World Taekwondo

Financial statements
For the years ended December 31, 2018 and 2017
(With independent auditors' report thereon)

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Independent Auditors' Report

(Based on a report originally issued in Korean)

To the President of
World Taekwondo

Opinion

We have audited the accompanying financial statements of World Taekwondo (formally "World Taekwondo Federation", the "Federation"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Federation as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRSs").

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Federation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Federation or to cease operations.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Federation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Federation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Federation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

March 22, 2019

Nexia Samduk

Seoul, Korea

This audit report is effective as at March 22, 2019, 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, 2018 and 2017

“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, 2018 and 2017

	Notes	December 31, 2018		December 31, 2017	
		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	₩ 875,643	$ 783,153	₩ 5,623,066	$ 5,029,126
Short-term financial instruments	4,5,19	11,181,000	10,000,000	11,892,540	10,636,383
Other short-term financial assets	5,6,19	663,015	592,984	209,743	187,589
Current income tax assets		-	-	49,010	43,834
Total current assets		12,719,658	11,376,137	17,774,359	15,896,932
Non-current assets:					
Long-term financial assets	4,5,19	2,236,200	2,000,000	2,142,800	1,916,465
Property and equipment, net	7	14,256	12,750	26,441	23,648
Intangible assets, net	8	204,245	182,671	125,966	112,661
Other non-current financial assets	5,6,19	871,559	779,500	626,656	560,465
Total non-current assets		3,326,260	2,974,921	2,921,863	2,613,239
Total assets		**₩ 16,045,918**	**$ 14,351,058**	**₩ 20,696,222**	**$ 18,510,171**
Liabilities and net assets					
Current liabilities:					
Short-term financial liabilities	5,9,19	₩ 339,269	$ 303,434	₩ 211,216	$ 188,906
Other current liabilities	10	29,619	26,490	102,044	91,266
Advance received from IOC Fund	11	8,558,702	7,654,684	12,838,052	11,482,025
Income tax payable		21,028	18,807	-	-
Total current liabilities		8,948,618	8,003,415	13,151,312	11,762,197
Non-current liabilities:					
Severance and retirement benefits	12	228,577	204,433	324,125	289,889
Deferred tax liability	17	75,658	67,667	313,560	280,440
Total non-current liabilities		304,235	272,100	637,685	570,329
Total liabilities		**9,252,853**	**8,275,515**	**13,788,997**	**12,332,526**
Net assets					
Net assets with no restriction:	13				
Allowance for non-profit segment		2,092,000	1,871,031	2,092,000	1,871,031
Unappropriated retained earning		4,699,065	4,202,723	4,813,225	4,304,825
		6,791,065	6,073,754	6,905,225	6,175,856
Net assets with permanent restriction	13	2,000	1,789	2,000	1,789
Total net assets		**6,793,065**	**6,075,543**	**6,907,225**	**6,177,645**
Total liabilities and net assets		**₩ 16,045,918**	**$ 14,351,058**	**₩ 20,696,222**	**$ 18,510,171**

The accompanying notes are an integral part of the financial statements

World Taekwondo
Statements of comprehensive income
For the years ended December 31, 2018 and 2017

	Notes	2018		2017	
		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		₩ 8,213,277	$ 7,345,745	₩ 9,412,624	$ 8,418,410
Profit making segment revenue		2,195,786	1,963,855	1,941,587	1,736,506
Total operating revenue		10,409,063	9,309,600	11,354,211	10,154,916
Operating expenses	15	(11,400,775)	(10,196,561)	(10,967,917)	(9,809,424)
Net operating income (loss)		**(991,712)**	**(886,961)**	**386,294**	**345,492**
Non-operating revenue	16	983,903	879,977	344,707	308,297
Non-operating expenses	16	129,252	115,600	2,589,988	2,316,419
Net loss before income taxes		**(137,061)**	**(122,584)**	**(1,858,987)**	**(1,662,630)**
Income tax expense (benefit)	17	(204,207)	(182,637)	(93,798)	(83,891)
Net income (loss)		**₩ 67,146**	**$ 60,053**	**₩ (1,765,189)**	**$ (1,578,739)**
Other comprehensive loss for the year					
Remeasurement loss on net of defined benefit liability		(181,306)	(162,155)	(46,843)	(41,895)
Other comprehensive loss for the year		(181,306)	(162,155)	(46,843)	(41,895)
Total comprehensive loss for the year		**₩ (114,160)**	**$ (102,102)**	**₩ (1,812,032)**	**$ (1,620,634)**

The accompanying notes are an integral part of the financial statements

World Taekwondo
Statements of changes in equity
For the years ended December 31, 2018 and 2017

