World Taekwondo Federation

Financial statements
for the year ended December 31, 2016
with the independent auditors' report

Table of Contents

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Independent auditors' report

The President
World Taekwondo Federation

We have audited the accompanying consolidated financial statements of World Taekwondo Federation (the "Federation"), which comprise the statement of financial position as at December 31, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Federation as at December 31, 2016, and its financial performance and cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other matters

The financial statements of the Federation for the year ended December 31, 2015 and the statement of financial position as at January 1, 2015, were not audited.

The financial statements of the Federation as of, and for the year ended December 31, 2015, were prepared in accordance with the Guidance for Presentation and Disclosure of Financial Statements for Not-for-Profit Organizations in the Republic of Korea. Those financial statements of the Federation were audited by us and we expressed an unqualified opinion on those statements in our report dated on March 21, 2016. The financial statements that we expressed an unqualified opinion did not reflect the adjustments for adopting Korean International Financial Reporting Standards, which are explained in Note 20 to the accompanying financial statements. The accompanying financial statements, presented for comparative purposes, of the Federation for the year ended December 31, 2015 and the statement of financial position as at January 1, 2015 reflected the adjustments.

March 31, 2017

Ernst & Young Han Young

This audit report is effective as at March 31, 2017, 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 Federation

Financial statements
for the years ended December 31, 2016 and 2015

“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 Federation

World Taekwondo Federation
Statements of financial position
as at December 31, 2016 and 2015

	Notes	December 31, 2016		December 31, 2015		January 1, 2015	
		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)
Assets							
Current assets:							
Cash and cash equivalents	4,5,19	₩ 12,429,091	$ 10,284,726	₩ 1,821,104	$ 1,506,913	₩ 1,705,857	$ 1,411,549
Short-term financial instruments	4,5,19	7,801,000	6,455,110	9,376,000	7,758,378	10,992,000	9,095,573
Other short-term financial assets	5,6,19	559,462	462,939	825,084	682,734	1,575,788	1,303,921
Other current assets		-	-	-	-	280	232
Total current assets		20,789,553	17,202,775	12,022,188	9,948,025	14,273,925	11,811,274
Non-current assets:							
long-term financial assets	4,5,19	4,280,688	3,542,150	30,000	24,824	-	-
Property and equipment:	7	45,570	37,708	66,330	54,886	49,705	41,129
Intangible assets, net:	8	98,508	81,513	28,183	23,321	7,196	5,954
Other non-current assets:	5,6,19	649,830	537,716	614,733	508,674	149,445	123,662
Total non-current assets		5,074,596	4,199,087	739,246	611,705	206,346	170,745
Total assets		**₩ 25,864,149**	**$ 21,401,862**	**₩ 12,761,434**	**$ 10,559,730**	**₩ 14,480,271**	**$ 11,982,020**
Liabilities and net assets							
Current liabilities:							
Short-term financial liabilities	5,9,19	₩ 366,840	$ 303,550	₩ 279,165	$ 231,001	₩ 205,267	$ 169,853
Other current liabilities	10	877,772	726,333	854,658	707,206	103,619	85,742
Advance received from IOC Fund	11	15,259,465	12,626,781	3,993,265	3,304,315	7,986,530	6,608,631
Income tax payable	17	58,399	48,324	95,830	79,297	115,257	95,372
Total current liabilities		16,562,476	13,704,988	5,222,918	4,321,819	8,410,673	6,959,598
Non-current liabilities:							
Severance and retirement benefits	12	164,772	136,344	113,532	93,945	20,385	16,868
Deferred tax liability		417,644	345,589	60,432		107,599	89,035
Total non-current liabilities		582,416	481,933	173,964	93,945	127,984	105,903
Total liabilities		**17,144,892**	**14,186,921**	**5,396,882**	**4,415,764**	**8,538,657**	**7,065,501**
Net assets							
Net assets with no restriction:	13						
Allowance for non-profit segment		1,418,000	1,173,355	780,000	645,428	-	-
Unappropriated retained earning		7,299,257	6,039,931	6,582,552	5,446,878	5,939,614	4,914,865
		8,717,257	7,213,286	7,362,552	6,092,306	5,939,614	4,914,865
Net assets with permanent restriction	13	2,000	1,655	2,000	1,655	2,000	1,655
Total net assets		**8,719,257**	**7,214,941**	**7,364,552**	**6,093,961**	**5,941,614**	**4,916,520**
Total liabilities and net assets		**₩ 25,864,149**	**$ 21,401,862**	**₩ 12,761,434**	**$ 10,559,730**	**₩ 14,480,271**	**$ 11,982,020**

The accompanying notes are an integral part of the financial statements

World Taekwondo Federation
Statements of income
for the years ended December 31, 2016 and 2015

	Notes	2016				2015			
		Korean won in thousands		U.S. dollar (Note 2)		Korean won in thousands		U.S. dollar (Note 2)	
Operating revenue	14								
Non-profit segment revenue		₩	6,219,568	$	5,146,519	₩	6,829,438	$	5,651,169
Profit making segment revenue			2,839,958		2,349,986		3,950,258		3,268,728
Total operating revenue			9,059,526		7,496,505		10,779,696		8,919,897
Operating expenses	15		(8,202,752)		(6,787,548)		(10,015,704)		(8,287,715)
Net operating income			**856,774**		**708,957**		**763,992**		**632,182**
Non-operating revenue	16		1,345,589		1,113,437		987,024		816,735
Non-operating expenses	16		263,929		218,394		227,225		188,022
Net income before income taxes			**1,938,434**		**1,604,000**		**1,523,791**		**1,260,895**
Income tax expense	17		490,537		405,906		102,353		84,694
Net income		**₩**	**1,447,897**	**$**	**1,198,094**	**₩**	**1,421,438**	**$**	**1,176,201**
Other comprehensive income for the year									
Remeasurement loss on net of defined benefit liability			(93,193)		(77,115)		1,500		1,241
Other comprehensive loss for the year			(93,193)		(77,115)		1,500		1,241
Total comprehensive income for the year		₩	1,354,704	**$**	1,120,979	₩	1,422,938	**$**	1,177,442

The accompanying notes are an integral part of the financial statements

World Taekwondo Federation
Statements of changes in equity
for the years ended December 31, 2016 and 2015
(Korean won in thousands)

