World Taekwondo

Financial statements
For the year ended December 31, 2017
(With the independent auditors' report thereon)

Table of contents

12th Floor S&S Bldg.
48 Ujeongguk-ro, Jongno-ku,
Seoul, 03145, Korea
T : +82 2 397 6700
F : +82 2 730 9559
www.samdukcpa.co.kr

Independent Auditors' Report

(Based on a report originally issued in Korean)

The President
World Taekwondo

We have audited the accompanying financial statements of World Taekwondo (the "Federation"), which comprise the statement of financial position as at December 31, 2017, and the statement of 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 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, 2017, and its financial performance and cash flows for the year then ended in accordance with Korean International Financial Reporting Standards.

Other Matter

The financial statements of World Taekwondo for the year ended December 31, 2016 were audited by Ernst & Young Han Young who expressed an modified opinion on those statements on March 31, 2017.

March 23, 2018

This audit report is effective as at March 23, 2018, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditors' report to the time this report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

World Taekwondo

Financial statements
For the years ended December 31, 2017 and 2016

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

Chungwon Choue
President
World Taekwondo

World Taekwondo
Statements of financial position
As at December 31, 2017 and 2016

	Notes	December 31, 2017		December 31, 2016	
		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	₩ 5,623,066	$ 5,248,335	₩ 12,429,091	$ 11,600,794
Short-term financial instruments	4,5,19	11,892,540	11,100,000	7,801,000	7,281,127
Other short-term financial assets	5,6,19	209,743	195,765	559,462	522,178
Current income tax assets		49,010	45,744	-	-
Total current assets		17,774,359	16,589,844	20,789,553	19,404,099
Non-current assets:					
Long-term financial assets	4,5,19	2,142,800	2,000,000	4,280,688	3,995,415
Property and equipment:	7	26,441	24,679	45,570	42,533
Intangible assets, net:	8	125,966	117,571	98,508	91,943
Other non-current financial assets	5,6,19	626,656	584,895	649,830	606,523
Total non-current assets		2,921,863	2,727,145	5,074,595	4,736,414
Total assets		**₩ 20,696,222**	**$ 19,316,989**	**₩ 25,864,148**	**$ 24,140,515**
Liabilities and net assets					
Current liabilities:					
Short-term financial liabilities	5,9,19	₩ 211,216	$ 197,140	₩ 366,839	$ 342,392
Other current liabilities	10	102,044	95,244	877,772	819,276
Advance received from IOC Fund	11	12,838,052	11,982,501	15,259,465	14,242,547
Income tax payable		-	-	58,399	54,507
Total current liabilities		13,151,312	12,274,885	16,562,475	15,458,722
Non-current liabilities:					
Severance and retirement benefits	12	324,125	302,525	164,772	153,791
Deferred tax liability	17	313,560	292,664	417,644	389,811
Total non-current liabilities		637,685	595,189	582,416	543,602
Total liabilities		**13,788,997**	**12,870,074**	**17,144,891**	**16,002,324**
Net assets					
Net assets with no restriction:	13				
Allowance for non-profit segment		2,092,000	1,952,585	1,418,000	1,323,502
Unappropriated retained earning		4,813,225	4,492,463	7,299,257	6,812,822
		6,905,225	6,445,048	8,717,257	8,136,324
Net assets with permanent restriction	13	2,000	1,867	2,000	1,867
Total net assets		**6,907,225**	**6,446,915**	**8,719,257**	**8,138,191**
Total liabilities and net assets		**₩ 20,696,222**	**$ 19,316,989**	**₩ 25,864,148**	**$ 24,140,515**

The accompanying notes are an integral part of the financial statements

World Taekwondo
Statements of income
For the years ended December 31, 2017 and 2016

	Notes	2017		2016	
		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		₩ 9,412,624	$ 8,785,350	₩ 6,219,568	$ 5,805,085
Profit making segment revenue		1,941,588	1,812,197	2,839,958	2,650,698
Total operating revenue		11,354,212	10,597,547	9,059,526	8,455,783
Operating expenses	15	(10,967,917)	(10,236,996)	(8,202,752)	(7,656,106)
Net operating income		**386,295**	**360,551**	**856,774**	**799,677**
Non-operating revenue	16	344,707	321,735	1,345,589	1,255,917
Non-operating expenses	16	2,589,989	2,417,388	263,929	246,340
Net income (loss) before income taxes		**(1,858,987)**	**(1,735,102)**	**1,938,434**	**1,809,254**
Income tax expense	17	(93,799)	(87,548)	490,537	457,847
Net income (loss)		**₩ (1,765,188)**	**$ (1,647,554)**	**₩ 1,447,897**	**$ 1,351,407**
Other comprehensive income (loss) for the year					
Remeasurement loss on net of defined benefit liability		(46,843)	(43,721)	(93,193)	(86,982)
Other comprehensive loss for the year		(46,843)	(43,721)	(93,193)	(86,982)
Total comprehensive income (loss) for the year		**₩ (1,812,031)**	**$ (1,691,275)**	**₩ 1,354,704**	**$ 1,264,425**

The accompanying notes are an integral part of the financial statements

World Taekwondo
Statements of changes in equity
For the years ended December 31, 2017 and 2016