	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, 2017	₩ **2,000**	$ **1,789**	₩ **8,717,257**	$ **7,796,492**	₩ **8,719,257**	$ **7,798,281**
Loss for the year	-	-	(1,765,189)	(1,578,741)	(1,765,189)	(1,578,741)
Remeasurement loss on net of defined benefit liabilities	-	-	(46,843)	(41,895)	(46,843)	(41,895)
Total comprehensive loss	**-**	**-**	**(1,812,032)**	**(1,620,636)**	**(1,812,032)**	**(1,620,636)**
As at December 31, 2017	₩ **2,000**	**$ 1,789**	₩ **6,905,225**	**$ 6,175,856**	₩ **6,907,225**	**$ 6,177,645**
As at January 1, 2018	₩ **2,000**	$ **1,789**	₩ **6,905,225**	$ **6,175,856**	₩ **6,907,225**	$ **6,177,645**
Profit for the year	-	-	67,146	60,053	67,146	60,053
Remeasurement loss on net of defined benefit liabilities	-	-	(181,306)	(162,155)	(181,306)	(162,155)
Total comprehensive loss	**-**	**-**	**(114,160)**	**(102,102)**	**(114,160)**	**(102,102)**
As at December 31, 2018	₩ **2,000**	**$ 1,789**	₩ **6,791,065**	**$ 6,073,754**	₩ **6,793,065**	**$ 6,075,543**

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

World Taekwondo
Statements of cash flows
For the years ended December 31, 2018 and 2017

	2018		2017	
	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)	₩ 67,146	$ 60,053	₩ (1,765,189)	$ (1,578,739)
Adjustments to reconcile net income to net cash flows (Note 18)	(4,646,294)	(4,155,526)	(1,852,525)	(1,656,850)
Changes in operating assets and liabilities (Note 18)	(1,203,045)	(1,075,973)	(1,467,562)	(1,312,550)
Interest received	170,960	152,903	258,703	231,377
IOC subsidy received	-	-	1,857,939	1,661,693
Income tax paid	45,936	41,084	(57,465)	(51,395)
Net cash flows used in operating activities	**(5,565,297)**	**(4,977,459)**	**(3,026,099)**	**(2,706,465)**
Cash flows from investing activities:				
Acquisition of intangible assets	₩ (113,745)	$ (101,731)	₩ (56,831)	$ (50,828)
Increase in leasehold deposits, net	(244,903)	(219,035)	-	-
Decrease in long-term loans	-	-	30,000	26,831
Decrease in other financial assets	4,509,685	4,033,347	18,786,918	16,802,538
Increase in other financial assets	(3,350,945)	(2,996,999)	(22,202,700)	(19,857,526)
Net cash flows from (used in) investing activities	**800,092**	**715,582**	**(3,442,613)**	**(3,078,985)**
Cash flows from financing activities:				
Net cash flows from financing activities	**-**	**-**	**-**	**-**
Net decrease in cash and cash equivalents	(4,765,205)	(4,261,877)	(6,468,712)	(5,785,450)
Net foreign exchange difference	17,782	15,904	(337,313)	(301,684)
Cash and cash equivalents at January 1	5,623,066	5,029,126	12,429,091	11,116,260
Cash and cash equivalents at December 31	**₩ 875,643**	**$ 783,153**	**₩ 5,623,066**	**$ 5,029,126**

The accompanying notes are an integral part of the financial statements

1. Corporate information

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

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

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

The financial statements of the Federation will be approved by the General Assembly in Manchester, UK which is scheduled to be held on May 14, 2019.

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 ₩1,118.10 to US$1, the year-end exchange rate on December 31, 2018. Such translation should not be construed as a representation that the Korean won amounts can actually be converted into United States dollars at the exchange rate used for the purpose of such translation.

2.2 Summary of significant accounting policies

2.2.1 Foreign currencies

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

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

2.2.1 Foreign currencies (cont'd)

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

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

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

2.2.2 Revenue recognition

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

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

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

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

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

2.2.2 Revenue 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 the statement of profit or loss and other comprehensive income.

2.2.5 Financial instruments

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

1) Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Federation's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Federation has applied the practical expedient, the Federation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Federation has applied the practical expedient are measured at the transaction price determined under KIFRS 1115. Refer to the accounting policies in Note 2.2.14 Revenue from contracts with customers.

2.2.5 Financial instruments (cont'd)

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

2.2.5 Financial instruments (cont'd)

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

Derecognition

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

2.2.5 Financial instruments (cont'd)

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

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

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

2) Impairment of financial assets

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

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

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

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

2.2.5 Financial instruments (cont'd)

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

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

3) Financial liabilities

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

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

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

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

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

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

2.2.5 Financial instruments (cont'd)

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

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

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

4) Offsetting of financial instruments

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

2.2.6 Property, plant and equipment

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

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

	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 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 the end of each reporting period.

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

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

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

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
➢ 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.

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, 2018. 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 2018, they did not have a material impact on the annual financial statements of the Federation. The nature and the impact of each new standard or amendment are described below:

KIFRS 1109 ***Financial Instruments***
KIFRS 1109 Financial Instruments replaces KIFRS 1039 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Federation applied prospectively, the Federation has applied KIFRS 1109 retrospectively, with the initial application date of January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017.

