

World Taekwondo

Financial statements
For the years ended December 31, 2020 and 2019
(With independent auditors' report thereon)



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Independent Auditors' Report

(Based on a report originally issued in Korean)

**To the President of
World Taekwondo**

Opinion

We have audited the accompanying financial statements of World Taekwondo (formally "World Taekwondo Federation", the "Federation"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Federation as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRSs").

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Federation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with KIFRSs 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 Federation'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 Federation or to cease operations.

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

Auditor's 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 auditor's 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 KSAs 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 KSAs, 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 Federation'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 Federation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Federation 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.

April 2, 2021

Nexia Samduk

Seoul, Korea

This audit report is effective as at April 2, 2021, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditors' report to the time this report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

World Taekwondo

Financial statements

For the years ended December 31, 2020 and 2019

“The accompanying financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Federation”

Chungwon Choue
President
World Taekwondo

World Taekwondo
Statements of financial position
As at December 31, 2020 and 2019

	Notes	December 31, 2020		December 31, 2019	
		Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Assets					
Current assets:					
Cash and cash equivalents	4,5,20	₩ 1,963,148	\$ 1,804,364	₩ 1,385,854	\$ 1,273,763
Short-term financial instruments	4,5,20	6,966,000	6,402,574	6,946,800	6,384,925
Other current financial assets	4,5,20	204,104	187,596	936,778	861,009
Other current assets		9,344	8,586	10,000	9,192
Total current assets		9,142,596	8,403,120	9,279,432	8,528,889
Non-current assets:					
Long-term financial instruments	4,5,20	184,009	169,126	-	-
Property and equipment, net	7	394,363	362,466	509,103	467,926
Right-of-use assets	21	1,181,795	1,086,209	1,688,278	1,551,726
Intangible assets, net	8	124,630	114,550	187,905	172,707
Other non-current financial assets	5,6,20	908,557	835,071	900,557	827,718
Deferred tax assets	18	70,193	64,516	160,740	147,739
Total non-current assets		2,863,547	2,631,938	3,446,583	3,167,816
Total assets		₩ 12,006,143	\$ 11,035,058	₩ 12,726,015	\$ 11,696,705
Liabilities and net assets					
Current liabilities:					
Short-term financial liabilities	5,9,20	₩ 329,771	\$ 303,098	₩ 198,162	\$ 182,134
Other current liabilities	10	565,580	519,835	284,404	261,402
Advance received from IOC Fund	11	-	-	4,279,351	3,933,227
Short-term borrowing	12	3,672,000	3,375,000	-	-
Lease liabilities	5,21	577,215	530,528	463,099	425,642
Income tax payable		4,727	4,345	2,423	2,227
Total current liabilities		5,149,293	4,732,806	5,227,439	4,804,632
Non-current liabilities:					
Severance and retirement benefits	13	315,701	290,166	425,480	391,066
Lease liabilities	5,21	751,848	691,037	1,321,378	1,214,502
Total non-current liabilities		1,067,549	981,203	1,746,858	1,605,568
Total liabilities		6,216,842	5,714,009	6,974,297	6,410,200
Net assets					
Net assets with no restriction: 14					
Allowance for non-profit segment		337,000	309,743	2,092,000	1,922,794
Unappropriated retained earning		5,450,301	5,009,468	3,657,718	3,361,873
		5,787,301	5,319,211	5,749,718	5,284,667
Net assets with permanent restriction	14	2,000	1,838	2,000	1,838
Total net assets		5,789,301	5,321,049	5,751,718	5,286,505
Total liabilities and net assets		₩ 12,006,143	\$ 11,035,058	₩ 12,726,015	\$ 11,696,705

The accompanying notes are an integral part of the financial statements

World Taekwondo
Statements of comprehensive income
For the years ended December 31, 2020 and 2019

	Notes	2020		2019	
		Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Operating revenue	15				
Non-profit segment revenue		₩ 7,300,498	\$ 6,710,017	₩ 8,859,141	\$ 8,142,593
Profit making segment revenue		1,220,528	1,121,809	1,813,720	1,667,022
Total operating revenue		8,521,026	7,831,826	10,672,861	9,809,615
Operating expenses	16	(8,143,621)	(7,484,946)	(12,540,539)	(11,526,231)
Net operating income (loss)		377,405	346,880	(1,867,678)	(1,716,616)
Non-operating revenue	17	591,179	543,363	849,661	780,938
Non-operating expenses	17	853,034	784,038	126,914	116,649
Net loss before income taxes		115,550	106,205	(1,144,931)	(1,052,327)
Income tax expense (benefit)	18	100,772	92,621	(218,217)	(200,567)
Net income (loss)		₩ 14,778	\$ 13,584	₩ (926,714)	\$ (851,760)
Other comprehensive income (loss) for the year					
Remeasurement income (loss) on net of defined benefit liability		22,805	20,960	(181,306)	(166,642)
Other comprehensive income (loss) for the year		22,805	20,960	(181,306)	(166,642)
Total comprehensive income (loss) for the year		₩ 37,583	\$ 34,544	₩ (1,108,020)	\$ (1,018,402)

The accompanying notes are an integral part of the financial statements

World Taekwondo
Statements of changes in equity
For the years ended December 31, 2020 and 2019

	Net assets with permanent constraints		Net assets without constraints		Total equity	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
As at January 1, 2019	₩ 2,000	\$ 1,838	₩ 6,791,065	\$ 6,241,789	₩ 6,793,065	\$ 6,243,627
Loss for the year	-	-	(926,714)	(851,760)	(926,714)	(851,760)
Remeasurement loss on net of defined benefit liabilities	-	-	(114,633)	(105,362)	(114,633)	(105,362)
Total comprehensive loss	-	-	(1,041,347)	(957,122)	(1,041,347)	(957,122)
As at December 31, 2019	₩ 2,000	\$ 1,838	₩ 5,749,718	\$ 5,284,667	₩ 5,751,718	\$ 5,286,505
As at January 1, 2020	₩ 2,000	\$ 1,838	₩ 5,749,718	\$ 5,284,667	₩ 5,751,718	\$ 5,286,505
Profit for the year	-	-	14,778	13,584	14,778	13,584
Remeasurement income on net of defined benefit liabilities	-	-	22,805	20,960	22,805	20,960
Total comprehensive income	-	-	37,583	34,544	37,583	34,544
As at December 31, 2020	₩ 2,000	\$ 1,838	₩ 5,787,301	\$ 5,319,211	₩ 5,789,301	\$ 5,321,049

The accompanying notes are an integral part of the financial statements.