	Net assets with permanent constraints				Net assets without constraints				Total equity			
	Korean won in thousands		U.S. dollar (Note 2)		Korean won in thousands		U.S. dollar (Note 2)		Korean won in thousands		U.S. dollar (Note 2)	
As at January 1, 2016	₩	**2,000**	$	**1,867**	₩	**7,362,552**	$	**6,871,898**	₩	**7,364,552**	$	**6,873,765**
Profit for the year		-		-		1,447,898		1,351,408		1,447,898		1,351,408
Remeasurement loss on net of defined benefit liabilities		-		-		(93,193)		(86,982)		(93,193)		(86,982)
Total comprehensive income		**-**		**-**		**1,354,705**		**1,264,426**		**1,354,705**		**1,264,426**
As at December 31, 2016	₩	**2,000**	**$**	**1,867**	₩	**8,717,257**	**$**	**8,136,324**	₩	**8,719,257**	**$**	**8,138,191**
As at January 1, 2017	₩	**2,000**	$	**1,867**	₩	**8,717,257**	$	**8,136,324**	₩	**8,719,257**	$	**8,138,191**
Profit (loss) for the year		-		-		(1,765,189)		(1,647,554)		(1,765,189)		(1,647,554)
Remeasurement loss on net of defined benefit liabilities		-		-		(46,843)		(43,722)		(46,843)		(43,722)
Total comprehensive income (loss)		**-**		**-**		**(1,812,032)**		**(1,691,276)**		**(1,812,032)**		**(1,691,276)**
As at December 31, 2017	₩	**2,000**	**$**	**1,867**	₩	**6,905,225**	**$**	**6,445,048**	₩	**6,907,225**	**$**	**6,446,915**

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

World Taekwondo
Statements of cash flows
For the years ended December 31, 2017 and 2016

	2017		2016	
	Korean won in thousands	**U.S. dollar (Note 2)**	**Korean won in thousands**	**U.S. dollar (Note 2)**
Cash flows from operating activities:				
Net income (loss)	₩ (1,765,189)	$ (1,647,554)	₩ 1,447,898	$ 1,351,408
Adjustments to reconcile net income to net cash flows	(1,852,525)	(1,729,069)	(4,852,304)	(4,528,938)
Changes in operating assets and liabilities	(1,582,492)	(1,477,032)	532,061	496,604
Interest received	258,703	241,463	84,241	78,627
IOC subsidy received	1,857,939	1,734,123	15,259,465	14,242,547
Income tax paid	57,465	53,635	(163,854)	(152,934)
Net cash flows from (used in) operating activities	**(3,026,099)**	**(2,824,434)**	**12,307,507**	**11,487,313**
Cash flows from investing activities:				
Increase in long-term financial instruments, net	₩ -	$ -	₩ -	$ -
Acquisition of tangible assets	-	-	-	-
Acquisition of intangible assets	(56,831)	(53,044)	(83,878)	(78,288)
Increase in leasehold deposits, net	-	-	(35,097)	(32,758)
Decrease in long-term loans	30,000	28,001	-	-
Decrease in other financial assets	18,786,918	17,534,924	9,376,000	8,751,167
Increase in other financial assets	(22,202,700)	(20,723,073)	(11,859,417)	(11,069,084)
Net cash flows used in investing activities	**(3,442,613)**	**(3,213,192)**	**(2,602,392)**	**(2,428,963)**
Cash flows from financing activities:				
Net cash flows from financing activities	**-**	**-**	**-**	**-**
Net increase (decrease) in cash and cash equivalents	(6,468,712)	(6,037,626)	9,705,115	9,058,350
Net foreign exchange difference	(337,313)	(314,834)	902,872	842,703
Cash and cash equivalents at January 1	12,429,091	11,600,794	1,821,104	1,699,741
Cash and cash equivalents at December 31	**₩ 5,623,066**	**$ 5,248,335**	**₩ 12,429,091**	**$ 11,600,794**

The accompanying notes are an integral part of the financial statements

1. Corporate information

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

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

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

The financial statements of the Federation will be approved by the General Assembly in Hammamet, Tunisia which is scheduled to be held on April 5, 2018.

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

2.1 Basis of preparation

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

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

Financial statement translation

The accompanying financial statements are expressed in Korean won, and solely for the convenience of the reader, have been translated into United States dollars at the rate of ₩1,071.40 to US$1, the year-end exchange rate on December 31, 2017. Such translation should not be construed as a representation that the Korean won amounts can actually be converted into United States dollars at the exchange rate used for the purpose of such translation.

2.2 Summary of significant accounting policies

2.2.1 Foreign currencies

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

The Federation presents its financial statements as the functional currency and the currency of the reporting currency.

2.2.1 Foreign currencies (cont'd)

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

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

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

2.2.2 Revenue 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.

2.2.2 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.

2.2.3 Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

2.2.3 Taxes (cont'd)

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

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

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

2.2.4 Pension benefits

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

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

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

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

2.2.5 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:

2.2.5 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.

2.2.5 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.

2.2.5 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.

2.2.5 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.

2.2.5 Financial instruments (cont'd)

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

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.

2.2.6 Property, plant and equipment

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

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

	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.