	Net assets with permanent		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, 2015	**₩ 2,000**	**$ 1,655**	**₩ 5,939,614**	**$ 4,914,865**	**₩ 5,941,614**	**$ 4,916,520**
Profit for the year	-	-	1,421,439	1,176,201	1,421,439	1,176,201
Remeasurement loss on net of defined benefit liabilities	-	-	1,499	1,240	1,499	1,240
Total comprehensive income	**-**	**-**	**1,422,938**	**1,177,441**	**1,422,938**	**1,177,441**
As at December 31, 2015	**₩ 2,000**	**$ 1,655**	**₩ 7,362,552**	**$ 6,092,306**	**₩ 7,364,552**	**$ 6,093,961**
As at January 1, 2016	**₩ 2,000**	**$ 1,655**	**₩ 7,362,552**	**$ 6,092,306**	**₩ 7,364,552**	**$ 6,093,961**
Profit for the year	-	-	1,447,898	1,198,095	1,447,898	1,198,095
Remeasurement loss on net of defined benefit liabilities	-	-	(93,193)	(77,115)	(93,193)	(77,115)
Total comprehensive income	**-**	**-**	**1,354,705**	**1,120,980**	**1,354,705**	**1,120,980**
As at December 31, 2016	**₩ 2,000**	**$ 1,655**	**₩ 8,717,257**	**$ 7,213,286**	**₩ 8,719,257**	**$ 7,214,941**

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

World Taekwondo Federation
Statements of cash flows
for the years ended December 31, 2016 and 2015

	2016		2015	
	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	₩ 1,447,898	$ 1,198,095	₩ 1,421,439	$ 1,176,201
Adjustments to reconcile net income to net cash flows	(4,852,304)	(4,015,146)	(3,576,993)	(2,959,862)
Changes in operating assets and liabilities	532,061	440,266	458,259	379,197
Interest received	84,241	69,707	129,662	107,292
IOC subsidy received	15,259,465	12,626,781	-	-
Income tax paid	(163,853)	(135,584)	(169,079)	(139,908)
Net cash flows used in operating activities	**12,307,508**	**10,184,119**	**(1,736,712)**	**(1,437,081)**
Cash flows from investing activities:				
Increase in long-term financial	₩ -	$ -	₩ (30,000)	$ (24,824)
Acquisition of tangible assets	-	-	(43,067)	(35,637)
Acquisition of intangible assets	(83,878)	(69,407)	(28,500)	(23,583)
Increase in leasehold deposits, net	(35,097)	(29,042)	(465,287)	(385,012)
Decrease in other financial assets	9,376,000	7,758,378	10,992,000	9,095,573
Increase in other financial assets	(11,859,417)	(9,813,336)	(8,664,000)	(7,169,218)
Net cash flows used in (from) investing activities	**(2,602,392)**	**(2,153,407)**	**1,761,146**	**1,457,299**
Cash flows from financing activities:				
Net cash flows from financing activities	**-**	**-**	**-**	**-**
Net increase in cash and cash equivalents	9,705,116	8,030,712	24,434	20,218
Net foreign exchange difference	902,873	747,102	90,813	75,145
Cash and cash equivalents at January 1	1,821,104	1,506,913	1,705,857	1,411,549
Cash and cash equivalents at December 31	**₩ 12,429,091**	**$ 10,284,726**	**₩ 1,821,104**	**$ 1,506,913**

The accompanying notes are an integral part of the financial statements

1. Corporate information

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 207 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 Muju, Korea, which is scheduled to be held on June 23, 2017.

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

2.1 Basis of preparation

The Federation prepares statutory 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 consolidated 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 consolidated 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 consolidated financial statements are presented in Korean won and all values are rounded to the nearest thousands, except when otherwise indicated.

2.2 First introduction of KIFRS

The Federation adopted KIFRS from the annual reporting period beginning on or after January 1, 2015. The adoption of KIFRS 1101, *First-time Adoption of KIFRS*, is effective January 1, 2015, and the transition from the Guidance for Presentation and Disclosure of Financial Statements for Not-for-Profit Organizations in the Republic of Korea to KIFRS are explained in Note 20.

2.3 Summary of significant accounting policies

2.3.1 Foreign currencies

The Federation's financial statements are presented in Korean won, which is also the parent company's 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 as the functional currency and the currency of the reporting currency.

2.3.1 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.

2.3.2 Revenue recognition

Revenue is recognized to the extent that it is 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. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Federation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Federation has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.

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.

2.3.2 Revenue recognition (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.

2.3.3 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.

2.3.3 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.

2.3.4 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 consolidated statement of profit or loss and other comprehensive income.

2.3.5 Financial instruments

Financial assets

Initial recognition and measurement
Financial assets within the scope of KIFRS 1039 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

The Federation's main financial assets include cash and short-term deposits, current financial assets, and trade and other receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

2.3.5 Financial instruments (cont'd)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. 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 separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by KIFRS 1039. 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 presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss and other comprehensive income.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under KIFRS 1039 are satisfied. The Federation has not designated any financial assets upon initial recognition as at fair value through profit or loss.

The Federation evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Federation is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Federation may elect to reclassify these financial assets. The reclassification to loans and receivables, Available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Federation has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the EIR, less impairment. 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 income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the statement of profit or loss and other comprehensive income as finance costs.

2.3.5 Financial instruments (cont'd)

Available-for-sale (AFS) financial assets

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss and other comprehensive income in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Federation evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Federation is unable to trade those financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Federation may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss and other comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- 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 asset is recognized to the extent of the Federation's continuing involvement in the asset. 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.

2.3.5 Financial instruments (cont'd)

Impairment of financial assets

The Federation assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Federation of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Federation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Federation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets' original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in in statement of profit or loss and other comprehensive income. Interest income (recorded as finance income in the statement of profit or loss and other comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Federation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss and other comprehensive income.

Available-for-sale (AFS) financial investments

For AFS financial investments, the Federation assesses, at each reporting date, whether there is objective evidence that an investment or a group of investments is impaired.

2.3.5 Financial instruments (cont'd)

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss and other comprehensive income – is removed from OCI and recognized in the statement of profit or loss and other comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss and other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss and other comprehensive income, the impairment loss is reversed through the statement of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of KIFRS 1039 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, 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, net of directly attributable transaction costs.

The Federation's financial liabilities include trade and other payables, current financial liabilities and non-current financial liabilities.

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 includes 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 acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Federation that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1039. Separated 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 so designated at the initial date of recognition, and only if criteria of KIFRS 1039 are satisfied. The Federation has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

2.3.5 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.

Financial guarantee contracts
Financial guarantee contracts issued by the Federation are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

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.

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

2.3.6 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:

	Useful life
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.

2.3.7 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.

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.

2.3.8 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.

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

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.

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.

2.3.9 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 consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

2.3.10 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.

2.3.10 Current versus non-current classification (cont'd)

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.

2.3.11 Fair value measurement

The Federation measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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.

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.

2.3.11 Fair value measurement (cont'd)

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:

	Notes
➢ Disclosures for valuation methods, significant estimates and assumptions	12
➢ Quantitative disclosures of fair value measurement hierarchy	19
➢ 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.

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.

2.4 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 consolidated 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.

2.4.1 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. The key assumptions including a sensitivity analysis, are further discussed in Note 16.

2.4.2 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.

