IFRS 16 Leases - Amendment

The Company has adopted COVID-19-Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Company is a lessee – i.e. for leases to which the Company applies the practical expedient, the Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Company has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

4. Significant accounting policies

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

(a) Cash and cash equivalents

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

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

(c) Employee benefits

Defined contribution plan

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

Short-term benefits

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

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

4. Significant accounting policies (continued)

(c) Employee benefits (continued)

Annual leave

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

(d) In-house insurance contracts

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

(i) In-house insurance premium revenue

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

(ii) Unearned premium

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

(iii) Commission

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

(iv) In-house insurance claims

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

(e) Financial instruments

(i) Recognition and initial measurement

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

(ii) Classification and subsequent measurement

Financial assets

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

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

4. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

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

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

The classification of financial assets as at 31 December 2020 are as follows:	Classification
Cash and cash equivalents (excluding cash on hand)	Amortised cost
Trade and other receivables	Amortised cost
Term deposits	Amortised cost
Shares in Port Denarau Marina Ltd (PDML)	FVTPL

Financial assets: Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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).

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

4. Significant accounting policies (continued)

(e) Financial instruments

(ii) Classification and subsequent measurement (continued)

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

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

Financial assets: Subsequent measurement and gains and loss

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

Financial liabilities: Classification, subsequent measurement and gains and losses

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

(iii) Derecognition

Financial assets

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

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.

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

4. Significant accounting policies (continued)

(f) Impairment

(i) Non derivative financial assets

Financial instruments and contract assets

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

The Company measures loss allowances at 12-month ECLs for all financial assets as:

- trade receivables comprise of a single customer, being the parent, SPFB. Impairment for amounts receivable from related parties have been considered based on qualitative factors;
- cash at bank balances and term deposits for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition;
- immigration and other bonds comprise of receivables from the Department on immigration and other parties that have been determined to have a low credit risk at the reporting date; and
- other receivables comprise of receivables for payments made on behalf of SPFB. Impairment for amounts receivable from related parties have been considered based on qualitative factors."

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

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

12-month ECL's are the portion of ECL's that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECL's is the maximum contractual period over which the Company is exposed to credit risk.

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

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

Measurement of ECLs

ECL's are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECL's are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

4. Significant accounting policies (continued)

(f) Impairment (continued)

(i) Non derivative financial assets (continued)

Financial instruments and contract assets (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non financial assets

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

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

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

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

(g) Revenue

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

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

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

4. Significant accounting policies (continued)

(g) Revenue (continued)

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 payable in advance of the service being provided and are included as contract liabilities in trade and other payables. Revenue is recognised over time as the services are provided to the student on the time elapsed.

Recruitment services

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

Charter flight revenue

The Company obtained approval from Fiji Govenrment to charter flights in order to bring in and send back students from and to Japan respectively. The Company provides the services of chartering flights from Japan to Fiji and back to students who are interested in traveling to Fiji to utilise the language tuition and related services. Invoices to SPFB are issued once services are provided. Revenue is recognised over time as the services are provided to the student on the time elapsed.

In-house money exchange

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

(h) Share capital

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

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

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

(j) Loans and borrowings

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

(k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation taking into account the risks specific to the liability, its carrying amount is the present value of those cash flows.

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

4. Significant accounting policies (continued)

(l) Finance income and finance cost

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

(m) Foreign currency transactions

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

(n) Dividend distribution

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

(o) Income tax

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

(i) Current tax

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

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

(ii) Deferred tax

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

4. Significant accounting policies (continued)

(p) Leases

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

i. As a lessee under IFRS 16

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

4. Significant accounting policies (continued)

(p) Leases (continued)

COVID-19-related rent concessions

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

ii. As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. As at 1 January 2020, the company did not have any leases for which it acts as an lessor.

(q) Comparative figures

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

5. Standards issued but not yet effective

A number of new standards and amendments to the standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted, however the Company has not early adopted the following new or amended standards in preparing these financial statements.

IFRS 17 Insurance Contracts

IFRS 17 introduces a new measurement model for insurance contracts called the general measurement model. This model is based on a fulfilment objective and uses current assumptions. It introduces a single revenue recognition principle to reflect services provided and is modified for certain contracts. The standard is effective for annual periods beginning on or after 1 January 2023.

