

World Taekwondo

Financial statements
For the years ended December 31, 2019 and 2018
(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, 2019 and 2018, 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, 2019 and 2018, 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 24, 2020

Nexia Samduk

Seoul, Korea

This audit report is effective as at March 24, 2020, 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, 2019 and 2018

“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, 2019 and 2018

	Notes	December 31, 2019		December 31, 2018	
		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	₩ 1,385,854	\$ 1,196,972	₩ 875,643	\$ 756,299
Short-term financial instruments	4,5,19	6,946,800	6,000,000	11,181,000	9,657,107
Other short-term financial assets	5,6,19	936,778	809,102	663,015	572,651
Other current assets		10,000	8,637	-	-
Total current assets		9,279,432	8,014,711	12,719,658	10,986,057
Non-current assets:					
Long-term financial assets	4,5,19	-	-	2,236,200	1,931,422
Property and equipment, net	7	509,103	439,716	14,256	12,313
Right-of-use assets	20	1,688,278	1,458,178	-	-
Intangible assets, net	8	187,905	162,295	204,245	176,408
Other non-current financial assets	5,6,19	900,557	777,817	871,559	752,772
Deferred tax assets	17	160,740	138,832	-	-
Total non-current assets		3,446,583	2,976,838	3,326,260	2,872,915
Total assets		₩ 12,726,015	\$ 10,991,549	₩ 16,045,918	\$ 13,858,972
Liabilities and net assets					
Current liabilities:					
Short-term financial liabilities	5,9,19	₩ 198,162	\$ 171,154	₩ 339,269	\$ 293,029
Other current liabilities	10	284,404	245,642	29,619	25,583
Advance received from IOC Fund	11	4,279,351	3,696,106	8,558,702	7,392,211
Lease liabilities	5,20	463,099	399,982	-	-
Income tax payable		2,423	2,094	21,028	18,162
Total current liabilities		5,227,439	4,514,978	8,948,618	7,728,985
Non-current liabilities:					
Severance and retirement benefits	12	425,480	367,490	228,577	197,424
Lease liabilities	5,20	1,321,378	1,141,283	-	-
Deferred tax liability	17	-	-	75,658	65,346
Total non-current liabilities		1,746,858	1,508,773	304,235	262,770
Total liabilities		6,974,297	6,023,751	9,252,853	7,991,755
Net assets					
Net assets with no restriction:	13				
Allowance for non-profit segment		2,092,000	1,806,875	2,092,000	1,806,875
Unappropriated retained earning		3,657,718	3,159,196	4,699,065	4,058,615
		5,749,718	4,966,071	6,791,065	5,865,490
Net assets with permanent restriction	13	2,000	1,727	2,000	1,727
Total net assets		5,751,718	4,967,798	6,793,065	5,867,217
Total liabilities and net assets		₩ 12,726,015	\$ 10,991,549	₩ 16,045,918	\$ 13,858,972

The accompanying notes are an integral part of the financial statements

World Taekwondo
Statements of comprehensive income
For the years ended December 31, 2019 and 2018

	Notes	2019		2018	
		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		₩ 8,859,141	\$ 7,651,702	₩ 8,213,277	\$ 7,093,865
Profit making segment revenue		1,813,720	1,566,523	2,195,786	1,896,516
Total operating revenue		10,672,861	9,218,225	10,409,063	8,990,381
Operating expenses	15	(12,540,539)	(10,831,352)	(11,400,775)	(9,846,930)
Net operating loss		(1,867,678)	(1,613,127)	(991,712)	(856,549)
Non-operating revenue	16	849,661	733,858	983,903	849,804
Non-operating expenses	16	126,914	109,616	129,252	111,636
Net loss before income taxes		(1,144,931)	(988,885)	(137,061)	(118,381)
Income tax expense (benefit)	17	(218,217)	(188,476)	(204,207)	(176,375)
Net income (loss)		₩ (926,714)	\$ (800,409)	₩ 67,146	\$ 57,994
Other comprehensive loss for the year					
Remeasurement loss on net of defined benefit liability		(114,634)	(99,010)	(181,306)	(156,595)
Other comprehensive loss for the year		(114,634)	(99,010)	(181,306)	(156,595)
Total comprehensive loss for the year		₩ (1,041,348)	\$ (899,419)	₩ (114,160)	\$ (98,601)