2.5 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, 2015. 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 2015, they did not have a material impact on the annual consolidated financial statements of the Federation. The nature and the impact of each new standard or amendment is described below:

KIFRS 1114 *Regulatory Deferral Accounts*

KIFRS 1114 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of KIFRS. Entities that adopt KIFRS 1114 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity’s rate-regulation and the effects of that rate-regulation on its financial statements. Since the Federation is an existing KIFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

2.5 New and amended standards and interpretations (cont'd)

Amendments to KIFRS 1111 *Joint Arrangements*: *Accounting for Acquisitions of Interests*

The amendments to KIFRS 1111 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant KIFRS 1103 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to KIFRS 1111 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Federation as there has been no interest acquired in a joint operation during the period.

Amendments to KIFRS 1016 and KIFRS 1038 *Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in KIFRS 1016 *Property, Plant and Equipment* and KIFRS 1038 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively and do not have any impact on the Federation, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to KIFRS 1016 and KIFRS 1041 *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of KIFRS 1041 *Agriculture*. Instead, KIFRS 1016 will apply. After initial recognition, bearer plants will be measured under KIFRS 1016 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of KIFRS 1041 measured at fair value less costs to sell. For government grants related to bearer plants, KIFRS 1020 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are applied retrospectively and do not have any impact on the Federation as it does not have any bearer plants.

Amendments to KIFRS 1027 *Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying KIFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Federation's consolidated financial statements.

2.5 New and amended standards and interpretations (cont'd)

Amendments to KIFRS 1001 *Disclosure Initiative*

The amendments to KIFRS 1001 clarify, rather than significantly change, existing KIFRS 1001 requirements. The amendments clarify:

- The materiality requirements in KIFRS 1001
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Federation.

Amendments to KIFRS 1110, KIFRS 1112 and KIFRS 1028 *Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under KIFRS 1110 *Consolidated Financial Statements*. The amendments to KIFRS 1110 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to KIFRS 1110 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to KIFRS 1028 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

KIFRS 1011 *Construction Contract* and KIFRS 2115 *Agreements for the Construction of Real Estate*

The amendments require additional disclosures of information on construction contracts when the percentage of work completed is measured based on the ratio of the total costs incurred to date to the total estimated contract costs, and the contract revenue exceeds 5% of the preceding year's total revenue. The amendments are effective for annual periods beginning on or after 1 January 2016, and require prospective application in the year in which an entity adopts it for the first time.

These amendments are not relevant for the Federation as it did not enter into any construction contract during the current period.

Annual Improvements *2012-2014 Cycle*
These amendments do not have any impact on the Federation's consolidated financial statements. The improvements include:

KIFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations*

KIFRS 1107 *Financial Instruments: Disclosures*

KIFRS 1019 *Employee Benefits*

KIFRS 1034 *Interim Financial Reporting*

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.

KIFRS 1109 *Financial Instruments*

The KASB issued the final version of KIFRS 1109 *Financial Instruments* that replaces KIFRS 1039 *Financial Instruments: Recognition and Measurement* and all previous versions. KIFRS 1109 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. KIFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally

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

applied prospectively, with some limited exceptions. The Federation plans to adopt the new standard on the required effective date.

In connection with the adoption of KIFRS 1109, the Federation has not yet undertaken any update on its internal control processes or a change in the accounting system related to the reporting of financial instruments.

KIFRS 1115 *Revenue from Contracts with Customers*

KIFRS 1115 establishes a five-step model to account for revenue arising from contracts with customers. Under KIFRS 1115, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under KIFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Federation plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Federation performed a preliminary assessment of KIFRS 1115, which is subject to changes arising from a more detailed ongoing analysis.

Amendments to KIFRS 1110 and KIFRS 1028 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between KIFRS 1110 and KIFRS 1028 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in KIFRS 1103, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Federation will apply these amendments when they become effective.

Amendments to KIFRS 1007 *Statement of Cash Flows: Disclosure Initiative*

The amendments to KIFRS 1007 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Federation.

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

Amendments to KIFRS 1012 *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Federation.

Amendments to KIFRS 1102 *Classification and Measurement of Share-based Payment Transactions*

The IASB issued amendments to KIFRS 1102 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Federation is assessing the potential effect of the amendments on its consolidated financial statements.

4. Cash and cash equivalents and financial instruments

Details of the cash and cash equivalents and financial instruments as at December 31, 2016 and 2015 are as follows (Korean won in thousands):

		December 31, 2016		December 31, 2015		December 1, 2015	
Cash and cash equivalent	Cash	₩	1,268	₩	142	₩	533
	Foreign currency		9,478		1,258		890
	Deposits at banks		805,180		1,320,587		512,852
	Foreign deposits at banks		11,459,213		499,114		1,191,581
	Deposits for government grants		153,952		3		1
		₩	12,429,091	₩	1,821,104	₩	1,705,857
Short-term financial instruments	Time deposits at banks	₩	7,801,000	₩	9,376,000	₩	10,992,000
Long-term financial instruments	Long-term financial instruments		4,250,688		-		-
	Loan receivables		30,000		30,000		-
		₩	4,280,688	₩	30,000	₩	-
		₩	24,510,779	₩	11,227,104	₩	12,697,857

5. Financial instruments

(1) Details of financial instruments as at December 31, 2016, December 31 2015 and January 1, 2015 are as follows (Korean won in thousands):

December 31, 2016

	Loans and receivables	Other financial liabilities	Total
Asset :			
Cash and cash equivalent	₩ 12,429,091	₩ -	₩ 12,429,091
Short-term financial instruments	7,801,000	-	7,801,000
Long-term financial instruments	4,280,688	-	4,280,688
Other financial assets	1,209,291	-	1,209,291
	₩ 25,720,070	₩ -	₩ 25,720,070
Liability:			
Other financial liabilities	₩ -	₩ 366,840	₩ 366,840

December 31, 2015

	Loans and receivables	Other financial liabilities	Total
Asset :			
Cash and cash equivalent	₩ 1,821,104	₩ -	₩ 1,821,104
Short-term financial instruments	9,376,000	-	9,376,000
Long-term financial instruments	30,000	-	30,000
Other financial assets	1,439,817	-	1,439,817
	₩ 12,666,921	₩ -	₩ 12,666,921
Liability:			
Other financial liabilities	₩ -	₩ 279,165	₩ 279,165

January 1, 2015

	Loans and receivables	Other financial liabilities	Total
Asset :			
Cash and cash equivalent	₩ 1,705,857	₩ -	₩ 1,705,857
Short-term financial instruments	10,992,000	-	10,992,000
Other financial assets	1,725,233	-	1,725,233
	₩ 14,423,090	₩ -	₩ 14,423,090
Liability:			
Other financial liabilities	₩ -	₩ 205,267	₩ 205,267

(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.