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

6. Risk management

(a) Insurance risk

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

The Company's in-house insurance business is concentrated to the Japanese students who undertake Language learning programs with the Company. The Company does not reinsure, however, has set aside $1,000,000 (2019: $1,000,000) in term deposits for any unforeseen claims that may be made from the Company's in-house insurance scheme.

(b) Financial risk management

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

(i) Credit risk;
(ii) Liquidity risk; and
(iii) Market risk.

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

6. Risk management (continued)

(b) Financial risk management (continued)

Risk management framework

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

Impairment for amounts receivable from related parties have been considered based on qualitative factors. The Company did not recognise an impairment allowance against amounts receivable from related parties at 31 December 2020 due to the strong financial position of the related parties. The amount of allowance did not change during 2020.

Cash and cash equivalents and term deposits

The Company held cash at bank and short term deposits of $1,759,736 (2019: $1,588,939) and term deposits of $1,813,907 (2019: $1,813,355) . Cash and term deposits are held with banks which are rated AA- and BB- based on Standard & Poors ratings.

Impairment on cash and cash equivalents and term deposits has been measured on the 12 month expected credit loss basis and reflects short term maturities of the exposures. The Company considers that its cash and cash equivalent and term deposits have low credit risk, except for term deposits held with locally incorporated financial institutions.

The Company did not recognise impairment allowance as at 31 December 2020 as the Company does not consider the impairment allowance to be material.

(ii) Liquidity risk

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

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

Exposure to liquidity risk

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

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

6. Risk management (continued)

(b) Financial risk management (continued)

(ii) *Liquidity risk (continued)*

Exposure to liquidity risk (continued)

		Contractual cash flows			
31 December 2020	Carrying amount $	Total $	Up to 1 year $	1-2 years $	More than 2 years $
Trade and other payables *	244,205	244,205	244,205	-	-
Payable to related parties	58,946	58,946	58,946	-	-
Interest bearing borrowings	416,185	440,338	310,827	129,511	-
	719,336	743,489	613,978	129,511	-
* excludes contract liabilities					
31 December 2019					
Trade and other payables *	229,418	229,418	229,418	-	-
Payable to related parties	154,868	154,868	154,868	-	-
Interest bearing borrowings	484,536	549,103	336,704	212,399	-
	868,822	933,389	720,990	212,399	-

* excludes contract liabilities

(iii) Market risk

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

Interest rate risk

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

Exposure to interest rate risk

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

Fixed rate instruments	2020 $	2019 $
Financial assets		
Term deposits	1,813,907	1,813,355
Cash and cash equivalents - short term deposits	1,095,558	577,292
Financial liabilities		
Interest bearing borrowings	(416,185)	(484,536)
Lease liability	(1,172,136)	(1,184,155)

Cash at bank is non-interest bearing.

Fair value sensitivity analysis for fixed rate instruments

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

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

6. Risk management (continued)

(b) Financial risk management (continued)

(iii) *Market risk* (continued)

Currency risk (continued)

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:

	2020 Yen	2019 Yen
Financial assets		
Trade receivables	26,986,334	11,029,817
Financial liabilities		
Interest bearing borrowings	22,274,006	25,527,362

The above amounts are in Yen as at 31 December.

The following significant exchange rates have been applied:

	Year end spot rates	
	2020	2019
JPY	50.58	50.70

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 2020				
Financial assets	(53,354)	53,354	(48,018)	48,018
Financial liabilities	44,037	(44,037)	39,633	(39,633)
31 December 2019				
Financial assets	(21,755)	21,755	(19,777)	19,777
Financial liabilities	50,350	(50,350)	41,958	(41,958)

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

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

7. Operating segments

(a) Basis for segmentation

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

The following summary describes the operations of each reportable segment.

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

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

(b) Informational about reportable segments

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

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

2020	Reportable segments				
	Service fees $	In-house insurance $	Recruitment services $	Charter Flight $	Total $
External revenue	2,867,067	502,671	336,683	1,204,500	4,910,921
Other income	65,093	-	-	-	65,093
Finance income	50,774	107,763	-	-	158,537
Finance cost	(118,033)	-	-	-	(118,033)
Depreciation expense	(193,011)	-	-	-	(193,011)
Direct, personnel and other expenses	(2,594,810)	(234,692)	(84,319)	(1,117,528)	(4,031,349)
Segment profit before tax	77,080	375,742	252,364	86,972	792,158
Segment assets	6,342,981	1,165,281	275,077	86,972	7,870,311
Segment liabilities	2,009,131	311,392	-	-	2,320,523