World Taekwondo
Statements of cash flows
For the years ended December 31, 2020 and 2019

	2020		2019	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Cash flows from operating activities:				
Net income (loss)	₩ 14,778	\$ 13,583	₩ (926,714)	\$ (851,759)
Adjustments to reconcile net income to net cash flows (Note 18)	(2,737,371)	(2,515,966)	(3,665,809)	(3,369,310)
Changes in operating assets and liabilities (Note 18)	659,975	606,595	(892,653)	(820,453)
Interest received	202,822	186,417	302,462	277,998
Income tax received (paid)	(8,663)	(7,962)	(32,334)	(29,719)
Net cash flows used in operating activities	(1,868,459)	(1,717,334)	(5,215,048)	(4,793,243)
Cash flows from investing activities:				
Acquisition of property and equipment	₩ -	\$ -	₩ (573,700)	\$ (527,298)
Disposal of property and equipment	-	-	20,909	19,218
Acquisition of intangible assets	-	-	(35,000)	(32,169)
Increase in leasehold deposits, net	(208,000)	(191,176)	(558,998)	(513,785)
Decrease in long-term loans	200,000	183,824	530,000	487,132
Decrease in other financial assets	9,323,200	8,569,118	16,798,800	15,440,074
Increase in other financial assets	(9,986,659)	(9,178,915)	(10,135,600)	(9,315,809)
Net cash flows from investing activities	(671,459)	(617,149)	6,046,411	5,557,363
Cash flows from financing activities:				
Increase in short-term borrowing	₩ 3,919,725	\$ 3,602,688	₩ -	\$ -
Repayment of lease liabilities	(593,512)	(545,507)	(342,230)	(314,550)
Net cash flows used in financing activities	3,326,213	3,057,181	(342,230)	(314,550)
Net decrease in cash and cash equivalents	786,295	722,698	489,133	449,570
Net foreign exchange difference	(209,002)	(192,097)	21,078	19,374
Cash and cash equivalents at January 1	1,385,855	1,273,763	875,643	804,819
Cash and cash equivalents at December 31	₩ 1,963,148	\$ 1,804,364	₩ 1,385,854	\$ 1,273,763

The accompanying notes are an integral part of the financial statements

1. Corporate information

World Taekwondo (formally “World Taekwondo Federation”, the “Federation”) was founded on May 28, 1973 and approved by the 83th IOC General Assembly held in Moscow in 1980. Taekwondo was adopted in the 2000 Sydney Olympic Games by the 103th IOC General Assembly in Paris.

The Federation is aiming at standardizing Taekwondo, the traditional heritage originated in Korea, and spreading it globally. The Federation regularly holds World Taekwondo Championships, World Taekwondo Poomsae Championships, World Taekwondo Para Championships, World Taekwondo Cadet Championships, World Taekwondo Team Championships and so forth. The Federation also has 209 member nations under 5 Continental branches, to popularize Taekwondo worldwide.

The Federation consists of the General Assembly, WTF Council, Sectional Committees and other supporting groups.

The financial statements of the Federation will be approved by the General Assembly in Wusi, China which is scheduled to be held on October 11, 2021.

2. Basis of preparation and a summary of significant accounting policies

2.1 Basis of preparation

The Federation prepares financial statements in the Korean language in accordance with Korean International Financial Reporting Standards (KIFRS) enacted by the *Act on External Audit of Stock Companies*. The accompanying financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditors’ report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The financial statements have been prepared on a historical cost basis, except for financial instruments and certain other assets that have been measured at fair value. The financial statements are presented in Korean won and all values are rounded to the nearest thousands, except when otherwise indicated.

Financial statement translation

The accompanying financial statements are expressed in Korean won, and solely for the convenience of the reader, have been translated into United States dollars at the rate of ₩1,088.00 to US\$1, the year-end exchange rate on December 31, 2020. Such translation should not be construed as a representation that the Korean won amounts can actually be converted into United States dollars at the exchange rate used for the purpose of such translation.

2.2 Summary of significant accounting policies

2.2.1 Foreign currencies

The Federation’s financial statements are presented in Korean won, which is the functional currency. For each entity, the Federation determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Federation uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

The Federation presents its financial statements based on Korean won which is the functional currency and the reporting currency of the Federation.

2.2.1 Foreign currencies (cont'd)

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Federation's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss is also recognized in OCI or profit or loss, respectively).

The fair value adjustments for the carrying amounts of goodwill, assets and liabilities arising from the acquisition of foreign operations are translated at the closing rate based on the assets and liabilities of the foreign operations.

2.2.2 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Federation expects to be entitled in exchange for those goods or services. The Federation has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

IOC subsidy income

The incomes from the IOC relating to the Olympic Summer Games (OSG) are usually received by the ISU during the year of the OSG and the balance during the year following the OSG. In line with a long standing practice, the IOC subsidy income is equally allocated throughout the years of the Olympic cycle.

Marketing income

Marketing income is recognized to the extent that vesting process is completed, and it is very probable that the economic benefits will flow to the Federation and the revenue can be reliably measured, regardless of when the payment is being made.

Rendering of services

Revenue from the installation of fire extinguishers, fire prevention equipment and fire-retardant fabrics is recognized by reference to the stage of completion. Stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss and other comprehensive income.

2.2.2 Revenue from contracts with customers (cont'd)

Other revenue

Other revenue is recognized to the extent that vesting process is completed and it is very probable that the economic benefits will flow to the Federation and the revenue can be reliably measured, regardless of when the payment is being made.

2.2.3 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Federation operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2.2.3 Taxes (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.2.4 Pension benefits

The Federation operates a defined benefit pension plan in Korea, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Federation recognizes restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Federation recognizes the changes in the net defined benefit obligation under 'cost of sales' and 'selling and general administrative expenses; in the statement of profit or loss and other comprehensive income.

2.2.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Federation's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Federation has applied the practical expedient, the Federation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Federation has applied the practical expedient are measured at the transaction price determined under KIFRS 1115. Refer to the accounting policies in Note 2.2.2 Revenue from contracts with customers.

2.2.5 Financial instruments (cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Federation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Federation commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Federation. The Federation measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Federation's financial assets at amortised cost includes trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

The Federation measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling And

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Federation's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

2.2.5 Financial instruments (cont'd)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Federation can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under KIFRS 1032 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Federation benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Federation elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Federation had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Federation of similar financial assets) is primarily derecognized (i.e. removed from the Federation's statement of financial position) when:

2.2.5 Financial instruments (cont'd)

- The rights to receive cash flows from the asset have expired, or
- The Federation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Federation has transferred substantially all the risks and rewards of the asset, or (b) the Federation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Federation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Federation continues to recognize the transferred asset to the extent of the Federation's continuing involvement. In that case, the Federation also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Federation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Federation could be required to repay.

2) Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in Note 3 (disclosures for significant assumptions), Note 5 (trade accounts receivable) and Note 5 (other accounts receivable).

The Federation recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Federation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Federation applies a simplified approach in calculating ECLs. Therefore, the Federation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Federation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.2.5 Financial instruments (cont'd)

For debt instruments at fair value through OCI, the Federation applies the low credit risk simplification. At every reporting date, the Federation evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Federation reassesses the internal credit rating of the debt instrument. In addition, the Federation considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Federation's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Federation's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Federation uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Federation considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Federation may also consider a financial asset to be in default when internal or external information indicates that the Federation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Federation. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Federation's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Federation that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1039. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in KIFRS 1039 are satisfied. The Federation has not designated any financial liability as at fair value through profit or loss.

2.2.5 Financial instruments (cont'd)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.2.6 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

	<u>Useful life</u>
Vehicles	5
Equipment	5
Leasehold improvements	5

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The assets' residual values, useful life and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2.2.7 Leases

At commencement or on modification of a contract that contains a lease component, the Federation allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Federation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Company as a lessee

The Federation recognizes 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 end of the lease term, unless the lease transfers ownership of the underlying asset to the Federation by the end of the lease term or the cost of the right-of-use asset reflects that the Federation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property 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 Federation's incremental borrowing rate. Generally, the Federation uses its incremental borrowing rate as the discount rate.

The Federation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The Federation has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Federation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income as the expense category that is consistent with the function of the intangible assets.

2.2.8 Intangible assets (cont'd)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of 5 years.

2.2.9 Impairment of non-financial assets

The Federation assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Federation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statements of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Federation estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Federation estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.2.9 Impairment of non-financial assets (cont'd)

The following assets have specific characteristics for impairment testing:

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.2.10 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

2.2.11 Current versus non-current classification

The Federation presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Federation classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.2.12 Fair value measurement

The Federation measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Federation.

2.2.12 Fair value measurement (cont'd)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Federation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Federation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Federation's Valuation Committee determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation. The Valuation Committee is comprised of the head of the investment properties segment, heads of the Federation's internal mergers and acquisitions team, the head of the risk management department, chief finance officers and the managers of each property.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

	<u>Notes</u>
➤ Quantitative disclosures of fair value measurement hierarchy	20
➤ Financial instruments (including those carried at amortized cost)	5

External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the Valuation Committee after discussion with and approval by the Federation's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Valuation Committee decides, after discussions with the Federation's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Federation's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Valuation Committee, in conjunction with the Federation's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

2.2.12 Fair value measurement (cont'd)

On an interim basis, the Valuation Committee and the Federation's external valuers present the valuation results to the Audit Committee and the Federation's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Federation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.3 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Federation based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Federation. Such changes are reflected in the assumptions when they occur.

2.3.1 Impairment of non-financial assets

The Federation assesses, at each reporting date, whether there is an indication that an asset may be impaired. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, or when circumstances indicate that the carrying value may be impaired. Other non-financial assets are tested for impairment when circumstances indicate that its carrying amount may not be recoverable. In determining a value in use, management estimates future cash flows to be derived from the asset or CGU, and applies the appropriate discount rate to those future cash flows.

2.3.2 Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

2.4 New and amended standards and interpretations

The Federation applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Federation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments were applied for the first time in 2020, they did not have a material impact on the annual financial statements of the Federation. The nature and the impact of each new standard or amendment are described below:

Amendments to KIFRS 1103: Definition of a Business

The amendment to KIFRS 1103 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Federation.

Amendments to KIFRS 1001 and KIFRS 1008 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of the Federation.

Amendments to KIFRS 1107, KIFRS 1109 and KIFRS 1039 Interest Rate Benchmark Reform

The amendments to KIFRS 1109 and KIFRS 1039 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Federation as it does not have any interest rate hedge relationships.

3. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Federation's financial statements are disclosed below. The Federation intends to adopt these standards, if applicable, when they become effective.

Amendments to KIFRS 1116 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to KIFRS 1116 *Leases*. The amendments provide relief to lessees from applying KIFRS 11016 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under KIFRS 1116 if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The amendments are not expected to have a material impact on the financial statements of the Federation.

Reference to the Conceptual Framework – Amendments to KIFRS 1103

In May 2020, the IASB issued Amendments to KIFRS 1103 *Business Combinations* - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of KIFRS 1103 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 or KIFRS 2121 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in KIFRS 1103 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendments are not expected to have a material impact on the financial statements of the Federation.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to KIFRS 1016

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the financial statements of the Federation.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to KIFRS 1037

In May 2020, the IASB issued amendments to KIFRS 1037 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The amendments are not expected to have a material impact on the financial statements of the Federation.

3. Standards issued but not yet effective (cont'd)

Amendments to KIFRS 1001: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of KIFRS 1001 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the financial statements of the Federation.

KIFRS 1109 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to KIFRS standards process the IASB issued amendment to KIFRS 1109. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the financial statements of the Federation.

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Notes to the financial statements
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4. Cash and cash equivalents and financial instruments

Details of the cash and cash equivalents and financial instruments as at December 31, 2020 and 2019 are as follows (Korean won in thousands):

		December 31, 2020		December 31, 2019	
Cash and cash equivalent	Cash	₩	281	₩	130
	Foreign currency		8,788		3,353
	Deposits at banks		218,224		986,173
	Foreign deposits at banks		1,485,844		396,178
	Deposits for government grants		250,011		20
		₩	<u>1,963,148</u>	₩	<u>1,385,854</u>
Short-term financial instruments	Time deposits at banks	₩	6,966,000	₩	6,946,800
Long-term financial instruments	Long-term financial instruments		184,009		-
		₩	<u>9,113,157</u>	₩	<u>8,332,654</u>

5. Financial instruments

(1) Details of financial instruments as at December 31, 2020 and 2019 are as follows (Korean won in thousands):

December 31, 2020

	Financial assets at amortized cost		Financial liabilities at amortized cost		Total
Asset :					
Cash and cash equivalent	₩	1,963,148	₩	-	₩ 1,963,148
Short-term financial instruments		6,966,000		-	6,966,000
Long-term financial instruments		184,009		-	184,009
Other financial assets		1,112,661		-	1,112,661
	₩	<u>10,225,818</u>	₩	<u>-</u>	₩ <u>10,225,818</u>
Liability:					
Other financial liabilities	₩	-	₩	329,771	₩ 329,771
Short-term borrowing		-		3,672,000	3,672,000
Lease liabilities		-		1,329,064	1,329,064
	₩	<u>-</u>	₩	<u>5,330,835</u>	₩ <u>5,330,835</u>

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5. Financial instruments (cont'd)

December 31, 2019

	Financial assets at amortized cost		Financial liabilities at amortized cost		Total
Asset :					
Cash and cash equivalent	₩	1,385,854	₩	-	₩ 1,385,854
Short-term financial instruments		6,946,800		-	6,946,800
Other financial assets		1,837,335		-	1,837,335
	₩	10,169,989	₩	-	₩ 10,169,989
Liability:					
Other financial liabilities	₩	-	₩	198,162	₩ 198,162
Lease liabilities		-		1,784,477	1,784,477
	₩	-	₩	1,982,639	₩ 1,982,639

(2) The credit rating of accounts receivables which are not delayed or damaged is measured according to the customer's characteristics and the historical information of business experiences.