5. Financial instruments (cont'd)

(3) Details of finance income and costs for the years ended December 31, 2016 and 2015 are as follows (Korean won in thousands):

		2016	2015
Loans and receivables	Interest revenues	₩ 104,489	₩ 80,245
	Gains on foreign exchange translation	1,151,321	846,002
	Losses on foreign exchange translation	(56,177)	(43,189)
	Gains on foreign exchange transaction	16,099	45,965
	Losses on foreign exchange transaction	(38,955)	(175,558)
	Bad debt expenses	-	1,077,307
	Reversal of allowance for doubtful accounts	(273,539)	-

6. Other current financial assets

(1) Details of other current financial assets as at December 31, 2016, December 31, 2015 and January 1, 2015 are as follows. Other account receivables in the statement of financial position are carried at net amount of allowance for bad debt loan (Korean won in thousands):

	December 31, 2016		December 31, 2015		January 1, 2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Other accounts receivable	₩ 610,055	₩ -	₩ 2,056,314	₩ -	₩ 1,680,293	₩ -
Allowance for bad debt loan	(138,030)	-	(1,298,418)	-	(221,112)	-
Accrued income	87,437	-	67,189	-	116,606	-
Leasehold deposits	-	585,097	-	550,000	-	84,713
Other deposits	-	64,733	-	64,733	-	64,733
	₩ 559,462	₩ 649,830	₩ 825,085	₩ 614,733	₩ 1,575,787	₩ 149,446

(2) Changes in allowance for bad debt loan on other financial assets for the years ended December 31, 2016 and 2015 are as follows (Korean won in thousands):

	2016	2015
January 1, 2016	₩ 1,298,418	₩ 221,112
Impaired receivables (reversal of impairment loss)	(273,539)	1,077,306
Write-off	(886,849)	-
December 31, 2016	₩ 138,030	₩ 1,298,418

7. Property, plant and equipment

(1) Details of property, plant and equipment as at December 31, 2016, December 31, 2015 and January 1, 2015 are as follows. (Korean won in thousands):

December 31, 2016

	Acquisition value	Depreciation allowance	Net book value
Vehicles	₩ 68,497	₩ (34,111)	₩ 34,386
Office equipment	138,169	(126,985)	11,184
Leasehold improvements	27,280	(27,280)	-
	₩ 233,946	₩ (188,376)	₩ 45,570

December 31, 2015

	Acquisition value	Depreciation allowance	Net book value
Vehicles	₩ 68,497	₩ (20,412)	₩ 48,085
Office equipment	138,169	(119,924)	18,245
Leasehold improvements	27,280	(27,280)	-
	₩ 233,946	₩ (167,616)	₩ 66,330

January 1, 2015

	Acquisition value	Depreciation allowance	Net book value
Vehicles	₩ 25,429	₩ (2,543)	₩ 22,886
Office equipment	138,169	(111,350)	26,819
Leasehold improvements	27,280	(27,280)	-
	₩ 190,878	₩ (141,173)	₩ 49,705

(2) Details of changes in book value of property, plant and equipment for the years ended December 31, 2016 and 2015 are as follows. (Korean won in thousands):

	2016		
	January 1	Depreciation expense	December 31
Vehicles	₩ 48,085	₩ (13,699)	₩ 34,386
Office equipment	18,245	(7,061)	11,184
	₩ 66,330	₩ (20,760)	₩ 45,570

	2015				
	January 1	Acquisiton	Depreciation expense	Others	December 31
Vehicles	₩ 22,886	₩ 43,067	₩ (9,392)	₩ (8,476)	₩ 48,085
Office equipment	26,819	-	(8,574)	-	18,245
	₩ 49,705	₩ 43,067	₩ (17,966)	₩ (8,476)	₩ 66,330

8. Intangible assets

(1) Details of intangible assets as at December 31, 2016, December 31, 2015 and January 1, 2015 are as follows. (Korean won in thousands):

December 31, 2016

	Acquisition value	Depreciation allowance	Net book value
Other intangible assets	₩ 423,639	₩ (326,131)	₩ 98,508

December 31, 2015

	Acquisition value	Depreciation allowance	Net book value
Other intangible assets	₩ 340,760	₩ (312,577)	₩ 28,183

January 1, 2015

	Acquisition value	Depreciation allowance	Net book value
Other intangible assets	₩ 480,270	₩ (401,074)	₩ 7,196

(2) Details of changes in book value of intangible assets for the years ended December 31, 2016 and 2015 are as follows. (Korean won in thousands):

	2016			
	January 1	Acquisiton	Depreciation expense	December 31
Other intangible assets	₩ 28,183	₩ 83,879	₩ (13,554)	₩ 98,508

	2015			
	January 1	Acquisiton	Depreciation expense	December 31
Other intangible assets	₩ 7,196	₩ 28,500	₩ (7,513)	₩ 23,183

9. Financial Liabilities

Details of financial liabilities as at December 31, 2016 are as follows. (Korean won in thousands):

	December 31, 2016	December 31, 2015	January 1, 2015
Accounts payable	₩ 217,949	₩ 61,070	₩ 30,592
Accrued expenses	148,891	145,729	102,308
Deposits received	-	72,366	72,366
	₩ 366,840	₩ 279,165	₩ 205,266

10. Other Liabilities

Details of financial liabilities as at December 31, 2016, December 31, 2015 and January 1, 2015 are as follows. (Korean won in thousands):

	December 31, 2016		December 31, 2015		January 1, 2015	
Income in advance	₩	853,076	₩	744,814	₩	74,196
Withholdings		24,697		23,770		14,954
Value added tax withheld		-		86,074		14,470
	₩	877,773	₩	854,658	₩	103,620

11. Advance received from IOC Fund

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, 2016, December 31, 2015 and January 1, 2015 are as follows.

	December 31, 2016		December 31, 2015		January 1, 2015	
Advance received from IOC Fund	₩	15,259,465	₩	3,993,265	₩	7,986,530

Changes in advances received from IOC Fund for the years ended December 31, 2016 and 2015 are as follows (Korean won in thousands):

	2016							
	Beginning balance		Dividends		Profit		Ending balance	
Advance received from IOC Fund	₩	3,993,265	₩	15,259,465	₩	(3,993,265)	₩	15,259,465

	2015							
	Beginning balance		Dividends		Profit		Ending balance	
Advance received from IOC Fund	₩	7,986,530	₩	-	₩	(3,993,265)	₩	3,993,265

12. 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, 2016, December 31, 2015 and January 1, 2015 are as follows. (Korean won in thousands):

	December 31, 2016		December 31, 2015		January 1, 2015	
Present value of defined benefit liabilities	₩	687,638	₩	493,734	₩	405,588
Fair value of plan assets		(522,867)		(380,203)		(385,204)
	₩	164,771	₩	113,531	₩	20,384

12. Defined benefit liabilities (cont'd)

(2) Revenues and expenses incurred in relation to the defined benefit pension plan for the years ended December 31, 2016 and 2015 are as follows (Korean won in thousands):

	2016	2015
Current service cost	₩ 87,426	₩ 86,299
Net value of net defined benefit liabilities	1,856	(584)
	₩ 89,282	₩ 85,715