The accompanying notes are an integral part of the financial statements

World Taekwondo
Statements of changes in equity
For the years ended December 31, 2019 and 2018

	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, 2018	₩ 2,000	\$ 1,727	₩ 6,905,225	\$ 5,964,092	₩ 6,907,225	\$ 5,965,819
Profit for the year	-	-	67,146	57,993	67,146	57,993
Remeasurement loss on net of defined benefit liabilities	-	-	(181,306)	(156,595)	(181,306)	(156,595)
Total comprehensive loss	-	-	(114,160)	(98,602)	(114,160)	(98,602)
As at December 31, 2018	₩ 2,000	\$ 1,727	₩ 6,791,065	\$ 5,865,490	₩ 6,793,065	\$ 5,867,217
As at January 1, 2019	₩ 2,000	\$ 1,727	₩ 6,791,065	\$ 5,865,490	₩ 6,793,065	\$ 5,867,217
Loss for the year	-	-	(926,714)	(800,409)	(926,714)	(800,409)
Remeasurement loss on net of defined benefit liabilities	-	-	(114,633)	(99,010)	(114,633)	(99,010)
Total comprehensive loss	-	-	(1,041,347)	(899,419)	(1,041,347)	(899,419)
As at December 31, 2019	₩ 2,000	\$ 1,727	₩ 5,749,718	\$ 4,966,071	₩ 5,751,718	\$ 4,967,798

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

World Taekwondo
Statements of cash flows
For the years ended December 31, 2019 and 2018

	2019		2018	
	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)	₩ (926,714)	\$ (800,409)	₩ 67,146	\$ 57,994
Adjustments to reconcile net income to net cash flows (Note 18)	(3,665,809)	(3,166,185)	(4,646,294)	(4,013,037)
Changes in operating assets and liabilities (Note 18)	(892,653)	(770,991)	(1,203,045)	(1,039,078)
Interest received	302,462	261,239	170,960	147,659
Income tax received (paid)	(32,334)	(27,927)	45,936	39,675
Net cash flows used in operating activities	(5,215,048)	(4,504,274)	(5,565,297)	(4,806,786)
Cash flows from investing activities:				
Acquisition of property and equipment	₩ (573,700)	\$ (495,509)	₩ -	\$ -
Disposal of property and equipment	20,909	18,059	-	-
Acquisition of intangible assets	(35,000)	(30,230)	(113,745)	(98,242)
Increase in leasehold deposits, net	(558,998)	(482,811)	(244,903)	(211,524)
Decrease in long-term loans	530,000	457,765	-	-
Decrease in other financial assets	16,798,800	14,509,242	4,509,685	3,895,047
Increase in other financial assets	(10,135,600)	(8,754,189)	(3,350,945)	(2,894,235)
Net cash flows from investing activities	6,046,411	5,222,327	800,092	691,046
Cash flows from financing activities:				
Repayment of lease liabilities	₩ (342,230)	\$ (295,586)	₩ -	\$ -
Net cash flows used in financing activities	(342,230)	(295,586)	-	-
Net decrease in cash and cash equivalents	489,133	422,467	(4,765,205)	(4,115,740)
Net foreign exchange difference	21,078	18,205	17,782	15,358
Cash and cash equivalents at January 1	875,643	756,299	5,623,066	4,856,681
Cash and cash equivalents at December 31	₩ 1,385,854	\$ 1,196,972	₩ 875,643	\$ 756,299

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 Sofia, Bulgaria which is scheduled to be held on October 13, 2020.

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 ₩1,157.80 to US\$1, the year-end exchange rate on December 31, 2019. Such translation should not be construed as a representation that the Korean won amounts can actually be converted into United States dollars at the exchange rate used for the purpose of such translation.