(3) Details of finance income and costs for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Interest revenues	₩ 89,308	₩ 248,624
Gains on foreign exchange translation	16,718	217,009
Losses on foreign exchange translation	(698,978)	(3,356)
Gains on foreign exchange transaction	228,870	371,552
Losses on foreign exchange transaction	(10,955)	(17,779)
Bad debt expenses	(88,664)	(121,665)
Interest expenses	(138,099)	(100,773)
Gains on foreign exchange translation	247,725	-

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6. Other financial assets

(1) Details of other financial assets as at December 31, 2020 and 2019 are as follows (Korean won in thousands):

	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Other accounts receivables	₩ 349,931	₩ -	₩ 889,702	₩ -
Allowance for other accounts receivables	(210,329)	-	(121,665)	-
Accrued income	64,502	-	168,741	-
Leasehold deposits	-	638,998	-	838,998
Other deposits	-	269,559	-	61,559
	₩ 204,104	₩ 908,557	₩ 936,778	₩ 900,557

(2) Changes in allowance for bad debt loan on other financial assets for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
January 1	₩ (121,665)	₩ -
Reversal of impairment loss	(88,664)	(121,665)
Write-off	-	-
December 31	₩ (210,329)	₩ (121,665)

7. Property and equipment

(1) Details of property and equipment as at December 31, 2020 and 2019 are as follows. (Korean won in thousands):

December 31, 2020

	Acquisition value	Depreciation allowance	Net book value
Vehicles	₩ 25,429	₩ (25,429)	₩ -
Office equipment	6,933	(6,933)	-
Leasehold improvements	573,700	(179,337)	394,363
	₩ 606,062	₩ (211,699)	₩ 394,363

December 31, 2019

	Acquisition value	Depreciation allowance	Net book value
Vehicles	₩ 25,429	₩ (25,429)	₩ -
Office equipment	138,169	(138,169)	-
Leasehold improvements	600,980	(91,877)	509,103
	₩ 764,578	₩ (255,475)	₩ 509,103

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7. Property and equipment (cont'd)

(2) Details of changes in book value of property and equipment for the years ended December 31, 2020 and 2019 are as follows. (Korean won in thousands):

	2020			
	January 1	Acquisition (Disposal)	Depreciation expense	December 31
Leasehold improvements	₩ 509,103	₩ -	₩ (114,740)	₩ 394,363

	2019			
	January 1	Acquisition (Disposal)	Depreciation expense	December 31
Vehicles	₩ 12,921	₩ (9,332)	₩ (3,589)	₩ -
Office equipment	1,335	-	(1,335)	-
Leasehold improvements	-	573,700	(64,597)	509,103
	₩ 14,256	₩ 564,368	₩ (69,521)	₩ 509,103

8. Intangible assets

(1) Details of intangible assets as at December 31, 2020 and 2019 are as follows. (Korean won in thousands):

December 31, 2020

	Acquisition value	Depreciation allowance	Net book value
Other intangible assets	₩ 726,224	₩ (601,593)	₩ 124,631

December 31, 2019

	Acquisition value	Depreciation allowance	Net book value
Other intangible assets	₩ 726,224	₩ (538,319)	₩ 187,905

(2) Details of changes in book value of intangible assets for the years ended December 31, 2020 and 2019 are as follows. (Korean won in thousands):

	2020			
	January 1	Acquisition	Depreciation expense	December 31
Other intangible assets	₩ 187,905	₩ -	₩ (63,274)	₩ 124,631

	2019			
	January 1	Acquisition	Depreciation expense	December 31
Other intangible assets	₩ 204,245	₩ 35,000	₩ (51,340)	₩ 187,905

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9. Other financial Liabilities

Details of short-term other financial liabilities as at December 31, 2020 and 2019 are as follows. (Korean won in thousands):

	December 31, 2020	December 31, 2019
Accounts payable	₩ 31,288	₩ 37,123
Accrued expenses	298,483	161,039
	<u>₩ 329,771</u>	<u>₩ 198,162</u>

10. Other Liabilities

Details of other current liabilities as at December 31, 2020 and 2019 are as follows. (Korean won in thousands):

	December 31, 2020	December 31, 2019
Income in advance	₩ 532,579	₩ 247,227
Withholdings	31,182	29,077
Value added tax withheld	1,819	8,100
	<u>₩ 565,580</u>	<u>₩ 284,404</u>

11. Advance received from IOC Fund

(1) Advance received from IOC Fund of the Federation are Olympic Games dividends from IOC, which is to be deferred for 4 years. Details of advance received from IOC Fund as at December 31, 2020 and 2019 are as follows.

	December 31, 2020	December 31, 2019
Advance received from IOC Fund	₩ -	₩ 4,279,351

(2) Changes in advances received from IOC Fund for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020			
	Beginning balance	Dividends	Profit	Ending balance
Advance received from IOC Fund	₩ 4,279,351	₩ -	₩ (4,279,351)	₩ -
	2019			
	Beginning balance	Dividends	Profit	Ending balance
Advance received from IOC Fund	₩ 8,558,702	₩ -	₩ (4,279,351)	₩ 4,279,351

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12. Short-term borrowing

Details of Short-term borrowing as at December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Lender	Interest rate	December 31, 2020	December 31, 2019
Covid-19 pandemic - Loan	IOC	0%	₩ 593,512	₩ 463,099

13. Defined benefit liabilities

The Federation operates a defined benefit pension plan for its employees, which is recorded at present value of benefits using the projected unit credit method based on actuarial assumptions and on a discount basis by an independent actuary firm.