2.2.7 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.

2.2.8 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.

2.2.8 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.

2.2.9 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.

2.2.10 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.

2.2.10 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.

2.2.11 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.

2.2.11 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.

2.3 Estimates and assumptions

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

2.3.1 Impairment of non-financial assets

The Federation assesses, at each reporting date, whether there is an indication that an asset may be impaired. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, or when circumstances indicate that the carrying value may be impaired. Other non-financial assets are tested for impairment when circumstances indicate that its carrying amount may not be recoverable. In determining a value in use, management estimates future cash flows to be derived from the asset or CGU, and applies the appropriate discount rate to those future cash flows. The key assumptions including a sensitivity analysis, are further discussed in Note 16.

2.3.2 Defined benefit plans (pension benefits)

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

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

2.4 New and amended standards and interpretations

The Federation applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2017. 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 2017, they did not have a material impact on the annual financial statements of the Federation. The nature and the impact of each new standard or amendment is described below:

Amendments to KIFRS 1007 *Statement of Cash Flows: Disclosure Initiative*
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, these amendments do not have any impact on the Federation’s financial statements as the Federation has no cash flows from financing activities.

Amendments to KIFRS 1012 *Income Taxes: 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 deductible temporary difference related to unrealized losses. 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. However, their application has no effect on the Federation’s financial statements as the Federation has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle - 2014-2016
Amendments to KIFRS 1112 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in KIFRS 1112*
The amendments clarify that the disclosure requirements in KIFRS 1112, other than those in paragraphs B10–B16, apply to an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments do not have any impact on the Federation.

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*

In September 2015, The KASB issued the final version of KIFRS 1109 Financial Instruments that replaces KIFRS 1039 Financial Instruments: Recognition and Measurement and all previous versions of KIFRS 1109. KIFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Federation plans to adopt the new standard on the required effective date and will not restate comparative information.

Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

KIFRS 1109 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Federation is assessing the potential effect of the amendments on its financial statements.

KIFRS 1115 *Revenue from Contracts with Customers*

KIFRS 1115 was issued in November 2015, and amended in November 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under KIFRS 1115, revenue is recognised 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 IFRS. 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 and the impact of KIFRS 1115 adoption is expected to be immaterial to the Federation. The Federation is assessing the potential effect of the amendments on its financial statements.

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

The KASB 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. The Federation will apply these amendments on the required effective date. The Federation is assessing the potential effect of the amendments on its financial statements.

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

Transfers of Investment Property — Amendments to KIFRS 1040

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with KIFRS 1008 is only permitted if it is possible without the use of hindsight. These amendments are effective for annual periods beginning on or after January 1, 2018. Early application of the amendments is permitted and must be disclosed. The Federation will apply amendments when they become effective. The Federation is assessing the potential effect of the amendments on its financial statements.

KIFRS 1116 *Leases*

KIFRS 1116 was issued in January 2016 and it replaces KIFRS 1017 *Leases*, KIFRS 2104 *Determining whether an Arrangement contains a Lease*, KIFRS 2015 *Operating Leases-Incentives* and KIFRS 2027 *Evaluating the Substance of Transactions* Involving the Legal Form of a Lease. KIFRS 1116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under KIFRS 1017. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under KIFRS 1116 is substantially unchanged from today's accounting under KIFRS 1017. Lessors will continue to classify all leases using the same classification principle as in KIFRS 1017 and distinguish between two types of leases: operating and finance leases.

KIFRS 1116 also requires lessees and lessors to make more extensive disclosures than under KIFRS 1017.

KIFRS 1116 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies KIFRS 1115. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Federation will apply these amendments on the required effective date. The Federation is assessing the potential effect of the amendments on its financial statements.

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

KIFRS 1028 *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*
The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from January 1, 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Federation.

KIFRS 2122 *Foreign Currency Transactions and Advance Consideration*
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation, or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after January 1, 2018. Early application of interpretation is permitted and must be disclosed. The Federation is assessing the potential effect of the amendments on its financial statements.

Annual Improvements 2014-2016 Cycle
These improvements include:

KIFRS 1101 *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*
Short-term exemptions in paragraphs E3–E7 of KIFRS 1101 were deleted because they have now served their intended purpose. The amendment is effective from January 1, 2018. This amendment is not applicable to the Federation.

4. Cash and cash equivalents and financial instruments

Details of the cash and cash equivalents and financial instruments as at December 31, 2017 and 2016 are as follows (Korean won in thousands):

		December 31, 2017		December 31, 2016	
Cash and cash equivalent	Cash	₩	930	₩	1,268
	Foreign currency		17,193		9,478
	Deposits at banks		65,631		805,180
	Foreign deposits at banks		5,539,304		11,459,213
	Deposits for government grants		8		153,952
		₩	5,623,066	₩	12,429,091
Short-term financial instruments	Time deposits at banks	₩	11,892,540	₩	7,801,000
Long-term financial instruments	Long-term financial instruments		2,142,800		4,250,688
		₩	19,658,406	₩	24,480,779

5. Financial instruments

(1) Details of financial instruments as at December 31, 2017 and 2016 are as follows (Korean won in thousands):