2.2 Summary of significant accounting policies

2.2.1 Foreign currencies

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

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

2.2.1 Foreign currencies (cont'd)

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

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

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

2.2.2 Revenue from contracts with customers

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

IOC subsidy income

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

Marketing income

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

Rendering of services

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

Interest income

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

2.2.2 Revenue from contracts with customers (cont'd)

Other revenue

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

2.2.3 Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

2.2.3 Taxes (cont'd)

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

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

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

2.2.4 Pension benefits

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

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

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

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

2.2.5 Financial instruments

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

1) Financial assets

Initial recognition and measurement

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

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

2.2.5 Financial instruments (cont'd)

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

2.2.5 Financial instruments (cont'd)

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

Derecognition

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

2.2.5 Financial instruments (cont'd)

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

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

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

2) Impairment of financial assets

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

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

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

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

2.2.5 Financial instruments (cont'd)

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

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

3) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

2.2.5 Financial instruments (cont'd)

Loans and borrowings

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

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

Derecognition

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

4) Offsetting of financial instruments

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

2.2.6 Property, plant and equipment

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

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

	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 Leases

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

Company as a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Federation by the end of the lease term or the cost of the right-of-use asset reflects that the Federation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability

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

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

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

2.2.8 Intangible assets

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

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

2.2.8 Intangible assets (cont'd)

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

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

2.2.9 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

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

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

The following assets have specific characteristics for impairment testing:

Intangible assets

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

2.2.10 Cash and short-term deposits

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

2.2.11 Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Federation classifies all other liabilities as non-current.

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

2.2.12 Fair value measurement

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

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

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

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

2.2.12 Fair value measurement (cont'd)

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

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

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

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

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

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

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

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

	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.

2.2.12 Fair value measurement (cont'd)

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

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

2.3 Estimates and assumptions

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

2.3.1 Impairment of non-financial assets

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

2.3.2 Defined benefit plans (pension benefits)

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

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

2.4 New and amended standards and interpretations

The Federation applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2019. 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 2019, 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 1116 Leases

KIFRS 1116 supersedes KIFRS 1017 *Leases*, KIFRS 2104 *Determining whether an Arrangement contains a Lease*, KIFRS 2015 *Operating Leases-Incentives* and KIFRS 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under KIFRS 1116 is substantially unchanged from KIFRS 1017. Lessors will continue to classify leases as either operating or finance leases using similar principles as in KIFRS 1017. Therefore, KIFRS 1116 does not have an impact for leases where the Federation is the lessor.

The Federation adopted KIFRS 1116 using the full retrospective method of adoption, with the date of initial application of January 1, 2019. The Federation elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at January 1, 2019. Instead, the Federation applied the standard only to contracts that were previously identified as leases applying KIFRS 1017 and KIFRS 2104 at the date of initial application. The Federation also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The amendments has no effect on the Federation's financial statements.

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 an 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. These amendments had 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 the 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. An entity is also required to determine the 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 had no impact on the financial statements of the Federation as it did not have any plan amendments, curtailments, or settlements during the period.

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

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*. These amendments had no impact on the financial statements as the Federation does not have long-term interests in its associate and joint venture.

KIFRS 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 *Income Taxes*. It 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

The Federation determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Federation applies significant judgement in identifying uncertainties over income tax treatments. Since the Federation operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Federation considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Federation's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Federation determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Federation.

Annual Improvements 2015-2017 Cycle

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.

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

These amendments had no impact on the financial statements of the Federation as there is no transaction where joint control is obtained

KIFRS 1111 *Joint Arrangements*

An entity 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 had no impact on the financial statements of the Federation as there is no transaction where a joint control is obtained.

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 recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the 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, they had no impact on the financial statements of the Federation.

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.

The entity applies the 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, they had no impact on the financial statements of the Federation.

3. Standards issued but not yet effective

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

KIFRS 1117 *Insurance Contracts*

In May 2017, the KASB issued KIFRS 1117 *Insurance Contracts* (KIFRS 1117), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, KIFRS 1117 will replace KIFRS 1104 *Insurance Contracts* (KIFRS 1104) that was issued in 2005. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

KIFRS 1117 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. This standard is not applicable to the Federation.