(1) Details of defined benefit liabilities as at December 31, 2020 and 2019 are as follows. (Korean won in thousands):

	December 31, 2020	December 31, 2019
Present value of defined benefit liabilities	₩ 1,333,931	₩ 1,235,018
Fair value of plan assets	(1,018,230)	(809,538)
	<u>₩ 315,701</u>	<u>₩ 425,480</u>

(2) Revenues and expenses incurred in relation to the defined benefit pension plan for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Current service cost	₩ 191,155	₩ 155,813
Net value of net defined benefit liabilities	5,028	2,003
	<u>₩ 196,183</u>	<u>₩ 157,816</u>

(3) Changes in the present value of the defined benefit obligation for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Benefit liability as at January 1	₩ 1,235,018	₩ 986,074
Payroll expenses (current net income):		
Current service cost	191,155	155,813
Interest cost	23,328	20,849
Benefits paid	(83,037)	(38,149)
Re-measurement gain (loss) in OCI:		
Actuarial changes arising from changes in demographic assumptions	-	-
Actuarial changes arising from changes in financial assumptions	(32,533)	110,431
Benefit liability as at December 31	<u>₩ 1,333,931</u>	<u>₩ 1,235,018</u>

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Notes to the financial statements
December 31, 2020 and 2019

12. Defined benefit liabilities (cont'd)

(4) Changes in the fair value of plan assets for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Fair value of plan assets as at January 1	₩ 809,538	₩ 757,497
Payroll expenses (current net income):		
Interest income	18,299	18,846
Benefits paid	(83,037)	(38,149)
Re-measurement gain (loss) in OCI:		
Revenues of plan assets	(8,987)	(8,656)
Contributions by employer	282,417	80,000
Fair value of plan assets as at December 31	<u>₩ 1,018,230</u>	<u>₩ 809,538</u>

(5) Other comprehensive incomes incurred in relation to the re-measurement of the net defined benefit pension plan for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Re-measurement loss in OCI before income taxes	₩ 23,547	₩ 119,086
Effect of income taxes	(742)	4,452
Re-measurement loss in OCI after income taxes	<u>₩ 22,805</u>	<u>₩ 114,634</u>

(6) The principal assumptions used in actuarial calculation as at December 31, 2020 and 2019 are as follows:

	2020	2019
Future salary increases	2.00%	2.00%
Discount rate	2.38%	2.17%

(7) A quantitative sensitivity analysis for significant assumptions as at December 31, 2020 is as shown below (Korean won in thousands):

	Impact on the net defined benefit obligation		
	The range of fluctuation	Impact by increase	Impact by decrease
Discount rate	1.00%	₩ (98,877)	₩ 114,779
Future salary increases	1.00%	114,157	(100,162)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

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13. Net assets

Details of net assets as at December 31, 2020 and 2019 are as follows. (Korean won in thousands):

	December 31, 2020	December 31, 2019
Net assets without constraints	₩ 5,787,301	₩ 5,749,718
Net assets with permanent constraints	2,000	2,000
	<u>₩ 5,789,301</u>	<u>₩ 5,751,718</u>

14. Operating revenue

(1) Details of non-profit segment revenue for the years ended December 31, 2020 and 2019 are as follows. (Korean won in thousands):

	2020	2019
IR fee & annual membership fee	₩ 879,975	₩ 181,593
Government subsidy	75,345	296,635
Kukkiwon subsidy	-	1,500,000
Donation	1,281,556	1,184,932
Other subsidies	220,352	288,257
Education program	525,225	272,172
IOC subsidy	4,279,351	4,279,351
Competitions	38,694	856,201
	<u>₩ 7,300,498</u>	<u>₩ 8,859,141</u>

(2) Details of profit making segment revenue for the years ended December 31, 2020 and 2019 are as follows. (Korean won in thousands):

	2020	2019
Marketing income	₩ 1,102,195	₩ 1,684,091
Sales of broadcasting rights	84,058	84,190
Advertisement	34,276	45,439
	<u>₩ 1,220,529</u>	<u>₩ 1,813,720</u>

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15. Operating expenses

Details of operating expenses for the years ended December 31, 2020 and 2019 are as follows. (Korean won in thousands):

	2020	2019
Salaries	₩ 2,606,484	₩ 2,606,827
Provision for severance and retirement benefits	196,183	168,007
Service contract expenses	132,995	96,881
Employee benefits	358,817	285,797
Travel	57,702	119,193
Entertainment	41,340	78,636
Telephone & Communication	23,654	34,985
Taxes and dues	111,680	108,604
Depreciation	621,223	407,177
Office rental	64,811	230,342
Insurance expenses	49,317	55,425
Vehicles maintenance	69,198	61,091
Delivery and freight costs	15,183	30,908
Training	243,423	405,763
Printing	76,259	97,354
Conference	159,491	782,349
Supplies	17,711	78,282
Consultancy fees and related expenses	766,655	789,915
Event	49,409	353,219
Advertising	323,748	484,703
Amortization	63,274	51,341
Other supporting expenses	229,207	208,573
Competition	304,265	1,970,238
Development fund	944,412	1,294,964
Taekwondo demo team	203,000	513,984
Supporting expenses by government fund	75,082	296,635
Antidoping fee	211,740	623,464
Bad debt expenses	88,664	121,665
Others	38,694	184,217
	₩ 8,143,621	₩ 12,540,539

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16. Other revenues and expenses

Other revenues and expenses incurred for the years ended December 31, 2020 and 2019 are as follows.

(1) Other revenues incurred for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Interest income	₩ 89,308	₩ 248,624
Gain on foreign currency transaction	228,870	371,552
Gain on foreign currency translation	264,443	217,009
Gain on disposal of property and equipment	-	11,578
Other gain	8,558	898
	<u>₩ 591,179</u>	<u>₩ 849,661</u>

(2) Other expenses incurred for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Interest expenses	₩ 138,099	₩ 100,773
Loss on foreign currency transaction	10,955	17,779
Donations	5,000	5,000
Loss on foreign currency translation	698,978	3,356
Other expenses	2	6
	<u>₩ 853,034</u>	<u>₩ 126,914</u>

17. Income taxes

(1) The major components of income tax expense (benefit) for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Current income tax charge	₩ 10,967	₩ 13,729
Adjustments in respect of current income tax of previous years	90,547	(236,398)
Income taxes recognized directly to equity	(742)	4,452
Income tax expense (benefit)	<u>₩ 100,772</u>	<u>₩ (218,217)</u>

(2) Details of income taxes recognized directly to equity as at December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Re-measurement loss on net of defined benefit liability	₩ (742)	₩ 4,452

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17. Income taxes (cont'd)