December 31, 2017

	Loans and receivables		Other financial liabilities		Total	
Asset :						
Cash and cash equivalent	₩	5,623,066	₩	-	₩	5,623,066
Short-term financial instruments		11,892,540		-		11,892,540
Long-term financial instruments		2,142,800		-		2,142,800
Other financial assets		836,399		-		836,399
	₩	20,494,805	₩	-	₩	20,494,805
Liability:						
Other financial liabilities	₩	-	₩	211,216	₩	211,216

5. Financial instruments (cont'd)

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

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

(3) Details of finance income and costs for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

		2017		2016	
Loans and receivables	Interest revenues	₩	339,591	₩	104,489
	Gains on foreign exchange translation		968		1,151,321
	Losses on foreign exchange translation		(1,770,411)		(56,177)
	Gains on foreign exchange transaction		3,749		16,099
	Losses on foreign exchange transaction		(809,731)		(38,955)
	Bad debt expenses		(470,863)		-
	Reversal of allowance for doubtful accounts		-		(273,539)

6. Other current financial assets

(1) Details of other current financial assets as at December 31, 2017 and 2016 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, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Other accounts receivable	₩ 41,419	₩ -	₩ 610,055	₩ -
Allowance for bad debt loan	-	-	(138,030)	-
Accrued income	168,324	-	87,437	-
Leasehold deposits	-	585,097	-	585,097
Other deposits	-	41,559	-	64,733
	₩ 209,743	₩ 626,656	₩ 559,462	₩ 649,830

(2) Changes in allowance for bad debt loan on other financial assets for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017	2016
January 1	₩ 138,030	₩ 1,298,418
Reversal of impairment loss	-	(273,539)
Write-off	(138,030)	(886,849)
December 31	₩ -	₩ 138,030

7. Property and equipment

(1) Details of property and equipment as at December 31, 2017 and 2016 are as follows. (Korean won in thousands):

December 31, 2017

	Acquisition value	Depreciation allowance	Net book value
Vehicles	₩ 68,497	₩ (46,963)	₩ 21,534
Office equipment	138,169	(133,262)	4,907
Leasehold improvements	27,280	(27,280)	-
	₩ 233,946	₩ (207,505)	₩ 26,441

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

7. Property and equipment (cont'd)

(2) Details of changes in book value of property and equipment for the years ended December 31, 2017 and 2016 are as follows. (Korean won in thousands):

	2017					
	January 1		Depreciation expense		December 31	
Vehicles	₩	34,386	₩	(12,852)	₩	21,534
Office equipment		11,184		(6,277)		4,907
	₩	45,570	₩	(19,129)	₩	26,441

	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

8. Intangible assets

(1) Details of intangible assets as at December 31, 2017 and 2016 are as follows. (Korean won in thousands):

December 31, 2017

	Acquisition value		Depreciation allowance		Net book value	
Other intangible assets	₩	577,479	₩	(451,513)	₩	125,966

December 31, 2016

	Acquisition value		Depreciation allowance		Net book value	
Other intangible assets	₩	424,639	₩	(326,131)	₩	98,508

(2) Details of changes in book value of intangible assets for the years ended December 31, 2017 and 2016 are as follows. (Korean won in thousands):

	2017							
	January 1		Acquisiton		Depreciation expense		December 31	
Other intangible assets	₩	98,508	₩	56,830	₩	(29,372)	₩	125,966

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

9. Financial Liabilities

Details of financial liabilities as at December 31, 2017 and 2016 are as follows. (Korean won in thousands):

	December 31, 2017		December 31, 2016	
Accounts payable	₩	84,696	₩	217,949
Accrued expenses		126,520		148,891
	₩	211,216	₩	366,840

10. Other Liabilities

Details of financial liabilities as at December 31, 2017 and 2016 are as follows. (Korean won in thousands):

	December 31, 2017		December 31, 2016	
Income in advance	₩	68,294	₩	853,076
Withholdings		29,350		24,697
Value added tax withheld		4,400		-
	₩	102,044	₩	877,773

11. Advance received from IOC Fund

(1) Advance received from IOC Fund of the Federation are Olympic Games dividends from IOC, which is to be deferred for 4 years. Details of advance received from IOC Fund as at December 31, 2017 and 2016 are as follows.

	December 31, 2017		December 31, 2016	
Advance received from IOC Fund	₩	12,838,052	₩	15,259,465

(2) Changes in advances received from IOC Fund for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017							
	Beginning balance		Dividends		Profit		Ending balance	
Advance received from IOC Fund	₩	15,259,465	₩	1,857,938	₩	(4,279,351)	₩	12,838,052

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

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, 2017 and 2016 are as follows. (Korean won in thousands):

	December 31, 2017		December 31, 2016	
Present value of defined benefit liabilities	₩	851,643	₩	687,638
Fair value of plan assets		(527,518)		(522,867)
	₩	324,125	₩	164,771

(2) Revenues and expenses incurred in relation to the defined benefit pension plan for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017		2016	
Current service cost	₩	136,183	₩	87,426
Net value of net defined benefit liabilities		1,835		1,856
	₩	138,018	₩	89,282