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

7. Operating segments (continued)

(b) Information about reportable segments (continued)

2019	Service fees $	In-house insurance $	Recruitment services $	Charter Flight $	Total $
External revenue	5,063,164	830,904	45,972	-	5,940,040
Other income	40,828	-	-	-	40,828
Finance income	53,249	92,782	-	-	146,031
Finance cost	(218,774)	-	-	-	(218,774)
Depreciation expense	(180,944)	-	-	-	(180,944)
Direct, personnel and other expenses	(4,481,693)	(525,897)	-	-	(5,007,590)
Segment profit before tax	275,830	397,789	45,972	-	719,591
Segment assets	6,237,420	1,038,723	50,109	-	7,326,252
Segment liabilities	2,181,969	304,882	-	-	2,486,851

(c) Major Customer

Service fees from South Pacific Free Bird Company Limited represents $2,804,530 and 56% (2019: $4,761,062 and 80%) of the Company's total revenues.

8. In-house insurance premium

	Note	2020 $	2019 $
Gross written insurance premium		629,795	893,173
Premiums refunded during the year and third party taxes		(31,733)	(59,161)
Unearned premium movement		(95,391)	(3,108)
		502,671	830,904

9. Other income

	Note	2020 $	2019 $
Gain on modification of financial liabilities	26	25,093	-
Gain on sale of asset		-	7,339
Miscellaneous		1,000	12,108
Rental Concession due to COVID-19 *	22	39,000	-
Rental Income		-	11,156
Revaluation of investment		-	10,225
		65,093	40,828

* This relates to rental concession received from various landlords as a result of COVID-19. Refer to Note 3(a) for further details.

10. In-house insurance claims

	2020 $	2019 $
Gross in house insurance claims incurred	31,493	186,907
	31,493	186,907

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

11. In-house insurance commission expense

	2020 $	2019 $
Commission expense	182,789	332,651
Add / less prepaid commission expense movement	20,410	6,339
	203,199	338,990

12. Direct operating expenses

	2020 $	2019 $
Accommodation cost and supplies	6,461	7,892
Charter flight expenses	1,117,528	-
Classroom supplies	30,909	59,085
Electricity and water	49,920	73,744
Home stay fees	720,713	1,243,530
Immigration and government fees	83,560	194,307
	2,009,091	1,578,558

13. Personnel expenses

	2020 $	2019 $
Wages and salaries	1,116,143	1,808,333
Key management compensation - short term benefits	253,999	462,149
Key management come nsat- contribution to Fiji National Provident Fund	15,715	46,215
Contributions to Fiji National Provident Fund	39,632	105,842
Fiji National University Levy	10,761	15,023
Other staff costs	6,905	14,202
	1,443,155	2,451,764

14. Other expenses

	2020 $	2019 $
Accounting fees	6,377	29,451
Audit fees	22,000	22,000
Advertising & marketing	41,088	25,201
Bank charges	4,193	6,376
Directors' fees	16,800	24,000
Education and training	1,698	6,440
Freight, postage and courier	3,548	2,287
Insurance	5,386	5,136
License and rates	46,051	42,843
Meals and entertainment	1,132	4,897
Motor vehicle expenses	13,174	15,344
Office expenses	30,099	38,156
Other expense	7,113	5,581
Printing & Stationery	19,623	39,355
Professional fees	-	11,796
Repair and maintenance	18,176	26,748
Stamp duty	150	-
Subscriptions	13,828	13,169
Telephone and internet	53,179	61,298
Travel & Accommodation	40,796	71,293
	344,411	451,371

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

15. Finance income and finance cost

(a) Finance income

	Note	2020 $	2019 $
Interest income		107,763	92,782
Realised foreign exchange gain - in house exchange		21,209	53,249
Realised foreign exchange gain - others		4,604	-
Unrealised foreign exchange gain		24,961	-
		158,537	146,031

(b) Finance cost

	Note	2020 $	2019 $
Interest expense on borrowings		32,567	47,100
Interest expense on Lease liabilities	22	85,466	88,574
Unrealised foreign exchange loss		-	63,876
Realised foreign exchange loss		-	19,224
		118,033	218,774

16. Income tax

(a) Income tax expense recognised in the income statement

	2020 $	2019 $
Current tax expense		
Current year	74,030	89,749
Deferred tax expense		
Origination and reversal of temporary differences	7,741	(9,213)
Income tax expense	81,771	80,536