(3) A reconciliation of income before income taxes at the Korea statutory tax rate to income tax expense at the effective tax rate of the Federation is summarized as follows (Korean won in thousands):

	2020		2019	
Income (loss) before income taxes	₩	115,550	₩	(1,144,931)
Tax at the statutory income tax rate		12,710		(229,885)
Adjustments:				
Expenses not deductible for tax purposes		(23,464)		(250,738)
Tax exemption of revenue		67,590		69,446
Others		43,936		192,960
Income tax expense (benefit)	₩	100,772	₩	(218,217)
Effective income tax rate		87.2%		-

(4) Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

(5) The Federation offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

(6) Details of deferred tax as at December 31, 2020 and 2019 and for the years then ended are as follows (Korean won in thousands):

	December 31, 2020			
	January 1	Changes in profit and loss	Changes in OCI	December 31
Deferred tax asset:				
Other receivables	₩ 128,858	₩ (128,858)	₩ -	₩ -
Bad debt expenses	25,292	20,369	-	45,661
Accrued expenses	3,765	5,497	-	9,262
Lease liabilities	392,585	(100,191)	-	292,394
Severance and retirement benefits	46,173	(3,396)	(742)	42,035
	596,673	(206,579)	(742)	389,352
Deferred tax liability:				
Allowance for non-profit segment	(27,280)	5,348	-	(21,932)
Right-of-use assets	(371,421)	111,426	-	(259,995)
Allowance for retirement pension	(37,232)	-	-	(37,232)
	(435,933)	116,774	-	(319,159)
Net deferred tax assets (liabilities)	₩ 160,740	₩ (89,805)	₩ (742)	₩ 70,193

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Notes to the financial statements
December 31, 2020 and 2019

17. Income taxes (cont'd)

	December 31, 2019			
	January 1	Changes in profit and loss	Changes in OCI	December 31
Deferred tax asset:				
Other receivables	₩ 128,858	₩ -	₩ -	₩ 128,858
Bad debt expenses	-	25,292	-	25,292
Accrued expenses	459	3,306	-	3,765
Lease liabilities	-	392,585	-	392,585
Severance and retirement benefits	45,763	(4,042)	4,452	46,173
	<u>175,080</u>	<u>417,141</u>	<u>4,452</u>	<u>596,673</u>
Deferred tax liability:				
Allowance for non-profit segment	(215,584)	188,304	-	(27,280)
Right-of-use assets	-	(371,421)	-	(371,421)
Allowance for retirement pension	(35,154)	(2,078)	-	(37,232)
	<u>(250,738)</u>	<u>(185,195)</u>	<u>-</u>	<u>(435,933)</u>
Net deferred tax assets (liabilities)	<u>₩ (75,658)</u>	<u>₩ 231,946</u>	<u>₩ 4,452</u>	<u>₩ 160,740</u>

18. Statements of cash flows

(1) Significant transactions not involving cash flows for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Provision for severance and retirement benefits	₩ 196,183	₩ 157,816
Depreciation	621,223	407,177
Amortization	63,274	51,340
Bad debt expenses	88,664	121,665
IOC subsidy	(4,279,351)	(4,279,351)
Gain on foreign currency translation, net	(264,443)	(217,009)
Loss on foreign currency translation, net	698,978	3,356
Interest income	(89,308)	(248,624)
Income tax expense (benefit)	100,772	(218,217)
Others	126,637	556,038
	<u>₩ (2,737,371)</u>	<u>₩ (3,665,809)</u>

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Notes to the financial statements
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18. Statements of cash flows (cont'd)

(2) Significant transactions net working capital for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020		2019	
Other accounts receivable	₩	527,706	₩	(449,490)
Other current assets		(9,067)		(419,364)
Other liabilities		(169,760)		12,562
Retirement pension		(199,379)		(52,042)
Payment of severance and retirement benefits		(83,037)		(27,958)
	₩	659,975	₩	(936,292)

(3) Changes in liabilities arising from financing activities (Korean won in thousands):

	January 1, 2020		Cash flows		Foreign exchange difference		Other		December 31, 2020	
Short-term borrowing	₩	-	₩	3,919,725	₩	(247,725)	₩	-	₩	3,672,000
Lease liabilities		1,784,477		(593,512)		-		138,099		1,329,064
	₩	1,784,477	₩	3,326,213	₩	(247,725)	₩	138,099	₩	5,001,064

	January 1, 2019		Cash flows		New leases		Other		December 31, 2019	
Lease liabilities	₩	-	₩	(342,230)	₩	2,025,934	₩	100,773	₩	1,784,477

19. Fair value

(1) Fair value of financial instruments (Korean won in thousands)

	December 31, 2020				December 31, 2019			
	Book value		Fair value		Book value		Fair value	
Financial assets:								
Cash and cash equivalents	₩	1,963,148	₩	1,963,148	₩	1,385,854	₩	1,385,854
Current and non-current financial assets		7,150,009		7,150,009		6,946,800		6,946,800
Other financial assets		1,112,661		1,112,661		1,837,335		1,837,335
	₩	10,225,818	₩	10,225,818	₩	10,169,989	₩	10,169,989
Financial liabilities:								
Other financial liabilities	₩	329,771	₩	329,771	₩	198,162	₩	198,162
Short-term borrowing		3,672,000		3,672,000		-		-
Lease liabilities		1,329,064		1,329,064		1,784,477		1,784,477
	₩	5,330,835	₩	5,330,835	₩	1,982,639	₩	1,982,639

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

19. Fair value (cont'd)

(2) Fair value hierarchy

The Federation uses the following hierarchy for determining and disclosure of the fair value of financial instruments by valuation technique:

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : Techniques which use inputs that have a significant effect on the recorded fair value, and those inputs are not based on observable market data

20. Lease

(1) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the current period (Korean won in thousands):

	2020		2019	
As at January 1	₩	1,688,278	₩	-
Additions		-		2,025,934
Depreciation expense		(506,483)		(337,656)
As at December 31	₩	1,181,795	₩	1,688,278

(2) The following are the amounts recognised in profit or loss (Korean won in thousands):

	2020		2019	
Depreciation expense of right-of-use assets	₩	506,483	₩	337,656
Interest expense on lease liabilities		138,099		100,773

(3) Details of lease liabilities as at December 31, 2020 and 2019 are as follows (Korean won in thousands):

	December 31, 2020		December 31, 2019	
Current lease liabilities	₩	577,215	₩	463,099
Non-current lease liabilities		751,849		1,321,378
	₩	1,329,064	₩	1,784,477

(4) Details of minimum lease payments and present value of the payments are as follows (Korean won in thousands):