The nature of these adjustments are described below:

(a) Classification and measurement
Under KIFRS 1109, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Federation’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding.

The assessment of the Federation’s business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognised before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The classification and measurement requirements of KIFRS 1109 did not have a significant impact on the Federation.

(b) Impairment
KIFRS 1109 requires the Federation to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The impairment of KIFRS 1109 did not have a significant impact on the Federation.

KIFRS 1115 ***Revenue from Contracts with Customers***
KIFRS 1115 supersedes KIFRS 1011 Construction Contracts, KIFRS 1018 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. KIFRS 1115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

KIFRS 1115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. KIFRS 1115 did not have a significant impact on the Federation.

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

IFRIC *Interpretation 2122 Foreign Currency Transactions and Advance Considerations*
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 date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Federation's financial statements.

Amendments to KIFRS 1040 *Transfers of Investment Property*
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. These amendments do not have any impact on the Federation's financial statements.

Amendments to KIFRS 1102 *Classification and Measurement of Share-based Payment Transactions*
The IASB issued amendments to KIFRS 1102 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Federation's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Federation has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Federation's financial statements.

Amendments to KIFRS 1104 *Applying KIFRS 1109 Financial Instruments with KIFRS 1104 Insurance Contracts*
The amendments address concerns arising from implementing the new financial instruments standard, KIFRS 1109, before implementing KIFRS 1117 Insurance Contracts, which replaces KIFRS 1104. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying KIFRS 1109 and an overlay approach. These amendments are not relevant to the Federation.

Amendments to 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 organization, 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, then it 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. These amendments do not have any impact on the Federation's financial statements.

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 1116 *Leases*
KIFRS 1116 was issued in January 2016 and it replaces KIFRS 1017 Leases, IFRIC 2104 Determining whether an Arrangement contains a Lease, SIC 2015 Operating Leases-Incentives and SIC 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, which is effective for annual periods beginning on or after January 1, 2019, requires lessees and lessors to make more extensive disclosures than under KIFRS 1017.

Transition to *KIFRS 1116*
The Federation plans to adopt KIFRS 1116 retrospectively to each prior reporting period presented. The Federation will elect to apply the standard to contracts that were previously identified as leases applying KIFRS 1017 and IFRIC 2104. The Federation will therefore not apply the standard to contracts that were not previously identified as containing a lease applying KIFRS 1017 and IFRIC 2104.

IFRIC Interpretation 2123 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of KIFRS 1012 and does not apply to taxes or levies outside the scope of KIFRS 1012, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

• Whether an entity considers uncertain tax treatments separately
The assumptions an entity makes about the examination of tax treatments by taxation authorities
• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
• How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. The Federation will apply the interpretation from its effective date. Since the Federation operates in a complex multinational tax environment, applying the Interpretation may affect its financial statements. In addition, the Federation may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

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

Amendments to KIFRS 1109: *Prepayment Features with Negative Compensation*
Under KIFRS 1109, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to KIFRS 1109 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Federation.

Amendments to KIFRS 1019: *Plan Amendment, Curtailment or Settlement*
The amendments to KIFRS 1019 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

• Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
• Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Federation.

Amendments to KIFRS 1028: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies KIFRS 1109 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in KIFRS 1109 applies to such long-term interests.

The amendments also clarified that, in applying KIFRS 1109, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying KIFRS 1028 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Federation does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of KIFRS 1012 and does not apply to taxes or levies outside the scope of KIFRS 1012, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

➢ Whether an entity considers uncertain tax treatments separately
➢ The assumptions an entity makes about the examination of tax treatments by taxation authorities

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

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Federation has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. The Federation will apply the interpretation from its effective date. Since the Federation operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Federation may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Annual Improvements 2015-2017 Cycle
These improvements include:

KIFRS 1103 *Business Combinations*
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments will apply on future business combinations of the Federation.

KIFRS 1111 *Joint Arrangements*
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in KIFRS 1103. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Federation but may apply to future transactions

KIFRS 1012 *Income Taxes*
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Federation's current practice is in line with these amendments, the Federation does not expect any effect on its financial statements.

KIFRS 1023 *Borrowing Costs*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Federation's current practice is in line with these amendments, the Federation does not expect any effect on its financial statements.

4. Cash and cash equivalents and financial instruments

Details of the cash and cash equivalents and financial instruments as at December 31, 2018 and 2017 are as follows (Korean won in thousands):

		December 31, 2018		December 31, 2017	
Cash and cash equivalent	Cash	₩	155	₩	930
	Foreign currency		7,409		17,193
	Deposits at banks		460,070		65,631
	Foreign deposits at banks		407,926		5,539,304
	Deposits for government grants		83		8
		₩	875,643	₩	5,623,066
Short-term financial instruments	Time deposits at banks	₩	11,181,000	₩	11,892,540
Long-term financial instruments	Long-term financial instruments		2,236,200		2,142,800
		₩	14,292,843	₩	19,658,406

5. Financial instruments

(1) Details of financial instruments as at December 31, 2018 and 2017 are as follows (Korean won in thousands):