(3) Changes in the present value of the defined benefit obligation for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017		2016	
Benefit liability as at January 1	₩	687,638	₩	493,734
Payroll expenses (current net income):				
Current service cost		136,183		87,426
Interest cost		15,489		11,640
Benefits paid		(27,415)		-
Re-measurement gain (loss) in OCI:				
Actuarial changes arising from changes in demographic assumptions		-		-
Actuarial changes arising from changes in financial assumptions		(22,772)		(915)
Others		62,520		95,753
Benefit liability as at December 31	₩	851,643	₩	687,638

(4) Changes in the fair value of plan assets for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017		2016	
Fair value of plan assets as at January 1	₩	522,867	₩	380,203
Payroll expenses (current net income):				
Interest income		13,578		9,784
Benefits paid		-		-
Re-measurement gain (loss) in OCI:				
Revenues of plan assets		(8,927)		(5,258)
Contributions by employer		-		138,138
Fair value of plan assets as at December 31	₩	527,518	₩	522,867

12. Defined benefit liabilities (cont'd)

(5) Other comprehensive incomes incurred in relation to the re-measurement of the net defined benefit pension plan for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

		2017		2016
Re-measurement loss in OCI before income taxes	₩	48,675	₩	100,096
Effect of income taxes		(1,832)		(6,903)
Re-measurement loss in OCI after income taxes		46,843		93,193

(6) The principal assumptions used in actuarial calculation as at December 31, 2017 and 2016 are as follows:

	2017	2016
Future salary increases	2.00%	2.00%
Discount rate	2.93%	2.52%

(7) A quantitative sensitivity analysis for significant assumptions as at December 31, 2017 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%	₩	(50,740)	₩	57,798
Future salary increases	1.00%		57,823		(51,693)

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, 2017 and 2016 are as follows. (Korean won in thousands):

		December 31, 2017		December 31, 2016
Net assets without constraints	₩	6,905,225	₩	8,717,257
Net assets with permanent constraints		2,000		2,000
	₩	6,907,225	₩	8,719,257

14. Operating revenue

(1) Details of non-profit segment revenue for the years ended December 31, 2017 and 2016 are as follows. (Korean won in thousands):

		2017		2016
IR fee & annual membership fee	₩	196,589	₩	151,570
Government subsidy		333,498		680,000
Kukkiwon subsidy		200,000		700,000
Donation		1,898,831		-
Other subsidies		609,580		146,842
Education program		239,503		311,879
IOC subsidy		4,279,351		3,993,265
Competitions		1,655,272		236,012
	₩	9,412,624	₩	6,219,568

(2) Details of profit making segment revenue for the years ended December 31, 2017 and 2016 are as follows. (Korean won in thousands):

		2017		2016
Marketing income	₩	1,783,318	₩	2,741,882
Sales of broadcasting rights		135,147		50,339
Advertisement		23,123		47,737
	₩	1,941,588	₩	2,839,958

15. Operating expenses

Details of operating expenses for the years ended December 31, 2017 and 2016 are as follows. (Korean won in thousands):

		2017		2016
Salaries	₩	2,329,280	₩	1,985,462
Servicing		159,213		136,598
Provision for severance and retirement benefits		115,387		89,282
Employee benefits		276,167		185,260
Travel		152,797		7,924
Entertainment		85,296		126,657
Communication		34,959		29,781
Taxes and dues		123,783		62,786
Depreciation		19,129		20,760
Rents		488,329		515,269
Insurance premium		63,321		21,127
Vehicles maintenance		50,452		59,920
Freight		14,684		20,378
Training		290,605		162,951
Printing		64,937		160,818
Conference		542,696		381,966
Supplies		70,078		46,460
Commission		879,068		1,078,133
Event		43,476		246,911
Advertising		479,806		418,757
Amortization		29,372		13,554
Other supporting expenses		269,747		282,741
Competition		1,858,260		990,595
Office management		-		16,860
Development fund		1,242,661		468,169
Taekwondo demo team		471,186		332,644
Supporting expenses by government fund		333,498		608,914
Bad debt expenses		470,863		(273,539)
Miscellaneous		867		5,614
	₩	10,967,917	₩	8,202,752

16. Other revenues and expenses

Other revenues and expenses incurred for the years ended December 31, 2017 and 2016 are as follows.

(1) Other revenues incurred for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017		2016	
Interest income	₩	184,359	₩	104,489
Gain on foreign currency transaction		3,749		16,099
Gain on foreign currency translation		968		1,151,321
Other gain		155,631		73,680
	₩	344,707	₩	1,345,589

(2) Other expenses incurred for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017		2016	
Loss on foreign currency transaction	₩	809,731	₩	38,955
Donations		9,545		17,000
Loss on foreign currency translation		1,770,411		56,177
Other expenses		302		151,796
	₩	2,589,989	₩	263,928

17. Income taxes

(1) The major components of income tax expense for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017		2016	
Current income tax charge	₩	8,454	₩	126,422
Adjustments in respect of current income tax of previous years		(104,084)		357,212
Income taxes recognized directly to equity		1,831		6,903
Income tax expense	₩	(93,799)	₩	490,537

(2) Details of income taxes recognized directly to equity as at December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017		2016	
Re-measurement loss on net of defined benefit liability	₩	1,831	₩	6,903