	2020		2019	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	₩ 605,364	₩ 577,215	₩ 593,512	₩ 463,099
After one year but not more than five years	876,846	751,849	1,482,210	1,321,378
	₩ 1,482,210	₩ 1,329,064	₩ 2,075,722	₩ 1,784,477

Appendixes

World Taekwondo Statements of financial position (Non-profit segment) As at December 31, 2020 and 2019

	December 31, 2020		December 31, 2019	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Assets				
Current assets:				
Quick assets:				
Cash and cash equivalents	₩ 1,717,762	\$ 1,578,825	₩ 1,150,349	\$ 1,057,306
Short-term financial instruments	3,134,983	2,881,418	3,409,305	3,133,552
Other current financial assets	72,013	66,188	219,465	201,714
Other current assets	9,344	8,588	10,000	9,192
Total current assets	4,934,102	4,535,019	4,789,119	4,401,764
Non-current assets:				
Investment assets:				
Long-term financial instruments	184,009	169,126	-	-
	184,009	169,126	-	-
Property and equipment:				
Vehicles	25,429	23,372	25,429	23,372
Accumulated depreciation	(25,429)	(23,372)	(25,429)	(23,372)
Office equipment	4,566	4,197	104,546	96,090
Accumulated depreciation	(4,566)	(4,197)	(104,546)	(96,090)
Leasehold improvements	27,280	25,074	27,280	25,074
Accumulated depreciation	(27,280)	(25,074)	(27,280)	(25,074)
	-	-	-	-
Intangible assets, net:				
Other intangible assets	73,898	67,921	115,304	105,978
Other non-current assets:				
Leasehold deposits	638,998	587,314	838,998	771,138
Other deposits	269,559	247,756	61,559	56,580
	908,557	835,070	900,557	827,718
Total non-current assets	1,166,464	1,072,117	1,015,861	933,696
Total assets	₩ 6,100,566	\$ 5,607,136	₩ 5,804,980	\$ 5,335,460

(Continued)

Appendixes

World Taekwondo Statements of financial position (Non-profit segment) As at December 31, 2020 and 2019 (cont'd)

	December 31, 2020		December 31, 2019	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Liabilities and net assets				
Current liabilities:				
Accrued expenses	₩ 255,730	\$ 235,044	₩ 133,672	\$ 122,860
Other accounts payable	26,806	24,638	30,815	28,323
Withholdings	26,716	24,555	24,135	22,183
Income in advance	532,579	489,503	247,227	227,231
Advance received from IOC Fund	-	-	4,279,351	3,933,227
Short-term borrowing	3,672,000	3,375,000	-	-
Total current liabilities	4,513,831	4,148,740	4,715,200	4,333,824
Non-current liabilities:				
Severance and retirement benefits	1,142,862	1,050,425	1,025,142	942,226
Allowance for retirement pension	(872,382)	(801,822)	(640,301)	(588,512)
Total non-current liabilities	270,480	248,603	384,841	353,714
Total liabilities	4,784,311	4,397,343	5,100,041	4,687,538
Net assets				
Net assets with no restriction:				
Unappropriated retained earning	1,314,255	1,207,955	702,939	646,084
Net assets with permanent restriction	2,000	1,838	2,000	1,838
Total net assets	1,316,255	1,209,793	704,939	647,922
Total liabilities and net assets	₩ 6,100,566	\$ 5,607,136	₩ 5,804,980	\$ 5,335,460

Appendixes

World Taekwondo Statements of income (Non-profit segment) For the years ended December 31, 2020 and 2019

	2020		2019	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Operating revenue:				
IR fee & annual membership fee	₩ 879,975	\$ 808,801	₩ 181,593	\$ 166,905
Government subsidy	75,345	69,251	333,498	306,524
Kukkiwon subsidy	-	-	1,500,000	1,378,676
Other subsidies	220,352	202,529	251,394	231,061
Education program	525,225	482,744	272,172	250,158
IOC subsidy	4,279,351	3,933,227	4,279,351	3,933,227
Donation	1,281,556	1,177,901	1,184,932	1,089,092
Competitions	38,694	35,564	856,201	786,949
Total operating revenue	7,300,498	6,710,017	8,859,141	8,142,592
Operating expenses				
Salaries	2,233,138	2,052,517	2,163,829	1,988,813
Provision for severance and retirement benefits	168,083	154,488	139,456	128,176
Service contract expenses	113,945	104,729	80,417	73,913
Employee benefits	307,420	282,555	237,229	218,041
Travel	49,437	45,438	98,938	90,936
Entertainment	35,418	32,553	65,272	59,993
Telephone & Communication	20,266	18,627	29,039	26,690
Antidoping fee	211,740	194,614	623,464	573,037
Taxes and dues	95,683	87,944	90,148	82,857
Office rental	55,528	51,037	191,198	175,733
Insurance expenses	42,253	38,835	46,006	42,285
Vehicles maintenance	59,286	54,491	50,708	46,607
Delivery and freight costs	13,008	11,956	25,655	23,580
Training	208,556	191,688	336,809	309,567
Printing	65,336	60,051	80,810	74,274
Conference	136,646	125,594	649,399	596,874
Competition	260,683	239,598	1,635,420	1,503,143
Supplies	15,174	13,947	64,979	59,723
Consultancy fees and related expenses	656,841	603,714	655,679	602,646
Advertising	277,375	254,940	402,334	369,792
Event	42,332	38,908	293,194	269,480
Depreciation	-	-	4,658	4,281
Amotization	41,406	38,057	39,305	36,126
Development fund	944,412	868,026	1,294,964	1,190,224
Supporting expenses				
by government fund	75,082	69,009	296,635	272,642
Taekwondo demo team	203,000	186,581	513,984	472,412
Other supporting expenses	197,756	181,761	173,129	159,126
Others	31,773	29,203	152,916	140,548
Total operating expenses	6,561,577	6,030,861	10,435,574	9,591,519
Net operating income (loss)	738,921	679,156	(1,576,433)	(1,448,927)

(Continued)

Appendixes

World Taekwondo Statements of income (Non-profit segment) For the years ended December 31, 2020 and 2019 (cont'd)

	2020		2019	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Non-operating revenue				
Gain on foreign currency transaction	₩ 196,088	\$ 180,228	₩ 308,412	\$ 283,467
Gain on foreign currency translation	262,048	240,853	180,131	165,562
Gain on disposal of property and equipment	-	-	11,578	10,642
Miscellaneous gain	7,332	6,739	745	685
Total non-operating revenue	465,468	427,820	500,866	460,356
Non-operating expenses				
Loss on foreign currency transaction	9,386	8,627	14,758	13,564
Loss on foreign currency translation	5,000	4,596	5,000	4,596
Donation	598,859	550,422	2,785	2,560
Miscellaneous loss	1	1	5	5
Total non-operating expenses	613,246	563,646	22,548	20,725
Net income (loss)	₩ 591,143	\$ 543,330	₩ (1,098,115)	\$ (1,009,296)