December 31, 2018

	Financial assets at amortized cost		Financial liabilities at amortized cost		Total	
Asset :						
Cash and cash equivalent	₩	875,643	₩	-	₩	875,643
Short-term financial instruments		11,181,000		-		11,181,000
Long-term financial instruments		2,236,200		-		2,236,200
Other financial assets		1,534,574		-		1,534,574
	₩	15,827,417	₩	-	₩	15,827,417
Liability:						
Other financial liabilities	₩	-	₩	339,269	₩	339,269

5. Financial instruments (cont'd)

December 31, 2017

	Financial assets at amortized cost	Financial liabilities at amortized cost	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

(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, 2018 and 2017 are as follows (Korean won in thousands):

		2018	2017
Financial assets at amortized cost	Interest revenues	₩ 225,645	₩ 339,591
	Gains on foreign exchange translation	659,206	968
	Losses on foreign exchange translation	(105,846)	(1,770,411)
	Gains on foreign exchange transaction	98,280	3,749
	Losses on foreign exchange transaction	(18,331)	(809,731)
	Bad debt expenses	-	(470,863)

6. Other financial assets

(1) Details of other financial assets as at December 31, 2018 and 2017 are as follows (Korean won in thousands):

	December 31, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Other accounts receivables	₩ 440,438	₩ -	₩ 41,419	₩ -
Accrued income	222,577	-	168,324	-
Leasehold deposits	-	830,000	-	585,097
Other deposits	-	41,559	-	41,559
	₩ 663,015	₩ 871,559	₩ 209,743	₩ 626,656

(2) Changes in allowance for bad debt loan on other financial assets for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018	2017
January 1	₩ -	₩ 138,030
Reversal of impairment loss	-	-
Write-off	-	(138,030)
December 31	₩ -	₩ -

7. Property and equipment

(1) Details of property and equipment as at December 31, 2018 and 2017 are as follows. (Korean won in thousands):

December 31, 2018

	Acquisition value	Depreciation allowance	Net book value
Vehicles	₩ 68,497	₩ (55,576)	₩ 12,921
Office equipment	138,169	(136,834)	1,335
Leasehold improvements	27,280	(27,280)	-
	₩ 233,946	₩ (207,505)	₩ 14,256

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

7. Property and equipment (cont'd)

(2) Details of changes in book value of property and equipment for the years ended December 31, 2018 and 2017 are as follows. (Korean won in thousands):

	2018		
	January 1	Depreciation expense	December 31
Vehicles	₩ 21,534	₩ (8,613)	₩ 12,921
Office equipment	4,907	(3,572)	1,335
	₩ 26,441	₩ (12,185)	₩ 14,256

	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

8. Intangible assets

(1) Details of intangible assets as at December 31, 2018 and 2017 are as follows. (Korean won in thousands):

December 31, 2018

	Acquisition value	Depreciation allowance	Net book value
Other intangible assets	₩ 691,224	₩ (486,979)	₩ 204,245

December 31, 2017

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

(2) Details of changes in book value of intangible assets for the years ended December 31, 2018 and 2017 are as follows. (Korean won in thousands):

	2018			
	January 1	Acquisition	Depreciation expense	December 31
Other intangible assets	₩ 125,966	₩ 113,745	₩ (35,466)	₩ 204,245

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

9. Financial Liabilities

Details of short-term financial liabilities as at December 31, 2018 and 2017 are as follows. (Korean won in thousands):

	December 31, 2018		December 31, 2017	
Accounts payable	₩	163,693	₩	84,696
Accrued expenses		175,576		126,520
	₩	339,269	₩	211,216

10. Other Liabilities

Details of other current liabilities as at December 31, 2018 and 2017 are as follows. (Korean won in thousands):

	December 31, 2018		December 31, 2017	
Income in advance	₩	-	₩	68,294
Withholdings		26,340		29,350
Value added tax withheld		3,279		4,400
	₩	29,619	₩	102,044

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, 2018 and 2017 are as follows.

	December 31, 2018		December 31, 2017	
Advance received from IOC Fund	₩	8,558,702	₩	12,838,052

(2) Changes in advances received from IOC Fund for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018							
	Beginning balance		Dividends		Profit		Ending balance	
Advance received from IOC Fund	₩	12,838,052	₩	-	₩	(4,279,350)	₩	8,558,702

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

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, 2018 and 2017 are as follows. (Korean won in thousands):

	December 31, 2018		December 31, 2017	
Present value of defined benefit liabilities	₩	986,074	₩	851,643
Fair value of plan assets		(757,497)		(527,518)
	₩	228,577	₩	324,125

(2) Revenues and expenses incurred in relation to the defined benefit pension plan for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
Current service cost	₩	138,298	₩	136,183
Net value of net defined benefit liabilities		6,220		1,835
	₩	144,518	₩	138,018