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):

	2017	2016
Income (loss) before income taxes	₩ (1,858,987)	₩ 1,938,435
Tax at the statutory income tax rate	(386,977)	404,456
Adjustments:		
Expenses not deductible for tax purposes	(72,424)	(31,664)
Tax exemption of revenue	944	247,190
Others	366,547	(129,444)
Income tax expense	₩ (93,798)	₩ 490,537
Effective income tax rate	-	25.31%

(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, 2017 and 2016 and for the years then ended are as follows (Korean won in thousands):

	December 31, 2017			
	January 1	Changes in profit and loss	Changes in OCI	December 31
Deferred tax asset:				
Uncollectible accounts	₩ 29,024	₩ (29,024)	₩ -	₩
Other receivables	-	128,858	-	128,858
Accrued expenses	4,699	(1,727)	-	2,972
Severance and retirement benefits	44,932	4,341	1,831	51,104
	78,655	102,448	1,831	182,934
Deferred tax liability:				
Allowance for non-profit segment	(460,240)	-	-	(460,240)
Allowance for retirement pension	(36,060)	(194)	-	(496,494)
	(496,300)	(194)	-	(496,494)
Net deferred tax assets (liabilities)	₩ (417,645)	₩ 4,147	₩ 1,831	₩ (313,560)

17. Income taxes (cont'd)

	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)

18. Statements of cash flows

(1) Significant transactions not involving cash flows for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017	2016
Provision for severance and retirement benefits	₩ 138,018	₩ 89,281
Depreciation	19,129	20,761
Amortization	29,372	13,554
Bad debt expenses	470,863	(273,539)
IOC subsidy	(4,279,351)	(3,993,265)
Gain on foreign currency translation, net	(968)	(1,151,321)
Loss on foreign currency translation, net	1,770,411	56,177
Interest income	(339,591)	(104,489)
Income tax expense	(93,799)	490,537
Others	433,391	-
	₩ (1,852,525)	₩ (4,852,304)

18. Statements of cash flows (cont'd)

(2) Significant transactions net working capital for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017	2016
Other accounts receivable	₩ (17,083)	₩ 559,410
Other current assets	(389,535)	-
Other liabilities	(1,033,605)	110,789
Retirement pension	-	(138,138)
Payment of severance and retirement benefits	(27,339)	-
	₩ (1,467,562)	₩ 532,061

19. Fair value

(1) Fair value of financial instruments

	2017		**2016**	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	₩ 5,623,066	₩ 5,623,066	₩ 12,429,091	₩ 12,429,091
Current and non-current financial assets	14,035,340	14,035,340	12,051,688	12,051,688
Other financial assets	836,399	836,399	1,239,292	1,239,292
	₩ 20,494,805	₩ 20,494,805	₩ 25,720,071	₩ 25,720,071
Financial liabilities:				
Other financial liabilities	₩ 211,216	₩ 211,216	₩ 366,840	₩ 366,840

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, 2017 and 2016, the Federation held the following financial instruments, carried at fair value, on the statement of financial position (Korean won in thousands):

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	₩ 930	₩ 5,622,136	₩ -	₩ 5,623,066
Short-term financial instruments	-	14,035,340	-	14,035,340
Other financial assets	-	-	836,399	836,399
Financial liabilities:				
Other financial liabilities	₩ -	₩ -	₩ 211,216	₩ 211,216

	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	-	-	1,239,292	1,239,292
Financial liabilities:				
Other financial liabilities	₩ -	₩ -	₩ 366,840	₩ 366,840

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 2017 and 2016.

World Taekwondo
Statements of financial position (Non-profit segment)
As at December 31, 2017 and 2016

	December 31, 2017		December 31, 2016	
	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	₩ 3,448,818	$ 3,218,983	₩ 10,075,110	$ 9,403,687
Short-term financial instruments	9,858,897	9,201,883	7,355,562	6,865,374
Total current assets	13,307,715	12,420,866	17,430,672	16,269,061
Non-current assets:				
Investment assets:				
Long-term financial instruments	2,142,800	2,000,000	2,918,193	2,723,719
Loan receivables	-	-	20,596	19,223
	2,142,800	2,000,000	2,938,789	2,742,942
Property and equipment:				
Vehicles	68,497	63,932	68,497	63,932
Accumulated depreciation	(46,963)	(43,833)	(34,112)	(31,839)
Office equipment	104,546	97,579	104,546	97,579
Accumulated depreciation	(100,720)	(94,008)	(96,044)	(89,643)
Leasehold improvements	27,280	25,462	27,280	25,462
Accumulated depreciation	(27,280)	(25,462)	(27,280)	(25,462)
	25,360	23,670	42,887	40,029
Intangible assets, net:				
Other intangible assets	90,264	84,249	67,627	63,120
Other non-current assets:				
Leasehold deposits	585,097	546,105	585,097	546,105
Other deposits	41,559	38,789	64,733	60,419
	626,656	584,894	649,830	606,524
Total non-current assets	2,885,080	2,692,813	3,699,133	3,452,615
Total assets	₩ 16,192,795	$ 15,113,679	₩ 21,129,805	$ 19,721,676

(Continued)