(3) Changes in the present value of the defined benefit obligation for the years ended December 31, 2016 and 2015 are as follows (Korean won in thousands):

	2016	2015
Benefit liability as at January 1	₩ 493,734	₩ 405,588
Payroll expenses (current net income):		
Current service cost	87,426	86,299
Interest cost	11,640	10,828
Benefits paid	-	(2,548)
Re-measurement gain(loss) in OCI:		
Actuarial changes arising from changes in demographic assumptions	-	886
Actuarial changes arising from changes in financial assumptions	(915)	(2,754)
Others	95,753	(4,565)
Benefit liability as at December 31	₩ 687,638	₩ 493,734

(4) Changes in the fair value of plan assets for the years ended December 31, 2016 and 2015 are as follows (Korean won in thousands):

	2016	2015
Fair value of plan assets as at January 1	₩ 380,203	₩ 385,204
Payroll expenses (current net income):		
Interest cost	9,784	11,412
Benefits paid	-	(11,611)
Re-measurement gain (loss) in OCI:		
Revenues of plan assets	(5,258)	(4,802)
Contributions by employer	138,138	-
Fair value of plan assets as at December 31	₩ 522,867	₩ 380,203

(5) Other comprehensive incomes incurred in relation to the re-measurement of the net defined benefit pension plan for the years ended December 31, 2016 and 2015 are as follows (Korean won in thousands):

	2016	2015
Re-measurement gain (loss) in OCI before income taxes	₩ 100,096	₩ (1,631)
Effect of income taxes	6,903	(131)
Re-measurement gain (loss) in OCI after income taxes	93,193	(1,500)

(6) The principal assumptions used in actuarial calculation as at December 31, 2016 and 2015 are as follows:

	2016	2015
Future salary increases	2%	2%
Discount rate	2.52%	2.50%

12. Defined benefit liabilities (cont'd)

(7) A quantitative sensitivity analysis for significant assumptions as at December 31, 2016 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%	₩	(42,868)	₩	48,899
Future salary increases	1.00%		48,712		(43,509)

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.

13. Net assets

Details of net assets as at December 31, 2016, December 31, 2015 and January 1, 2015 are as follows. (Korean won in thousands):

	December 31, 2016		December 31, 2015		January 1, 2015	
Net assets without constraints	₩	8,717,257	₩	7,362,552	₩	5,939,614
Net assets with permanent constraints		2,000		2,000		2,000
	₩	8,719,257	₩	7,364,552	₩	5,941,614

14. Operating revenue

(1) Details of non-profit segment revenue for the years ended December 31, 2016 and 2015 are as follows. (Korean won in thousands):

	2016		2015	
IR fee & annual membership fee	₩	151,570	₩	201,610
Government subsidy		680,000		260,000
Kukkiwon subsidy		700,000		1,200,000
Other subsidies		146,842		310,800
Education program		311,879		168,008
IOC subsidy		3,993,265		3,993,265
Competitions		236,012		695,755
	₩	6,219,568	₩	6,829,438

(2) Details of profit making segment revenue for the years ended December 31, 2016 and 2015 are as follows. (Korean won in thousands):

	2016		2015	
Marketing income	₩	2,741,882	₩	3,661,188
Sales of broadcasting rights		50,339		247,860
Advertisement		47,736		38,472
Other subsidies		-		2,739
	₩	2,839,957	₩	3,950,259

15. Operating expenses

Details of operating expenses for the years ended December 31, 2016 and 2015 are as follows. (Korean won in thousands):

		2016		2015
Salaries	₩	1,985,462	₩	1,712,808
Servicing		136,599		157,186
Provision for severance and retirement benefits		89,281		85,715
Employee benefits		185,260		113,572
Travel		7,924		66,485
Entertainment		126,657		103,941
Communication		29,780		83,755
Taxes and dues		62,786		96,939
Depreciation		20,761		17,966
Rents		515,269		297,820
Repairs		-		64,000
Insurance premium		21,127		209,490
Vehicles maintenance		59,920		63,348
Freight		20,378		25,281
Training		162,951		136,604
Printing		160,818		170,156
Conference		381,966		390,023
Supplies		46,460		115,343
Commission		1,078,133		834,979
Event		246,911		68,877
Advertising		335,251		209,300
Amortization		13,554		7,513
Other supporting expenses		282,741		46,014
Miscellaneous		5,614		1,151
Competiton		990,595		1,901,391
Advertising		83,506		144,000
Office management		16,860		57,601
Development fund		468,169		1,211,388
Taekwondo demo team		332,644		285,751
Supporting expenses by government fund		608,914		260,000
Bad debt expenses		(273,539)		1,077,307
	₩	8,202,752	₩	10,015,704

16. Other revenues and expenses

Other revenues and expenses incurred for the years ended December 31, 2016 and 2015 are as follows.

(1) Other revenues incurred for the years ended December 31, 2016 and 2015 are as follows (Korean won in thousands):

	2016		2015	
Interest income	₩	104,489	₩	80,245
Gain on foreign currency transaction		16,099		45,965
Gain on foreign currency translation		1,151,321		846,002
Other gain		73,680		14,812
	₩	1,345,589	₩	987,024

(2) Other expenses incurred for the years ended December 31, 2016 and 2015 are as follows (Korean won in thousands):

	2016		2015	
Loss on foreign currency transaction	₩	38,955	₩	175,558
Donations		17,000		-
Loss on foreign currency translation		56,177		43,189
Other expenses		151,796		8,477
	₩	263,928	₩	227,224

17. Income taxes

(1) The major components of income tax expense for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016		2015	
Current income tax charge	₩	126,422	₩	149,652
Adjustments in respect of current income tax of previous years		357,212		(47,167)
Income taxes recognized directly to equity		6,903		(131)
Income tax expense	₩	490,537	₩	102,354

(2) Details of income taxes recognized directly to equity as at December 31, 2016 and 2015 are as follows (Korean won in thousands):

	2016		2015	
Re-measurement loss on net of defined benefit liability	₩	6,903	₩	(131)

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):

	2016		2015	
Income before income taxes	₩	1,938,435	₩	1,523,792
Tax at the statutory income tax rate		404,456		313,234
Adjustments:				
Expenses not deductible for tax purposes		(31,664)		(19,110)
Tax exemption of revenue		247,190		42,723
Others		(129,444)		(234,494)
Income tax expense	₩	490,537	₩	102,353
Effective income tax rate		25.31%		6.72%

(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, 2016 and 2015 and the years then ended are as follows (Korean won in millions):

	December 31, 2016							
		January 1		Changes in profit and loss		Changes in OCI		December 31
Deferred tax asset:								
Uncollectible accounts	₩	251,957	₩	(222,933)	₩	-	₩	29,024
Accrued expenses		116		4,583		-		4,699
Severance and retirement benefits		30,098		7,931		6,903		44,932
		282,171		(210,419)		6,903		78,655
Deferred tax liability:								
Allowance for non-profit segment		(311,960)		(148,280)		-		(460,240)
Allowance for retirement pension		(30,643)		(5,416)		-		(36,060)
		(342,603)		(153,696)		-		(496,300)
Net deferred tax assets (liabilities)	₩	(60,432)	₩	(364,115)	₩	6,903	₩	(417,644)