(3) Changes in the present value of the defined benefit obligation for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
Benefit liability as at January 1	₩	851,643	₩	687,638
Payroll expenses (current net income):				
Current service cost		138,298		136,183
Interest cost		22,000		15,489
Benefits paid		(205,969)		(27,415)
Re-measurement gain (loss) in OCI:				
Actuarial changes arising from changes in demographic assumptions		-		-
Actuarial changes arising from changes in financial assumptions		180,102		(22,772)
Others		-		62,520
Benefit liability as at December 31	₩	986,074	₩	851,643

(4) Changes in the fair value of plan assets for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
Fair value of plan assets as at January 1	₩	527,518	₩	522,867
Payroll expenses (current net income):				
Interest income		15,703		13,578
Benefits paid		(211,119)		-
Re-measurement gain (loss) in OCI:				
Revenues of plan assets		(10,027)		(8,927)
Contributions by employer		435,422		-
Fair value of plan assets as at December 31	₩	757,497	₩	527,518

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, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
Re-measurement loss in OCI before income taxes	₩	190,130	₩	48,675
Effect of income taxes		8,824		(1,832)
Re-measurement loss in OCI after income taxes	₩	181,306	₩	46,843

(6) The principal assumptions used in actuarial calculation as at December 31, 2018 and 2017 are as follows:

	2018	2017
Future salary increases	2.00%	2.00%
Discount rate	2.42%	2.93%

(7) A quantitative sensitivity analysis for significant assumptions as at December 31, 2018 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%	₩	(62,676)	₩	71,658
Future salary increases	1.00%		71,339		(63,574)

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, 2018 and 2017 are as follows. (Korean won in thousands):

	December 31, 2018		December 31, 2017	
Net assets without constraints	₩	6,791,065	₩	6,905,225
Net assets with permanent constraints		2,000		2,000
	₩	6,793,065	₩	6,907,225

14. Operating revenue

(1) Details of non-profit segment revenue for the years ended December 31, 2018 and 2017 are as follows. (Korean won in thousands):

		2018		2017
IR fee & annual membership fee	₩	159,220	₩	196,589
Government subsidy		435,548		333,498
Kukkiwon subsidy		500,000		200,000
Donation		1,085,000		1,898,831
Other subsidies		271,520		609,580
Education program		406,657		239,503
IOC subsidy		4,279,351		4,279,351
Competitions		1,075,981		1,655,272
	₩	8,213,277	₩	9,412,624

(2) Details of profit making segment revenue for the years ended December 31, 2018 and 2017 are as follows. (Korean won in thousands):

		2018		2017
Marketing income	₩	2,039,581	₩	1,783,318
Sales of broadcasting rights		123,902		135,147
Advertisement		32,303		23,122
	₩	2,195,786	₩	1,941,587

15. Operating expenses

Details of operating expenses for the years ended December 31, 2018 and 2017 are as follows. (Korean won in thousands):

		2018		2017
Salaries	₩	2,534,557	₩	2,329,280
Service contract expenses		63,450		159,213
Provision for severance and retirement benefits		155,420		115,387
Employee benefits		287,445		276,167
Travel		48,428		152,797
Entertainment		112,236		85,296
Telephone & Communication		45,255		34,959
Taxes and dues		84,876		123,783
Depreciation		12,185		19,129
Office rental		436,506		488,329
Insurance expenses		38,222		63,321
Vehicles maintenance		56,051		50,452
Delivery and freight costs		13,110		14,684
Training		369,913		290,605
Printing		53,314		64,937
Conference		444,767		542,696
Supplies		83,649		78,078
Consultancy fees and related expenses		770,664		879,068
Event		278,927		43,476
Advertising		593,907		479,806
Amortization		35,466		29,372
Other supporting expenses		229,843		269,747
Competition		1,948,024		1,858,260
Development fund		1,294,061		1,242,661
Taekwondo demo team		340,964		471,186
Supporting expenses by government fund		435,548		333,498
Office management		632,986		-
Bad debt expenses		-		470,863
Miscellaneous		1,001		867
	₩	11,400,775	₩	10,967,917

16. Other revenues and expenses

Other revenues and expenses incurred for the years ended December 31, 2018 and 2017 are as follows.

(1) Other revenues incurred for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
Interest income	₩	225,645	₩	339,591
Gain on foreign currency transaction		98,280		3,749
Gain on foreign currency translation		659,206		968
Other gain		772		399
	₩	983,903	₩	344,707

(2) Other expenses incurred for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
Loss on foreign currency transaction	₩	18,331	₩	809,731
Donations		5,000		9,545
Loss on foreign currency translation		105,846		1,770,411
Other expenses		75		301
	₩	129,252	₩	2,589,988

17. Income taxes

(1) The major components of income tax expense (benefit) for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
Current income tax charge	₩	24,871	₩	8,453
Adjustments in respect of current income tax of previous years		(237,902)		(104,084)
Income taxes recognized directly to equity		8,824		1,831
Income tax expense (benefit)	₩	(204,207)	₩	(93,798)

(2) Details of income taxes recognized directly to equity as at December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
Re-measurement loss on net of defined benefit liability	₩	8,824	₩	1,831