Appendixes

World Taekwondo Statements of financial position (Profit-making segment) As at December 31, 2020 and 2019

	December 31, 2020		December 31, 2019	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Assets				
Current assets:				
Quick assets:				
Cash and cash equivalents	₩ 245,385	\$ 225,538	₩ 235,505	\$ 216,457
Short-term financial instruments	3,831,017	3,521,155	3,537,495	3,251,374
Other accounts receivable	67,589	62,122	548,572	504,202
Accrued income	64,502	59,285	168,741	155,092
Total current assets	4,208,493	3,868,100	4,490,313	4,127,125
Non-current assets:				
Property and equipment:				
Leasehold improvements	573,700	527,298	573,700	527,298
Accumulated depreciation	(179,337)	(164,832)	(64,597)	(59,372)
Office equipment	2,368	2,176	33,623	30,903
Accumulated depreciation	(2,368)	(2,176)	(33,623)	(30,903)
Total property and equipment	394,363	362,466	509,103	467,926
Intangible assets, net:				
Other intangible assets	50,733	46,630	72,601	66,729
Total intangible assets, net	50,733	46,630	72,601	66,729
Other non-current assets:				
Right-of-use assets	1,181,795	1,086,209	1,688,278	1,551,726
Deferred tax assets	70,193	64,516	160,740	147,739
Total other non-current assets	1,251,988	1,150,725	1,849,018	1,699,465
Total non-current assets	1,697,084	1,559,821	2,430,722	2,234,120
Total assets	₩ 5,905,577	\$ 5,427,921	₩ 6,921,035	\$ 6,361,245

(Continued)

Appendixes

World Taekwondo

Statements of financial position (Profit-making segment)

As at December 31, 2020 and 2019 (cont'd)

	December 31, 2020		December 31, 2019	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Liabilities and net assets				
Current liabilities:				
Accrued expenses	₩ 42,754	\$ 39,296	₩ 27,367	\$ 25,153
Other accounts payable	4,482	4,119	6,309	5,799
Withholdings	4,465	4,104	4,941	4,541
Value added tax withheld	1,819	1,672	8,100	7,445
Income tax payable	4,727	4,345	2,423	2,227
Lease liabilities	577,215	530,528	463,099	425,642
Total current liabilities	635,462	584,064	512,239	470,807
Non-current liabilities:				
Severance and retirement benefits	191,069	175,615	209,876	192,901
Allowance for retirement pension	(145,849)	(134,052)	(169,237)	(155,549)
Lease liabilities	751,849	691,038	1,321,378	1,214,502
Total non-current liabilities	797,069	732,601	1,362,017	1,251,854
Total liabilities	1,432,531	1,316,665	1,874,256	1,722,661
Net assets				
Net assets with no restriction:				
Allowance for non-profit segment	337,000	309,743	2,092,000	1,922,794
Unappropriated retained earning	4,136,046	3,801,513	2,954,779	2,715,790
Total net assets	4,473,046	4,111,256	5,046,779	4,638,584
Total liabilities and net assets	₩ 5,905,577	\$ 5,427,921	₩ 6,921,035	\$ 6,361,245

Appendixes

World Taekwondo

Statements of income (Profit-making segment)

For the years ended December 31, 2020 and 2019

	2020		2019	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Operating revenue:				
Marketing income	₩ 1,102,195	\$ 1,013,047	₩ 1,684,091	\$ 1,547,878
Sales of broadcasting rights	34,276	31,504	45,439	41,764
Advertisement	84,058	77,259	84,190	77,381
Total operating revenue	1,220,529	1,121,810	1,813,720	1,667,023
Operating expenses				
Salaries	373,346	343,149	442,998	407,167
Provision for severance and retirement benefits	28,101	25,828	28,551	26,242
Service contract expenses	19,050	17,509	16,464	15,132
Employee benefits	51,396	47,239	48,568	44,640
Travel	8,265	7,597	20,255	18,617
Entertainment	5,921	5,442	13,363	12,282
Telephone & Communication	3,388	3,114	5,945	5,464
Taxes and dues	15,997	14,703	18,456	16,963
Office rental	9,283	8,532	39,144	35,978
Insurance expenses	7,064	6,493	9,419	8,657
Vehicles maintenance	9,912	9,110	10,381	9,541
Delivery and freight costs	2,175	1,999	5,252	4,827
Training	34,867	32,047	68,954	63,377
Printing	10,923	10,040	16,544	15,206
Conference	22,845	20,997	132,951	122,198
Competition	43,582	40,057	334,817	307,736
Supplies	2,537	2,332	13,303	12,227
Consultancy fees and related expenses	109,814	100,932	134,236	123,379
Advertising	46,373	42,622	82,369	75,707
Event	7,077	6,505	60,025	55,170
Depreciation	621,223	570,977	402,518	369,961
Amotization	21,868	20,099	12,035	11,062
Bad debt expenses	88,664	81,493	121,665	111,824
Other supporting expenses	31,451	28,907	34,670	31,866
Others	6,923	6,363	32,082	29,487
Total operating expenses	1,582,045	1,454,086	2,104,965	1,934,710
Net operating loss	(361,516)	(332,276)	(291,245)	(267,687)

(Continued)

Appendixes

World Taekwondo Statements of income (Profit-making segment) For the years ended December 31, 2020 and 2019 (cont'd)

	2020		2019	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Non-operating revenue				
Interest income	₩ 89,308	\$ 82,085	₩ 248,624	\$ 228,515
Gain on foreign currency transaction	32,783	30,131	63,141	58,034
Gain on foreign currency translation	2,395	2,201	36,878	33,895
Miscellaneous gain	1,226	1,127	153	141
Total non-operating revenue	125,712	115,544	348,796	320,585
Non-operating expenses				
Interest expenses	138,099	126,929	100,773	92,622
Loss on foreign currency transaction	1,569	1,442	3,022	2,778
Loss on foreign currency translation	100,120	92,022	570	524
Miscellaneous loss	-	-	1	1
Total non-operating expenses	239,788	220,393	104,366	95,925
Net loss before income taxes	(475,592)	(437,125)	(46,815)	(43,027)
Income tax expense (benefit)	100,772	92,621	(218,217)	(200,567)
Net income (loss)	₩ (576,364)	\$ (529,746)	₩ 171,402	\$ 157,540