17. Income taxes (cont'd)

	December 31, 2015							
		January 1		Changes in profit and loss		Changes in OCI		December 31
Deferred tax asset:								
Uncollectible accounts	₩	31,300	₩	220,657	₩	-	₩	251,957
Accrued expenses		1,460		(1,345)		-		115
Severance and retirement benefits		23,224		7,006		(131)		30,099
		55,984		226,318		(131)		282,171
Deferred tax liability:								
Allowance for non-profit segment		(140,360)		(171,600)		-		(311,960)
Allowance for retirement pension		(23,224)		(7,420)		-		(30,644)
		(163,584)		(179,020)		-		(342,604)
Net deferred tax assets (liabilities)	₩	(107,600)	₩	47,298	₩	(131)	₩	(60,432)

18. Statements of cash flows

(1) Significant transactions not involving cash flows for the years ended December 31, 2016 and 2015 are as follows (Korean won in thousands):

		2016		2015
Provision for severance and retirement benefits	₩	89,281	₩	85,715
Depreciation		20,761		17,966
Amotization		13,554		7,513
Bad debt expenses		(273,539)		1,077,307
IOC subsidy		(3,993,265)		(3,993,265)
Gain on foreign currency translation, net		(1,151,321)		(846,002)
Loss on foreign currency translation, net		56,177		43,189
Interest income		(104,489)		(80,245)
Income tax expense		490,537		102,353
Others		-		8,476
	₩	(4,852,304)	₩	(3,576,993)

18. Statements of cash flows (cont'd)

(2) Significant transactions net working capital for the years ended December 31, 2016 and 2015 are as follows (Korean won in thousands):

	2016	2015
Other accounts receivable	₩ 559,410	₩ (376,020)
Other current receivable assets	-	280
Other liabilities	110,789	824,936
Retirement pension	(138,138)	11,611
Payment of severance and retirement benefits	-	(2,548)
	₩ 532,061	₩ 458,259

19. Fair value

(1) Fair value of financial instruments

	2016		**2015**		**2015 (inception)**	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Cash and cash equivalents	₩ 12,429,091	₩ 12,429,091	₩ 1,821,104	₩ 1,821,104	₩ 1,705,857	₩ 1,705,857
Current and non-current financial assets	12,081,688	12,081,688	9,406,000	9,406,000	10,992,000	10,992,000
Other financial assets	1,209,291	1,209,291	1,439,818	1,439,818	1,725,233	1,725,233
	₩ 25,720,070	₩ 25,720,070	₩ 12,666,922	₩ 12,666,922	₩ 14,423,090	₩ 14,423,090
Financial liabilities						
Other financial liabilities	₩ 366,840	₩ 366,840	₩ 279,165	₩ 279,165	₩ 205,267	₩ 205,267

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

(3) As at December 31, 2016 and 2015, the Federation held the following financial instruments, carried at fair value, on the statement of financial position (Korean won in thousands):

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	₩ 1,268	₩ 12,427,823	₩ -	₩ 12,429,091
Short-term financial instruments	-	12,051,688	-	12,051,688
Other financial assets	-	-	1,209,291	1,209,291
Financial liabilities:				
Other financial liabilities	₩ -	₩ -	₩ 366,840	₩ 366,840

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	₩ 142	₩ 1,820,962	₩ -	₩ 1,821,104
Short-term financial instruments	-	9,376,000	-	9,376,000
Other financial assets	-	-	1,469,817	1,469,817
Financial liabilities:				
Other financial liabilities	₩ -	₩ -	₩ 279,165	₩ 279,165

	January 1, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	₩ 533	₩ 1,705,324	₩ -	₩ 1,705,857
Short-term financial instruments	-	10,992,000	-	10,992,000
Other financial assets	-	-	1,725,233	1,725,233
Financial liabilities:				
Other financial liabilities	₩ -	₩ -	₩ 205,267	₩ 205,267

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. There were no transfers between Level 1 and Level 2 or transfer to or from Level 3 during 2016 and 2015.

20. First time adoption of KIFRS

For all periods up to and including the year ended December 31, 2015, the Federation prepared its financial statements in accordance with standards for general–purpose external financial statements provided by a not-for-profit organization. These financial statements, for the year ended December 31, 2016, are the first financial statements the Federation has prepared in accordance with Korea International Financial Reporting Standards (K-IFRS).

Accordingly, the Federation has prepared financial statements which comply with K-IFRS applicable for periods beginning on or after January 1, 2015 as described in the accounting policies. In preparing these financial statements, the Federation's opening statement of financial position was prepared as at January 1, 2015, the Federation's date of transition date to K-IFRS.

Exemptions applied

K-IFRS 1101 *First-Time Adoption of Korean International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain K-IFRSs effective as of December 31, 2016.

Adjustment between K-IFRS and previous local GAAP

1) Material differences between K-IFRS and previous GAAP are as follows:

① Employee benefit liability

Under previous GAAP, the provision for retirement benefits was calculated assuming all employees with at least one year of services were to terminate their employment as of the reporting date. Under K-IFRS, the Federation measures the provision using the projected unit credit method based on actuarial assumptions as defined benefit liabilities.

② Deferred income taxes

Under previous local GAAP, deferred tax assets and liabilities had been classified as current or non-current assets and liabilities according to their liquidity. Under K-IFRS, all the deferred tax assets and liabilities are reclassified as non-current items. In addition, income tax effects from GAAP differences between K-IFRS and previous local GAAP are considered.

2) The adjustments for net assets as at December 31, 2015 are as follows (Korean won in thousands):

	GAAP	Convert effect	KIFRS
Assets			
Current assets	₩ 11,616,754	₩ 405,434	₩ 12,022,188
Non-current assets	739,247	-	739,247
	12,356,001	405,434	12,761,434
Liabilities			
Current liabilities	5,028,103	198,814	5,222,918
Non-current liabilities	1,892,814	(1,718,849)	173,965
	6,920,918	(1,524,036)	5,396,882
Equity	5,435,083	1,929,469	7,364,552
Total liabilities and equity	₩ 12,356,001	₩ 405,434	₩ 12,761,435

20. First time adoption of KIFRS (cont'd)

3) The adjustments for net assets as at January 1, 2015 are as follows (Korean won in thousands):

	GAAP	Convert effect	KIFRS
Assets			
Current assets	₩ 13,990,330	₩ 283,594	₩ 14,273,925
Non-current assets	209,804	(3,457)	206,347
	14,200,134	283,594	14,273,925
Liabilities			
Current liabilities	8,324,867	85,807	8,410,673
Non-current liabilities	1,804,961	(1,676,977)	127,984
	10,129,828	(1,581,171)	8,538,658
Equity	4,070,306	1,871,308	5,941,614
Total liabilities and equity	₩ 14,200,134	₩ 280,137	₩ 14,480,271