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):

	2018	2017
Income (loss) before income taxes	₩ (137,061)	₩ (1,858,987)
Tax at the statutory income tax rate	(15,077)	(386,977)
Adjustments:		
Expenses not deductible for tax purposes	(174,991)	(72,423)
Tax exemption of revenue	163	944
Others	(14,302)	364,658
Income tax expense (benefit)	₩ (204,207)	₩ (93,798)
Effective income tax rate	-	-

(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, 2018 and 2017 and for the years then ended are as follows (Korean won in thousands):

	December 31, 2018			
	January 1	Changes in profit and loss	Changes in OCI	December 31
Deferred tax asset:				
Other receivables	₩ 128,858	₩ -	₩ -	₩ 128,858
Accrued expenses	2,972	(2,513)	-	459
Severance and retirement benefits	51,104	(14,165)	8,824	45,763
	182,934	(16,678)	8,824	175,080
Deferred tax liability:				
Allowance for non-profit segment	(460,240)	244,656	-	(215,584)
Allowance for retirement pension	(496,494)	1,100	-	(35,154)
	(496,494)	245,756	-	(250,738)
Net deferred tax assets (liabilities)	₩ (313,560)	₩ 231,591	₩ 8,824	₩ (75,658)

17. Income taxes (cont'd)

	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)	₩ 102,254	₩ 1,831	₩ (313,560)

18. Statements of cash flows

(1) Significant transactions not involving cash flows for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018	2017
Provision for severance and retirement benefits	₩ 138,765	₩ 138,018
Depreciation	12,185	19,129
Amortization	35,466	29,372
Bad debt expenses	-	470,863
IOC subsidy	(4,279,351)	(4,279,351)
Gain on foreign currency translation, net	(659,206)	(968)
Loss on foreign currency translation, net	105,846	1,770,411
Interest income	(225,645)	(339,591)
Income tax expense (benefit)	(204,207)	(93,799)
Others	429,853	433,391
	₩ (4,646,294)	₩ (1,852,525)

18. Statements of cash flows (cont'd)

(2) Significant transactions net working capital for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
Other accounts receivable	₩	(404,042)	₩	(17,083)
Other current assets		(222,138)		(389,535)
Other liabilities		(152,423)		(1,033,629)
Retirement pension		(234,253)		-
Payment of severance and retirement benefits		(190,189)		(27,315)
	₩	(1,203,045)	₩	(1,467,562)

19. Fair value

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

	2018		**2017**	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	₩ 875,643	₩ 875,643	₩ 5,623,066	₩ 5,623,066
Current and non-current financial assets	13,417,200	13,417,200	14,035,340	14,035,340
Other financial assets	1,534,574	1,534,574	836,399	836,399
	₩ 15,827,417	₩ 15,827,417	₩ 20,494,805	₩ 20,494,805
Financial liabilities:				
Other financial liabilities	₩ 339,269	₩ 339,269	₩ 211,216	₩ 211,216

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.

(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

World Taekwondo
Statements of financial position (Non-profit segment)
As at December 31, 2018 and 2017

	December 31, 2018		December 31, 2017	
	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	₩ 690,944	$ 617,963	₩ 3,448,818	$ 3,084,534
Short-term financial instruments	6,929,375	6,197,456	9,858,897	8,817,545
Other short-term financial assets	32,770	29,309	-	-
Total current assets	7,653,089	6,844,728	13,307,715	11,902,079
Non-current assets:				
Investment assets:				
Long-term financial instruments	2,236,200	2,000,000	2,142,800	1,916,465
	2,236,200	2,000,000	2,142,800	1,916,465
Property and equipment:				
Vehicles	68,497	61,262	68,497	61,262
Accumulated depreciation	(55,576)	(49,706)	(46,963)	(42,003)
Office equipment	104,546	93,503	104,546	93,503
Accumulated depreciation	(103,477)	(92,547)	(100,720)	(90,081)
Leasehold improvements	27,280	24,399	27,280	24,399
Accumulated depreciation	(27,280)	(24,399)	(27,280)	(24,399)
	13,990	12,512	25,360	22,681
Intangible assets, net:				
Other intangible assets	154,610	138,279	90,264	80,730
Other non-current assets:				
Leasehold deposits	830,000	742,331	585,097	523,296
Other deposits	41,559	37,169	41,559	37,169
	871,559	779,500	626,656	560,465
Total non-current assets	3,276,359	2,930,291	2,885,080	2,580,341
Total assets	₩ 10,929,448	$ 9,775,019	₩ 16,192,795	$ 14,482,420

(Continued)

World Taekwondo
Statements of financial position (Non-profit segment)
As at December 31, 2018 and 2017 (cont'd)