(b) Reconciliation of effective tax rate

	2020 $	2019 $
Operating profit before income tax	792,158	719,591
Prima facie income tax expense on profit before tax at 10% (2019:10%)	79,216	71,959
Tax effect of permanent differences	2,555	8,577
Income tax expense	81,771	80,536

(c) Recognised deferred tax asset / (liability)

	2020 $	2019 $
Employee benefits	1,510	3,151
Unrealised Foreign exchange gain	(2,496)	6,388
Right-of-use assets	(111,442)	(115,371)
Lease liability	117,214	118,416
Property plant and equipment	(3,195)	(3,252)
	1,591	9,332

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

16. Income tax (continued)

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

Movement in temporary differences during the year

	1 January 2020 $	Recognised in income statement $	31 December 2020 $
Employee benefits	3,151	(1,641)	1,510
Unrealised Foreign exchange gain	6,388	(8,884)	(2,496)
Right-of-use assets	(115,371)	3,929	(111,442)
Lease liability	118,416	(1,202)	117,214
Property plant and equipment	(3,252)	57	(3,195)
	9,332	(7,741)	1,591

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

(d) Current tax (asset) / payable

	2020 $	2019 $
Opening balance	(36,727)	69,438
Current tax expense	74,030	89,749
Payments made during the year	(70,985)	(195,914)
Closing balance	(33,682)	(36,727)

17. Cash and cash equivalents

Cash on hand	951	14
Cash at bank	664,178	1,011,647
Short term deposits	1,095,558	577,292
Cash and cash equivalents in the Statement of Cash flows	1,760,687	1,588,953

Short term deposits with ANZ Bank amounting to $1,095,558 (2019: $577,292) represents an overnight account and interest rate on this deposit is 0.1% (2019: 0.1%).

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Notes to the financial statements

For the year ended 31 December 2020

18. Trade and other receivables

	Note	2020 $	2019 $
Receivable from South Pacific Free Bird Company Limited - service fee	18	449,665	212,163
Receivable from South Pacific Free Bird Company Limited - in-house insurance premium	10	154,182	5,388
Immigration and other bonds		334,243	346,190
Other receivables - South Pacific Free Bird Company Limited	18	115,647	56,959
Other receivables - Ba Provincial Free Bird Institute High School		57,071	49,501
Other receivables - others		140,819	89,423
		1,251,627	759,624
Classified in the financial statements as follows:			
Current		1,167,098	675,095
Non Current		84,529	84,529
		1,251,627	759,624

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

19. Prepayments

Commission prepaid	27 (iii)	9,828	30,238
Other prepayments		28,895	41,496
		38,723	71,734

20. Term deposits

Current	1,763,907	1,740,466
Non current	50,000	72,889
	1,813,907	1,813,355

Term deposits will mature on 7 June 2021, 17 August 2021, 26 October 2021, 31 December 2021 and 24 December 2023 with interest rates between 1.7% to 5.5% per annum (2019: 25 January 2020, 24 December 2020, 17 August 2021, 7 March 2020, 1 June 2020 and 30 December 2020 with interest rates between 1.7% to 5.75% per annum).

The Company has given the authority to approve and set off term deposits amounting to $30,000 against credit card facility provided by the respective bank.

Term deposits amounting to $72,889 (2019: $72,889) are held as registered security for immigration bonds guaranteed by the respective bank on behalf of the Company.

21. Equity instruments

	2020 $	2019 $
Shares in Port Denarau Marina Ltd (PDML)	21,500	23,100

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

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

22. Leases

	Note	2020 $	2019 $
Rights-of-use assets			
Balance at 1 January		1,153,708	1,227,581
Addition		35,066	-
Depreciation charge for the year		(74,352)	(73,873)
Balance at 31 December		1,114,422	1,153,708
Lease Liabilities			
Maturity analysis – contractual undiscounted cash flows			
Less than one year		138,606	132,000
One to five years		556,624	321,025
More than five years		1,933,206	1,995,518
Total undiscounted lease liabilities at 31 December		2,628,436	2,448,543
Lease liabilities included in the statement of financial position at 31 December:			
Current		54,747	46,751
Non-current		1,117,389	1,137,404
		1,172,136	1,184,155
Amounts recognised in profit or loss			
Depreciation on ROU Assets		74,352	73,873
Interest on lease liabilities		85,466	88,574
Rental Concession due to COVID-19	9	(39,000)	-
		120,818	162,447
Amounts recognised in the statement of cash flows			
Total cash outflow for leases		93,500	132,000