Amendments to KIFRS 1003: *Definition of a Business*

In October 2018, the KASB issued amendments to the definition of a business in KIFRS 1003 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Federation will not be affected by these amendments on the date of transition.

Amendments to KIFRS 1001 and KIFRS 1008: *Definition of Material*

In October 2018, the IASB issued amendments to KIFRS 1001 *Presentation of Financial Statements* and KIFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Federation's financial statements.

World Taekwondo
Notes to the financial statements
December 31, 2019 and 2018

4. Cash and cash equivalents and financial instruments

Details of the cash and cash equivalents and financial instruments as at December 31, 2019 and 2018 are as follows (Korean won in thousands):

		December 31, 2019	December 31, 2018
	Cash	₩ 130	₩ 155
	Foreign currency	3,353	7,409
	Deposits at banks	986,173	460,070
Cash and cash equivalent	Foreign deposits at banks	396,178	407,926
	Deposits for government grants	20	83
		₩ 1,385,854	₩ 875,643
Short-term financial instruments	Time deposits at banks	₩ 6,946,800	₩ 11,181,000
Long-term financial instruments	Long-term financial instruments	-	2,236,200
		₩ 8,332,654	₩ 14,292,843

5. Financial instruments

(1) Details of financial instruments as at December 31, 2019 and 2018 are as follows (Korean won in thousands):

December 31, 2019

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

5. Financial instruments (cont'd)

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

(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, 2019 and 2018 are as follows (Korean won in thousands):

		2019	2018
	Interest revenues	₩ 248,624	₩ 225,645
	Gains on foreign exchange translation	217,009	659,206
	Losses on foreign exchange translation	(3,356)	(105,846)
Financial assets at amortized cost	Gains on foreign exchange transaction	371,552	98,280
	Losses on foreign exchange transaction	(17,779)	(18,331)
	Bad debt expenses	(121,665)	-
Financial liabilities at amortized cost	Interest expenses	(100,773)	-

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6. Other financial assets

(1) Details of other financial assets as at December 31, 2019 and 2018 are as follows (Korean won in thousands):

	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Other accounts receivables	₩ 889,702	₩ -	₩ 440,438	₩ -
Allowance for other accounts receivables	(121,665)	-	-	-
Accrued income	168,741	-	222,577	-
Leasehold deposits	-	838,998	-	830,000
Other deposits	-	61,559	-	41,559
	₩ 936,778	₩ 900,557	₩ 663,015	₩ 871,559

(2) Changes in allowance for bad debt loan on other financial assets for the years ended December 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
January 1	₩ -	₩ -
Reversal of impairment loss	(121,665)	-
Write-off	-	-
December 31	₩ (121,665)	₩ -

7. Property and equipment

(1) Details of property and equipment as at December 31, 2019 and 2018 are as follows. (Korean won in thousands):

December 31, 2019

	Acquisition value	Depreciation allowance	Net book value
Vehicles	₩ 68,497	₩ (25,429)	₩ -
Office equipment	138,169	(138,169)	-
Leasehold improvements	600,980	(91,877)	509,103
	₩ 764,578	₩ (255,475)	₩ 509,103

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

7. Property and equipment (cont'd)

(2) Details of changes in book value of property and equipment for the years ended December 31, 2019 and 2018 are as follows. (Korean won in thousands):

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

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

8. Intangible assets

(1) Details of intangible assets as at December 31, 2019 and 2018 are as follows. (Korean won in thousands):

December 31, 2019

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

December 31, 2018

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

(2) Details of changes in book value of intangible assets for the years ended December 31, 2019 and 2018 are as follows. (Korean won in thousands):

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

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

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9. Other financial Liabilities

Details of short-term other financial liabilities as at December 31, 2019 and 2018 are as follows. (Korean won in thousands):

	December 31, 2019	December 31, 2018
Accounts payable	₩ 37,123	₩ 163,693
Accrued expenses	161,039	175,576
	₩ 198,162	₩ 339,269

10. Other Liabilities

Details of other current liabilities as at December 31, 2019 and 2018 are as follows. (Korean won in thousands):

	December 31, 2019	December 31, 2018
Income in advance	₩ 247,227	₩ -
Withholdings	29,077	26,340
Value added tax withheld	8,100	3,279
	₩ 284,404	₩ 29,619

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, 2019 and 2018 are as follows.