	December 31, 2018		December 31, 2017	
	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	₩ 138,538	$ 123,905	₩ 104,885	$ 93,806
Other accounts payable	129,162	115,519	70,212	62,796
Withholdings	20,784	18,588	24,332	21,761
Advance received from IOC Fund	8,558,702	7,654,684	12,838,052	11,482,025
Total current liabilities	8,847,186	7,912,696	13,037,481	11,660,388
Non-current liabilities:				
Severance and retirement benefits	778,062	695,879	608,030	543,806
Allowance for retirement pension	(597,703)	(534,570)	(362,726)	(324,413)
Total non-current liabilities	180,359	161,309	245,304	219,393
Total liabilities	9,027,545	8,074,005	13,282,785	11,879,781
Net assets				
Net assets with no restriction:				
Unappropriated retained earning	1,899,903	1,699,225	2,908,010	2,600,850
Net assets with permanent restriction	2,000	1,789	2,000	1,789
Total net assets	1,901,903	1,701,014	2,910,010	2,602,639
Total liabilities and net assets	₩ 10,929,448	$ 9,775,019	₩ 16,192,795	$ 14,482,420

World Taekwondo
Statements of income (Non-profit segment)
For the years ended December 31, 2018 and 2017

	2018				2017			
	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	₩	159,220	$	142,402	₩	196,589	$	175,824
Government subsidy		333,498		298,272		333,498		298,272
Kukkiwon subsidy		500,000		447,187		200,000		178,875
Other subsidies		373,570		334,111		609,580		545,193
Education program		406,657		363,704		239,503		214,205
IOC subsidy		4,279,351		3,827,342		4,279,351		3,827,342
Donation		1,085,000		970,396		1,898,831		1,698,266
Competitions		1,075,981		962,330		1,655,272		1,480,433
Total operating revenue		8,213,277		7,345,744		9,412,624		8,418,410
Operating expenses								
Salaries		1,999,893		1,788,653		1,930,969		1,727,009
Provision for severance and retirement benefits		122,635		109,682		114,417		102,332
Service contract expenses		50,065		44,777		131,987		118,046
Employee benefits		226,808		202,851		210,181		187,981
Travel		38,212		34,176		126,668		113,289
Entertainment		88,560		79,206		70,710		63,241
Telephone & Communication		35,708		31,936		28,981		25,920
Antidoping		632,986		566,126		-		-
Taxes and dues		66,971		59,897		102,616		91,777
Office rental		344,425		308,045		404,824		362,064
Insurance expenses		30,159		26,973		52,493		46,948
Vehicles maintenance		44,226		39,555		41,824		37,406
Delivery and freight costs		10,345		9,252		12,173		10,887
Training		291,880		261,050		240,911		215,465
Printing		42,067		37,624		53,833		48,147
Conference		350,944		313,875		449,894		402,374
Competition		1,537,090		1,374,734		1,540,494		1,377,778
Supplies		66,004		59,032		64,727		57,890
Consultancy fees and related expenses		608,093		543,863		728,746		651,772
Advertising		468,623		419,124		397,758		355,745
Event		220,087		196,840		36,042		32,235
Depreciation		11,370		10,169		17,527		15,676
Amotization		25,405		22,722		20,495		18,330
Development fund		1,294,061		1,157,375		1,242,661		1,111,404
Supporting expenses by government fund		435,548		389,543		333,498		298,272
Taekwondo demo team		340,964		304,949		471,186		421,417
Other supporting expenses		182,704		163,406		224,741		201,003
Bad debt expenses		-		-		23,174		20,726
Miscellaneous		792		709		719		643
Total operating expenses		9,566,625		8,556,144		9,074,249		8,115,777
Net operating income (loss)		(1,353,348)		(1,210,400)		338,375		302,633

(Continued)

World Taekwondo
Statements of income (Non-profit segment)
For the years ended December 31, 2018 and 2017 (cont'd)

	2018				2017			
	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	₩	77,547	$	69,356	₩	3,108	$	2,780
Gain on foreign currency translation		520,147		465,206		802		717
Miscellaneous gain		610		546		331		296
Total non-operating revenue		598,304		535,108		4,241		3,793
Non-operating expenses								
Loss on foreign currency transaction		14,464		12,936		671,266		600,363
Loss on foreign currency translation		5,000		4,472		1,467,668		1,312,645
Donation		83,518		74,696		9,545		8,537
Miscellaneous loss		59		53		250		224
Total non-operating expenses		103,041		92,157		2,148,729		1,921,769
Net loss	₩	(858,085)	$	(767,449)	₩	(1,806,113)	$	(1,615,343)

World Taekwondo
Statements of financial position (Profit-making segment)
As at December 31, 2018 and 2017

	December 31, 2018		December 31, 2017	
	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	₩ 184,699	$ 165,190	₩ 2,174,248	$ 1,944,592
Short-term financial instruments	4,251,625	3,802,544	2,033,643	1,818,838
Other accounts receivable	407,668	364,608	41,419	37,043
Accrued income	222,577	199,067	168,325	150,546
Current income tax asset	-	-	49,010	43,833
Total current assets	5,066,569	4,531,409	4,466,645	3,994,852
Non-current assets:				
Property and equipment:				
Office equipment	33,623	30,072	33,623	30,072
Accumulated depreciation	(33,357)	(29,834)	(32,542)	(29,105)
	266	238	1,081	967
Intangible assets, net:				
Other intangible assets	49,636	44,393	35,702	31,931
Total non-current assets	49,902	44,631	36,783	32,898
Total assets	₩ 5,116,471	$ 4,576,040	₩ 4,503,428	$ 4,027,750