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

23. Property, plant and equipment

	Buildings $	Motor vehicles $	Walkway and Fence $	Office equipment & Furniture $	Total $
Cost					
Balance as at 1 January 2019	2,012,923	107,421	244,949	309,402	2,674,695
Additions	-	64,220	-	13,590	77,810
Disposals	-	(27,163)	-	-	(27,163)
Balance at 31 December 2019	2,012,923	144,478	244,949	322,992	2,725,342
Balance at 1 January 2020	2,012,923	144,478	244,949	322,992	2,725,342
Additions	-	29,679	-	53,433	83,112
Balance at 31 December 2020	2,012,923	174,157	244,949	376,425	2,808,454
Depreciation					
Balance as at 1 January 2019	468,923	73,362	56,246	177,184	775,715
Depreciation charge for the year	50,323	21,070	6,124	29,554	107,071
Disposals	-	(27,163)	-	-	(27,163)
Balance at 31 December 2019	519,246	67,269	62,370	206,738	855,623
	519,246	67,269	62,370	206,738	855,623
Depreciation charge for the year	50,323	29,450	6,124	32,762	118,659
Balance at 31 December 2020	569,569	96,719	68,494	239,500	974,282
Carrying amount					
Balance as at 1 January 2019	1,544,000	34,059	188,703	132,218	1,898,980
Balance at 31 December 2019	1,493,677	77,209	182,579	116,254	1,869,719
Balance at 31 December 2020	1,443,354	77,438	176,455	136,925	1,834,172

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

24. Trade and other payables

	2020 $	2019 $
Trade payables	167,274	89,781
Accruals	51,425	119,311
Withholding tax payable	4,440	2,427
Other payables	21,066	17,899
Contract liabilities	102,564	97,469
	346,769	326,887

Contract liabilities include service fees received in advance of the service being provided. The amount of $97,469 relating to service fees received in advance as at 31 December 2019 has been recognised as revenue for the year ended 31 December 2020.

25. Payable to related parties

	2020 $	2019 $
Payable to South Pacific Free Bird Company Limited	58,946	154,868

The above payables are unsecured and non interest bearing.

26. Interest bearing borrowings

South Pacific Free Bird Company Limited	416,185	484,536
Disclosed as follows:		
Current	289,101	283,479
Non current	127,084	201,057
	416,185	484,536

Borrowings from South Pacific Free Bird Company Limited are unsecured with monthly repayments of 1,310,138 Yen (2019: 1,310,138 Yen) with interest charged at a rate of 3% per annum (2019: 3% per annum).

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

On 1 April 2020, the Company requested and was granted a 9 month deferral on the loan repayments from South Pacific Free Bird Company Limited. As a result, the Company recognised a modification gain of $25,093 in profit or loss. All other terms and condition of the borrowing remain the same.

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

26. Interest bearing borrowings (continued)

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

	2020 $	2019 $
Interest bearing borrowings		
Balance at 1 January	484,536	736,205
Changes from financing cash flows		
Repayment of borrowings	(76,468)	(264,411)
Other changes		
Gain on modification of financial liabilities	(25,093)	-
Interest expense	32,567	47,100
Interest paid	(3,730)	(19,904)
Interest payable	(7,656)	-
The effect on interest expense of discounting	(21,181)	(27,196)
The effect of changes in foreign exchange rates	33,210	12,742
Balance at 31 December	416,185	484,536

27. In-house insurance liabilities

Claims incurred but not reported	(i)	1,827	1,827
Unearned premium	(ii)	169,157	73,766
Claims incurred but not paid		140,408	229,289
		311,392	304,882

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 Actuarial Review undertaken in the financial year. The calculated IBNR for 2020 was not materially different compared to 2019. Management therefore, has not made any adjustments to this amount in the financial year ended 31 December 2020.

(ii) Unearned premium reconciliation

	2020 $	2019 $
Balance at the beginning of the year	73,766	70,658
Gross premiums received during the year	629,795	893,173
Premiums earned	(502,671)	(830,904)
Premiums refunded during the year and third party taxes	(31,733)	(59,161)
Balance at the end of the year	169,157	73,766

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

27. In-house insurance liabilities (continued)

(iii) Prepaid commission reconciliation

	2020 $	2019 $
Balance at the beginning of the year	30,238	36,577
Commission paid for the year	182,789	332,651
Amortisation of costs to profit or loss	(203,199)	(338,990)
Balance at the end of the year	9,828	30,238

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.