4) The adjustments for comprehensive income for the year ended December 31, 2015 are as follows (Korean won in thousands):

	GAAP	Convert effect	KIFRS
Operating revenue	₩ 10,704,912	₩ 74,785	₩ 10,779,697
Operating expenses	9,957,962	57,742	10,015,704
Net operating income	746,950	17,043	763,993
Other operating revenue	986,486	538	987,024
Other operating expenses	219,008	8,217	227,225
Profit for the year before tax	1,514,428	9,364	1,523,792
Income tax expense	149,652	(47,299)	102,353
Profit for the year	1,364,776	56,663	1,421,439
Other comprehensive income for the year, net of tax	-	1,499	1,499
Total comprehensive income for the year, net of tax	₩ 1,364,776	₩ 58,162	₩ 1,422,938

(4) In order to present a separate line for interest received and income tax paid as part of reconciling items to net cash flows in cash flow statements under K-IFRS (not required under Previous GAAP), adjustments to related income (expense) and assets (liabilities) were made. There are no other items that had a material impact on the statements of cash flows under K-IFRS compared to Previous GAAP.

World Taekwondo Federation
Statements of financial position (Non-profit segment)
as at December 31, 2016 and 2015

	December 31, 2016		December 31, 2015	
	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	₩ 10,075,110	$ 8,336,872	₩ 1,161,815	$ 961,369
Short-term financial instruments	7,355,562	6,086,522	7,173,680	5,936,020
Total current assets	17,430,672	14,423,394	8,335,495	6,897,389
Non-current assets:				
Investment assets:				
Long-term financial instruments	2,918,193	2,414,723	-	-
Loan receivables	20,596	17,044	19,139	15,837
	2,938,789	2,431,767	19,139	15,837
Property and equipment:				
Vehicles	68,497	56,679	68,497	56,679
Accumulated depreciation	(34,112)	(28,227)	(20,412)	(16,890)
Office equipment	104,546	86,509	104,546	86,509
Accumulated depreciation	(96,044)	(79,474)	(91,245)	(75,503)
Leasehold improvements	27,280	22,573	27,280	22,573
Accumulated depreciation	(27,280)	(22,573)	(27,280)	(22,573)
	42,887	35,487	61,386	50,795
Intangible assets, net:				
Other intangible assets	67,627	55,959	17,980	14,878
Other non-current assets:				
Leasehold deposits	585,097	484,151	550,000	455,110
Other deposits	64,733	53,565	64,733	53,565
	649,830	537,716	614,733	508,675
Total non-current assets	3,699,133	3,060,929	713,238	590,185
Total assets	₩ 21,129,805	$ 17,484,323	₩ 9,048,733	$ 7,487,574

(Continued)

World Taekwondo Federation
Statements of financial position (Non-profit segment)
as at December 31, 2015 and 2014 (cont'd)

	December 31, 2016		December 31, 2015	
	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	₩ 102,217	$ 84,581	₩ 92,434	$ 76,487
Other accounts payable	137,415	113,707	38,961	32,239
Withholdings	16,955	14,030	15,164	12,548
Deposits received	-	-	72,366	59,881
Unearned revenue	744,160	615,772	744,814	616,313
Advance received from IOC Fund	15,259,465	12,626,781	3,993,265	3,304,315
Total current liabilities	16,260,212	13,454,871	4,957,004	4,101,783
Non-current liabilities:				
Severance and retirement benefits	472,079	390,632	345,194	285,638
Allowance for retirement pension	(358,960)	(297,029)	(240,914)	(199,350)
Other provisions	-	-	60,432	50,006
Total non-current liabilities	113,119	93,603	164,712	136,294
Total liabilities	16,373,331	13,548,474	5,121,716	4,238,077
Net assets				
Net assets with no restriction:				
Unappropriated retained earning	4,754,474	3,934,194	3,925,017	3,247,842
Net assets with permanent restriction	2,000	1,655	2,000	1,655
Total net assets	4,756,474	3,935,849	3,927,017	3,249,497
Total liabilities and net assets	₩ 21,129,805	$ 17,484,323	₩ 9,048,733	$ 7,487,574

The accompanying notes are an integral part of the financial statements

World Taekwondo Federation
Statements of income (Non-profit segment)
for the years ended December 31, 2016 and 2015

	2016		2015	
	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	₩ 151,570	$ 125,420	₩ 201,610	$ 166,827
Government subsidy	680,000	562,681	260,000	215,143
Kukkiwon subsidy	700,000	579,230	1,200,000	992,966
Other subsidies	146,842	121,508	310,800	257,178
Education program	311,879	258,071	168,008	139,022
IOC subsidy	3,993,265	3,304,315	3,993,265	3,304,315
Competitions	236,012	195,293	695,755	575,718
Total operating revenue	6,219,568	5,146,518	6,829,438	5,651,169
Operating expenses				
Salaries	1,363,064	1,127,897	1,092,724	904,199
Provision for severance and retirement benefits	61,294	50,719	64,101	53,042
Servicing	93,778	77,599	100,280	82,979
Employee benefits	127,185	105,242	72,456	59,955
Travel	5,440	4,501	42,416	35,098
Entertainment	86,953	71,951	66,312	54,871
Communication	20,444	16,917	53,433	44,214
Office management	11,575	9,578	36,747	30,407
Taxes and dues	43,104	35,667	61,845	51,175
Rents	353,744	292,713	190,001	157,221
Repairs	-	-	40,830	33,786
Insurance premium	14,504	12,002	133,649	110,591
Vehicles maintenance	41,137	34,040	40,414	33,441
Freight	13,990	11,576	16,129	13,346
Training	111,870	92,569	87,150	72,114
Printing	110,405	91,357	108,555	89,826
Conference	262,229	216,987	248,824	205,895
Competition	680,065	562,735	1,213,035	1,003,753
Supplies	31,896	26,393	73,586	60,890
Commission	740,163	612,464	532,693	440,789
Advertising	287,486	237,887	225,396	186,509
Event	169,510	140,265	43,942	36,361
Depreciation	18,499	15,307	15,428	12,766
Amotization	9,305	7,700	5,793	4,794
Development fund	468,169	387,397	1,211,388	1,002,390
Supporting expenses by government fund	608,914	503,859	260,000	215,143
Taekwondo demo team	332,644	275,254	285,751	236,451
Other supporting expenses	194,108	160,619	29,356	24,291
Miscellaneous	3,853	3,188	733	607
Total operating expenses	6,265,328	5,184,383	6,352,967	5,256,904
Net operating income	(45,760)	(37,865)	476,471	394,265

(Continued)

World Taekwondo Federation
Statements of income (Non-profit segment)
for the years ended December 31, 2016 and 2015 (cont'd)