(Continued)

World Taekwondo
Statements of financial position (Profit-making segment)
As at December 31, 2018 and 2017

	December 31, 2018		December 31, 2017	
	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	₩ 37,038	$ 33,126	₩ 21,635	$ 19,350
Other accounts payable	34,531	30,884	14,483	12,953
Withholdings	5,556	4,969	5,020	4,490
Value added tax withheld	3,279	2,932	4,400	3,936
Income tax payable	21,029	18,808	-	-
Income in advance	-	-	68,294	61,080
Total current liabilities	101,433	90,719	113,832	101,809
Non-current liabilities:				
Severance and retirement benefits	208,012	186,041	243,614	217,882
Allowance for retirement pension	(159,794)	(142,916)	(164,793)	(147,387)
Deferred tax liabilities	75,658	67,666	313,560	280,440
Total non-current liabilities	123,876	110,791	392,381	350,935
Total liabilities	225,309	201,510	506,213	452,744
Net assets				
Net assets with no restriction:				
Allowance for non-profit segment	2,092,000	1,871,031	2,092,000	1,871,031
Unappropriated retained earning	2,799,162	2,503,499	1,905,215	1,703,975
Total net assets	4,891,162	4,374,530	3,997,215	3,575,006
Total liabilities and net assets	₩ 5,116,471	$ 4,576,040	₩ 4,503,428	$ 4,027,750

World Taekwondo
Statements of income (Profit-making segment)
For the years ended December 31, 2018 and 2017

	2018		2017	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Operating revenue:				
Marketing income	₩ 2,039,581	$ 1,824,149	₩ 1,783,318	$ 1,594,954
Sales of broadcasting rights	32,303	28,891	135,147	120,872
Advertisement	123,902	110,815	23,122	20,680
Total operating revenue	2,195,786	1,963,855	1,941,587	1,736,506
Operating expenses				
Salaries	534,663	478,189	398,310	356,238
Provision for severance and retirement benefits	32,786	29,323	23,601	21,108
Service contract expenses	13,385	11,971	27,226	24,350
Employee benefits	60,636	54,231	43,355	38,776
Travel	10,216	9,137	26,129	23,369
Entertainment	23,676	21,175	14,586	13,045
Telephone & Communication	9,546	8,538	5,978	5,347
Office management	-	-	-	-
Taxes and dues	17,904	16,013	21,167	18,931
Office rental	92,081	82,355	83,505	74,685
Insurance expenses	8,063	7,211	10,828	9,684
Vehicles maintenance	11,824	10,575	8,627	7,716
Delivery and freight costs	2,766	2,474	2,511	2,246
Training	78,033	69,791	49,694	44,445
Printing	11,247	10,059	11,104	9,931
Conference	93,823	83,913	92,802	83,000
Competition	410,935	367,530	317,765	284,201
Supplies	17,646	15,782	13,352	11,942
Consultancy fees and related expenses	162,571	145,399	150,322	134,444
Advertising	125,285	112,052	82,047	73,381
Event	58,839	52,624	7,435	6,650
Depreciation	815	729	1,602	1,433
Amotization	10,061	8,998	8,878	7,940
Bad debt expenses	-	-	447,690	400,402
Other supporting expenses	47,139	42,160	45,007	40,253
Miscellaneous	210	188	146	131
Total operating expenses	1,834,150	1,640,417	1,893,667	1,693,648
Net operating income	361,636	323,438	47,920	42,858

(Continued)

World Taekwondo
Statements of income (Profit-making segment)
For the years ended December 31, 2018 and 2017 (cont'd)

	2018				2017			
	Korean won in thousands		U.S. dollar (Note 2)		Korean won in thousands		U.S. dollar (Note 2)	
Non-operating revenue								
Interest income	₩	225,645	$	201,811	₩	339,591	$	303,721
Gain on foreign currency transaction		20,732		18,542		641		573
Gain on foreign currency translation		139,059		124,371		166		148
Miscellaneous gain		163		146		68		61
Total non-operating revenue		385,599		344,870		340,466		304,503
Non-operating expenses								
Loss on foreign currency transaction		3,867		3,459		138,465		123,840
Loss on foreign currency translation		22,328		19,970		302,743		270,766
Miscellaneous loss		16		14		52		47
Total non-operating expenses		26,211		23,443		441,260		394,653
Net income (loss) before income taxes		721,024		644,865		(52,874)		(47,292)
Income tax expense (benefit)		(204,207)		(182,638)		(93,799)		(83,891)
Net income	₩	925,231	$	827,503	₩	40,925	$	36,599