28. Share capital

(a) Authorised capital

	2020 $	2019 $
20,000,000 Ordinary shares	20,000,000	20,000,000

(b) Issued capital

2,000,000 (2019: 2,000,000)	2,000,000	2,000,000

Shares of the Company do not have a par value.

Shareholders at 31 December:	2020	2019
South Pacific Free Bird Company Limited (Japan)	1,355,140	1,360,600
FHL Trustees Ltd	250,806	250,806
Masayasu Muramatsu	106,336	106,336
IBC Ltd (Japan)	62,500	62,500
Platinum Insurance Limited (Vanuatu)	46,630	41,840
Toshikazu Torimoto	36,000	36,000
Yoshinobu Higashi	25,000	25,000
Others	117,588	116,918
	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.

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

28. Share capital (continued)

(d) Dividends

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

	2020 $	2019 $
There were no final dividends for the year ended 2020 (2019: 3.5 cents per ordinary shares)	-	70,000
There were no interim dividends for the year ended 2020 (2019: 7 cents per ordinary shares)	-	140,000
	-	210,000

29. Earnings per share

The calculation of earnings per share at 31 December 2020 was based on profit attributable to ordinary shareholders of $710,387 (2019: $639,055) and a weighted average number of ordinary shares outstanding of 2,000,000 (2019: 2,000,000) calculated as follows:

	2020 $	2019 $
Profit after income tax for the year	710,387	639,055
Weighted average number of shares outstanding	2,000,000	2,000,000
Basic and diluted earnings per share	$0.36	$0.32

30. Related parties

(a) Directors

The directors in office during the year were:

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

Directors fees are disclosed in Note 13.

(b) Parent Company

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

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

	2020 $	2019 $
<u>South Pacific Free Bird Company Limited</u>		
Interest bearing borrowings (note 26)	(416,185)	(484,536)
Other payables (note 25)	(58,946)	(154,868)
Trade receivables (note 18)	603,847	217,551
Other receivables (note 18)	115,647	56,959
Prepaid commission (note 27(iii))	9,828	30,238
Ba Provincial Free Bird Institute	57,071	49,501

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

30. Related parties (continued)

(d) Transactions with related parties

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

	2020 $	2019 $
South Pacific Free Bird Company Limited		
Service fees	2,788,459	4,761,062
Commission expense	203,199	338,990
License fees for software use	39,417	36,550
Interest expense on borrowings	32,567	47,100
Repayment of principal on borrowings	76,468	264,411

(e) Transactions with key management personnel

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

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

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

Key management compensation is disclosed under Note 13.

31. Commitments

Capital commitments not otherwise provided for in the financial statements amounted to $Nil (2019: $Nil).

32. Contingent liabilities

Contingent liabilities amount to $Nil (2019: Nil).

FREE BIRD INSTITUTE LIMITED

Notes to the financial statements

For the year ended 31 December 2020

33. 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:

	Notes	2020 $	2019 $
Total borrowings	26	416,185	484,536
Lease liability	22	1,172,136	1,184,155
Less: Cash and Cash Equivalents	17	(1,760,687)	(1,588,953)
Net Debt		(172,366)	79,738
Total Capital		5,549,788	4,839,401
Gearing Ratio		(3%)	2%

Excluding the lease liability as at 31 December 2020 the gearing ratio would be 24% (2019: 23%).

34. Events subsequent to balance date

Subsequent to year end, the Company opened a restaurant business. The restaurant is located in the RSL building at 23 Tavewa Avenue in Lautoka and offers the popular Japanese Udon meals. Udon is a thick noodle made from wheat flour used in many Japanese cuisines.

Other than this, 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 information

Listing Requirements of the South Pacific Stock Exchange (SPX)

The information contained herein is unaudited and not included anywhere else in this Annual Report. These information are required to be disclosed under the SPX Listing Rules.

1. Related party shareholding

Shareholdings of Directors and Senior Management and their connected persons (in the listed entity or any of its subsidiaries) required under section 51.2(iv) of the Listing rules.