	2016		2015	
	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	₩ 11,053	$ 9,146	₩ 29,324	$ 24,265
Gain on foreign currency translation	790,408	654,041	542,317	448,752
Gain on prior period adjustment	-	-	7,737	6,402
Miscellaneous gain	50,582	41,855	367	304
Total non-operating revenue	852,043	705,042	579,745	479,723
Non-operating expenses				
Loss on foreign currency transaction	26,744	22,130	112,001	92,678
Loss on foreign currency translation	38,567	31,913	30,528	25,261
Loss on prior period adjustment	17,000	14,067	-	-
Miscellaneous loss	104,211	86,232	1	1
Loss on prior period adjustment	-	-	8,476	7,014
Total non-operating expenses	186,522	154,342	151,006	124,954
Net income	₩ 619,761	$ 512,835	₩ 905,210	$ 749,034

The accompanying notes are an integral part of the financial statements

World Taekwondo Federation
Statements of financial position (Profit-making segment)
as at December 31, 2016 and 2015

	December 31, 2016		December 31, 2015	
	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	₩ 2,353,981	$ 1,947,854	₩ 659,289	$ 545,543
Short-term financial instruments	445,438	368,588	2,202,320	1,822,358
Other accounts receivable	610,055	504,803	2,056,313	1,701,542
Accrued income	(138,030)	(114,216)	(1,298,418)	(1,074,405)
Prepaid expenses	87,437	72,352	67,189	55,597
Total current assets	3,358,881	2,779,381	3,686,693	3,050,635
Non-current assets:				
Investment assets:				
Long-term financial instruments	1,332,495	1,102,602	-	-
Loan receivables	9,404	7,782	10,861	8,987
	1,341,899	1,110,384	10,861	8,987
Property and equipment:				
Office equipment	33,623	27,822	33,623	27,822
Accumulated depreciation	(30,940)	(25,602)	(28,678)	(23,730)
	2,683	2,220	4,945	4,092
Intangible assets, net:				
Other intangible assets	30,880	25,552	10,203	8,443
Total non-current assets	1,375,462	1,138,156	26,009	21,522
Total assets	₩ 4,734,343	$ 3,917,537	₩ 3,712,702	$ 3,072,157

(Continued)

World Taekwondo Federation
Statements of financial position (Profit-making segment)
as at December 31, 2016 and 2015

	December 31, 2016		December 31, 2015	
	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	₩ 46,674	$ 38,621	₩ 53,296	$ 44,101
Other accounts payable	80,534	66,640	22,109	18,294
Withholdings	7,742	6,406	8,605	7,120
Value added tax withheld	-	-	86,074	71,224
Income tax payable	58,399	48,324	95,830	79,297
Income in advance	108,916	90,125	-	-
Total current liabilities	302,265	250,116	265,914	220,036
Non-current liabilities:				
Severance and retirement benefits	215,559	178,369	148,540	122,913
Allowance for retirement pension	(163,907)	(135,628)	(139,288)	(115,257)
Deferred tax liabilities	417,644	345,589	-	-
Total non-current liabilities	469,296	388,330	9,252	7,656
Total liabilities	771,561	638,446	275,166	227,692
Net assets				
Net assets with no restriction:				
Allowance for non-profit segment	1,418,000	1,173,355	638,000	527,927
Unappropriated retained earning	2,544,782	2,105,736	2,799,536	2,316,538
Total net assets	3,962,782	3,279,091	3,437,536	2,844,465
Total liabilities and net assets	₩ 4,734,343	$ 3,917,537	₩ 3,712,702	$ 3,072,157

The accompanying notes are an integral part of the financial statements

World Taekwondo Federation
Statements of income (Profit-making segment)
for the years ended December 31, 2016 and 2015

	2016		2015	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Operating revenue:				
Marketing income	₩ 2,741,882	$ 2,268,831	₩ 3,661,188	$ 3,029,531
Sales of broadcasting rights	50,339	41,654	247,860	205,097
Advertisement	47,736	39,500	38,472	31,835
Other subsidies	-	-	2,738	2,266
Total operating revenue	2,839,957	2,349,985	3,950,258	3,268,729
Operating expenses				
Salaries	622,398	515,017	620,084	513,102
Provision for severance and retirement benefits	27,988	23,159	36,375	30,099
Servicing	42,821	35,433	56,906	47,088
Employee benefits	58,075	48,055	41,116	34,022
Travel	2,484	2,055	24,070	19,917
Entertainment	39,704	32,854	37,630	31,138
Communication	9,335	7,724	30,322	25,091
Office management	5,285	4,373	20,852	17,254
Taxes and dues	19,682	16,286	35,095	29,040
Rents	161,525	133,657	107,819	89,217
Repairs	-	-	23,170	19,173
Insurance premium	6,623	5,480	75,841	62,756
Vehicles maintenance	18,784	15,543	22,934	18,977
Freight	6,388	5,286	9,152	7,573
Training	51,082	42,269	49,454	40,922
Printing	50,413	41,715	61,601	50,973
Conference	119,738	99,080	141,199	116,838
Competition	310,529	256,954	688,356	569,595
Supplies	14,564	12,051	41,757	34,553
Commission	337,970	279,661	302,285	250,132
Advertising	131,271	108,623	127,904	105,837
Event	77,401	64,047	24,935	20,633
Depreciation	2,262	1,872	2,537	2,099
Amotization	4,249	3,516	1,720	1,423
Bad debt expenses	(273,539)	(226,346)	1,077,307	891,441
Other supporting expenses	88,633	73,341	16,658	13,784
Miscellaneous	1,759	1,456	418	346
Total operating expenses	1,937,424	1,603,161	3,677,497	3,043,023
Net operating income	902,533	746,824	272,761	225,706

(Continued)

World Taekwondo Federation
Statements of income (Profit-making segment)
for the years ended December 31, 2016 and 2015 (cont'd)

	2016		2015	
	Korean won in thousands	**U.S. dollar (Note 2)**	**Korean won in thousands**	**U.S. dollar (Note 2)**
Non-operating revenue				
Interest income	₩ 104,489	$ 86,462	₩ 80,245	$ 66,400
Gain on foreign currency transaction	5,047	4,176	16,641	13,770
Gain on foreign currency translation	360,913	298,645	303,685	251,291
Gain on prior period adjustment	-	-	6,499	5,378
Miscellaneous gain	23,097	19,112	208	172
Total non-operating revenue	493,546	408,395	407,278	337,011
Non-operating expenses				
Loss on foreign currency transaction	12,212	10,105	63,557	52,592
Loss on foreign currency translation	17,610	14,572	12,661	10,477
Miscellaneous loss	47,584	39,374	-	-
Total non-operating expenses	77,406	64,051	76,218	63,069
Net income before income taxes	1,318,673	1,091,168	603,821	499,648
Income tax expense	490,537	405,906	102,353	84,694
Net income	₩ 828,136	$ 685,262	₩ 501,468	$ 414,954

The accompanying notes are an integral part of the financial statements