World Taekwondo
Statements of financial position (Non-profit segment)
As at December 31, 2017 and 2016 (cont'd)

	December 31, 2017				December 31, 2016			
	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	₩	104,885	$	97,895	₩	102,217	$	95,405
Other accounts payable		70,212		65,533		137,415		128,257
Withholdings		24,332		22,711		16,955		15,825
Unearned revenue		-		-		744,160		694,567
Advance received from IOC Fund		12,838,052		11,982,501		15,259,465		14,242,547
Total current liabilities		13,037,481		12,168,640		16,260,212		15,176,601
Non-current liabilities:								
Severance and retirement benefits		608,030		567,510		472,079		440,619
Allowance for retirement pension		(362,726)		(338,553)		(358,960)		(335,038)
Total non-current liabilities		245,304		228,957		113,119		105,581
Total liabilities		13,282,785		12,397,597		16,373,331		15,282,182
Net assets								
Net assets with no restriction:								
Unappropriated retained earning		2,908,010		2,714,215		4,754,474		4,437,627
Net assets with permanent restriction		2,000		1,867		2,000		1,867
Total net assets		2,910,010		2,716,082		4,756,474		4,439,494
Total liabilities and net assets	₩	16,192,795	$	15,113,679	₩	21,129,805	$	19,721,676

World Taekwondo
Statements of income (Non-profit segment)
For the years ended December 31, 2017 and 2016

	2017		2016	
	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	₩ 196,589	$ 183,488	₩ 151,570	$ 141,469
Government subsidy	333,498	311,273	680,000	634,684
Kukkiwon subsidy	200,000	186,672	700,000	653,351
Other subsidies	609,580	568,957	146,842	137,056
Education program	239,503	223,542	311,879	291,095
IOC subsidy	4,279,351	3,994,167	3,993,265	3,727,147
Donation	1,898,831	1,772,290	-	-
Competitions	1,655,272	1,544,962	236,012	220,284
Total operating revenue	9,412,624	8,785,351	6,219,568	5,805,086
Operating expenses				
Salaries	1,930,969	1,802,286	1,363,064	1,272,227
Provision for severance and retirement benefits	114,417	106,792	61,294	57,209
Servicing	131,987	123,191	93,778	87,528
Employee benefits	210,181	196,174	127,185	118,709
Travel	126,668	118,227	5,440	5,077
Entertainment	70,710	65,998	86,953	81,158
Communication	28,981	27,050	20,444	19,082
Office management	-	-	11,575	10,804
Taxes and dues	102,616	95,777	43,104	40,231
Rents	404,824	377,846	353,744	330,170
Insurance premium	52,493	48,995	14,504	13,537
Vehicles maintenance	41,824	39,037	41,137	38,396
Freight	12,173	11,362	13,990	13,058
Training	240,911	224,856	111,870	104,415
Printing	53,833	50,245	110,405	103,047
Conference	449,894	419,912	262,229	244,754
Competition	1,540,494	1,437,833	680,065	634,744
Supplies	64,727	60,413	31,896	29,770
Commission	728,746	680,181	740,163	690,837
Advertising	397,758	371,251	287,486	268,327
Event	36,042	33,640	169,510	158,214
Depreciation	17,527	16,359	18,499	17,266
Amotization	20,495	19,129	9,305	8,685
Development fund	1,242,661	1,159,848	468,169	436,969
Supporting expenses by government fund	333,498	311,273	608,914	568,335
Taekwondo demo team	471,186	439,785	332,644	310,476
Other supporting expenses	224,741	209,764	194,108	181,172
Bad debt expenses	23,174	21,630	-	-
Miscellaneous	719	671	3,853	3,596
Total operating expenses	9,074,249	8,469,525	6,265,328	5,847,793
Net operating income (loss)	338,375	315,826	(45,760)	(42,707)

(Continued)

World Taekwondo
Statements of income (Non-profit segment)
For the years ended December 31, 2017 and 2016 (cont'd)

	2017		2016	
	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	₩ 3,108	$ 2,901	₩ 11,053	$ 10,316
Gain on foreign currency translation	802	749	790,408	737,734
Miscellaneous gain	331	309	50,582	47,211
Total non-operating revenue	4,241	3,959	852,043	795,261
Non-operating expenses				
Loss on foreign currency transaction	671,266	626,532	26,744	24,962
Loss on foreign currency translation	1,467,668	1,369,860	38,567	35,997
Donation	9,545	8,909	17,000	15,867
Miscellaneous loss	250	233	104,211	97,266
Total non-operating expenses	2,148,729	2,005,534	186,522	174,092
Net income (loss)	₩ (1,806,113)	$ (1,685,749)	₩ 619,761	$ 578,462

World Taekwondo
Statements of financial position (Profit-making segment)
As at December 31, 2017 and 2016