Name	Number of shares	Total % holding	Entity	Interest Type
Hiroshi Taniguchi	1,101,674	55.08%	FBL	Indirect interest
Yoshinobu Higashi	25,000	1.25%	FBL	Direct interest
Naulu Baleilevuka	11,397	0.57%	FBL	Direct interest
Unaisi Baleilevuka	100	0.01%	FBL	Direct interest
Eroni Baleilevuka	100	0.01%	FBL	Direct interest
Miliakere Baleilevuka	100	0.01%	FBL	Direct interest
Total	**36,697**	**1.83%**		

2. Shareholder listing

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

Shareholder Name	No. Of Shares	Total % Holding
SOUTH PACIFIC FREE BIRD CO. LTD	1,355,140	67.76
FHL TRUSTEES LIMITED ATF FIJIAN HOLDINGS UNIT TRUST	250,806	12.54
MASAYASU MURAMATSU	106,336	5.32
IBC CO. LTD	62,500	3.13
PLATINUM INSURANCE LIMITED	46,630	2.33
TOSHIKAZU TORIMOTO	36,000	1.80
YOSHINOBU HIGASHI	25,000	1.25
JIMAIMA T & ROLAND F. SCHULTZ	20,200	1.01
TOMOKO TANAKA	16,200	0.81
NAULU BALEILEVUKA	11,397	0.57
PRAVIN PATEL	8,000	0.40
SHAKUNTLA PRASAD	8,000	0.40
SURESH PRASAD	8,000	0.40
NAMAKA PUBLIC SCHOOL	8,000	0.40
TUTANEKAI INVESTMENTS LIMITED	6,500	0.33
MARIA. I. MAUSIO, MUE. S. MAUSIO & TIFERE. V. MAUSIO ATF HANISI MUE MAUSIO	2,033	0.10
COOMBERDALE LIMITED	2,000	0.10
PURNA PRAVIN PATEL	2,000	0.10
BOB WILSON TULAKEPA	1,500	0.08
NAPOLIONI NAQIA KAE BATIMALA	1,454	0.07
GREGORY LIN CATHCART	1,185	0.06
SOWANI TUIDROLA	1,146	0.06
AYAKO OSANAI	1,100	0.06
HITOMI YASUDA	1,100	0.06
MITSUO SAKASHITA	1,000	0.05
KUMIKO TSUCHIE	1,000	0.05

Other information

Listing Requirements of the South Pacific Stock Exchange (SPX)

3. Share distribution schedule

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

No of shareholders	Shareholding	Total percentage holding
65	0-500 shares	0.49%
19	501-5,000 shares	1.08%
5	5,001-10,000 shares	1.93%
2	10,001-20,000 shares	1.38%
2	20,001-30,000 shares	2.26%
1	30,001-40,000 shares	1.80%
1	40,001-50,000 shares	2.33%
1	50,001-100,000 shares	3.13%
2	100,001-1,000,000 shares	17.86%
1	Over 1,000,000 shares	67.76%
99		**100%**

4. Meetings of the Board

The Board of Directors met 4 times during the year and the attendance at these meetings by the members is provided below.

Member	21/3/20	08/05/20	18/07/20	02/12/20
Hiroshi Taniguichi	P	P	P	P
Mereseini Baleilevuka	P	P	P	P
Waisale Iowane	P	P	P	P
Yoshinobu Higashi	P	P	P	P
Latileta Qoro	P	AP	P	A
Adi Litia Qionibaravi	AP	AP	P	P
Yoko Nameki	P	P	P	P

Key: P – Present A – Absent AP – Apologies

Corporate Directory

Registered Office:	Office 1, Level 1, Lot 13 Commercial Street Concave Subdivision, Namaka, Nadi Telephone: +679 6720 379 Postal Address: P.O Box 11065, Waimalika, Nadi, Fiji
Campus locations:	Namaka Campus Lot 3, Nasilivata Road, Namaka, Nadi Lautoka Campus 20 Mission, Place, Simla, Lautoka
External Auditors:	KPMG Chartered Accountants Level 3, Jetpoint Complex, Queens Road, Martintar, Nadi
Share Registry:	Central Share Registry Pte Limited Shop 1 and 11 Sabrina Building, Victoria Parade, Suva Telephone: +679 3304 130
Compiled by:	Waisale Iowane (CFO)
Cover design, layout, Concept design & print:	Pasifika Communications 14 McGregor Road, Suva