	December 31, 2017		December 31, 2016	
	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	₩ 2,174,248	$ 2,029,352	₩ 2,353,981	$ 2,197,108
Short-term financial instruments	2,033,643	1,898,117	445,438	415,753
Other accounts receivable	41,419	38,659	472,025	440,568
Accrued income	168,325	157,108	87,437	81,610
Current income tax asset	49,010	45,744	-	-
Total current assets	4,466,645	4,168,980	3,358,881	3,135,039
Non-current assets:				
Investment assets:				
Long-term financial instruments	-	-	1,332,495	1,243,695
Loan receivables	-	-	9,404	8,777
	-	-	1,341,899	1,252,472
Property and equipment:				
Office equipment	33,623	31,382	33,623	31,382
Accumulated depreciation	(32,542)	(30,373)	(30,940)	(28,878)
	1,081	1,009	2,683	2,504
Intangible assets, net:				
Other intangible assets	35,702	33,323	30,880	28,822
Total non-current assets	36,783	34,332	1,375,462	1,283,798
Total assets	₩ 4,503,428	$ 4,203,312	₩ 4,734,343	$ 4,418,837

(Continued)

World Taekwondo
Statements of financial position (Profit-making segment)
As at December 31, 2017 and 2016

	December 31, 2017		December 31, 2016	
	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	₩ 21,635	$ 20,193	₩ 46,674	$ 43,564
Other accounts payable	14,483	13,518	80,534	75,166
Withholdings	5,020	4,686	7,742	7,226
Value added tax withheld	4,400	4,107	-	-
Income tax payable	-	-	58,399	54,507
Income in advance	68,294	63,743	108,916	101,658
Total current liabilities	113,832	106,247	302,265	282,121
Non-current liabilities:				
Severance and retirement benefits	243,614	227,379	215,559	201,194
Allowance for retirement pension	(164,793)	(153,811)	(163,907)	(152,984)
Deferred tax liabilities	313,560	292,664	417,644	389,811
Total non-current liabilities	392,381	366,232	469,296	438,021
Total liabilities	506,213	472,479	771,561	720,142
Net assets				
Net assets with no restriction:				
Allowance for non-profit segment	2,092,000	1,952,585	1,418,000	1,323,502
Unappropriated retained earning	1,905,215	1,778,248	2,544,782	2,375,193
Total net assets	3,997,215	3,730,833	3,962,782	3,698,695
Total liabilities and net assets	₩ 4,503,428	$ 4,203,312	₩ 4,734,343	$ 4,418,837

World Taekwondo
Statements of income (Profit-making segment)
For the years ended December 31, 2017 and 2016

	2017		2016	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Operating revenue:				
Marketing income	₩ 1,783,318	$ 1,664,475	₩ 2,741,882	$ 2,559,158
Sales of broadcasting rights	135,147	126,141	50,339	46,984
Advertisement	23,122	21,581	47,736	44,555
Total operating revenue	1,941,587	1,812,197	2,839,957	2,650,697
Operating expenses				
Salaries	398,310	371,766	622,398	580,920
Provision for severance and retirement benefits	23,601	22,028	27,988	26,123
Servicing	27,226	25,412	42,821	39,967
Employee benefits	43,355	40,466	58,075	54,205
Travel	26,129	24,388	2,484	2,318
Entertainment	14,586	13,614	39,704	37,058
Communication	5,978	5,580	9,335	8,713
Office management	-	-	5,285	4,933
Taxes and dues	21,167	19,756	19,682	18,370
Rents	83,505	77,940	161,525	150,761
Insurance premium	10,828	10,106	6,623	6,182
Vehicles maintenance	8,627	8,052	18,784	17,532
Freight	2,511	2,344	6,388	5,962
Training	49,694	46,382	51,082	47,678
Printing	11,104	10,364	50,413	47,053
Conference	92,802	86,618	119,738	111,758
Competition	317,765	296,589	310,529	289,835
Supplies	13,352	12,462	14,564	13,593
Commission	150,322	140,304	337,970	315,447
Advertising	82,047	76,579	131,271	122,523
Event	7,435	6,940	77,401	72,243
Depreciation	1,602	1,495	2,262	2,111
Amotization	8,878	8,286	4,249	3,966
Bad debt expenses	447,690	417,855	(273,539)	(255,310)
Other supporting expenses	45,007	42,008	88,633	82,726
Miscellaneous	146	136	1,759	1,642
Total operating expenses	1,893,667	1,767,470	1,937,424	1,808,309
Net operating income	47,920	44,727	902,533	842,388

(Continued)

World Taekwondo
Statements of income (Profit-making segment)
For the years ended December 31, 2017 and 2016 (cont'd)

	2017		2016	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Non-operating revenue				
Interest income	₩ 339,591	$ 316,960	₩ 104,489	$ 97,526
Gain on foreign currency transaction	641	598	5,047	4,711
Gain on foreign currency translation	165	154	360,913	336,861
Miscellaneous gain	68	63	23,097	21,558
Total non-operating revenue	340,465	317,775	493,546	460,656
Non-operating expenses				
Loss on foreign currency transaction	138,465	129,237	12,212	11,398
Loss on foreign currency translation	302,743	282,568	17,610	16,436
Miscellaneous loss	52	49	47,584	44,413
Total non-operating expenses	441,260	411,854	77,406	72,247
Net income (loss) before income taxes	(52,875)	(49,352)	1,318,673	1,230,797
Income tax expense	(93,799)	(87,548)	490,537	457,847
Net income	₩ 40,924	$ 38,196	₩ 828,136	$ 772,950