	December 31, 2019	December 31, 2018
Advance received from IOC Fund	₩ 4,279,351	₩ 8,558,702

(2) Changes in advances received from IOC Fund for the years ended December 31, 2019 and 2018 are as follows (Korean won in thousands):

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

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

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, 2019 and 2018 are as follows. (Korean won in thousands):

	December 31, 2019		December 31, 2018
Present value of defined benefit liabilities	₩ 1,235,018	₩	986,074
Fair value of plan assets	(809,538)		(757,497)
	₩ 425,480	₩	228,577

(2) Revenues and expenses incurred in relation to the defined benefit pension plan for the years ended December 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018
Current service cost	₩ 155,813	₩	138,298
Net value of net defined benefit liabilities	2,003		6,220
	₩ 157,816	₩	144,518

(3) Changes in the present value of the defined benefit obligation for the years ended December 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018
Benefit liability as at January 1	₩ 986,074	₩	851,643
Payroll expenses (current net income):			
Current service cost	155,813		138,298
Interest cost	20,849		22,000
Benefits paid	(38,149)		(205,969)
Re-measurement gain (loss) in OCI:			
Actuarial changes arising from changes in demographic assumptions	-		-
Actuarial changes arising from changes in financial assumptions	110,431		180,102
Others	-		-
Benefit liability as at December 31	₩ 1,235,018	₩	986,074

(4) Changes in the fair value of plan assets for the years ended December 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018
Fair value of plan assets as at January 1	₩ 757,497	₩	527,518
Payroll expenses (current net income):			
Interest income	18,846		15,703
Benefits paid	(38,149)		(211,119)
Re-measurement gain (loss) in OCI:			
Revenues of plan assets	(8,656)		(10,027)
Contributions by employer	80,000		435,422
Fair value of plan assets as at December 31	₩ 809,538	₩	757,497

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, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Re-measurement loss in OCI before income taxes	₩ 119,086	₩ 190,129
Effect of income taxes	4,452	8,823
Re-measurement loss in OCI after income taxes	₩ 114,634	₩ 181,306

(6) The principal assumptions used in actuarial calculation as at December 31, 2019 and 2018 are as follows:

	2019	2018
Future salary increases	2.00%	2.00%
Discount rate	2.17%	2.42%

(7) A quantitative sensitivity analysis for significant assumptions as at December 31, 2019 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%	₩ (90,368)	₩ 105,177
Future salary increases	1.00%	104,355	(91,389)

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, 2019 and 2018 are as follows. (Korean won in thousands):

	December 31, 2019	December 31, 2018
Net assets without constraints	₩ 5,749,718	₩ 6,791,065
Net assets with permanent constraints	2,000	2,000
	₩ 5,751,718	₩ 6,793,065

14. Operating revenue

(1) Details of non-profit segment revenue for the years ended December 31, 2019 and 2018 are as follows.
(Korean won in thousands):

	2019	2018
IR fee & annual membership fee	₩ 181,593	₩ 159,220
Government subsidy	296,635	435,548
Kukkiwon subsidy	1,500,000	500,000
Donation	1,184,932	1,085,000
Other subsidies	288,257	271,520
Education program	272,172	406,657
IOC subsidy	4,279,351	4,279,351
Competitions	856,201	1,075,981
	<u>₩ 8,859,141</u>	<u>₩ 8,213,277</u>

(2) Details of profit making segment revenue for the years ended December 31, 2019 and 2018 are as follows.
(Korean won in thousands):

	2019	2018
Marketing income	₩ 1,684,091	₩ 2,039,581
Sales of broadcasting rights	84,190	123,902
Advertisement	45,439	32,303
	<u>₩ 1,813,720</u>	<u>₩ 2,195,786</u>

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15. Operating expenses

Details of operating expenses for the years ended December 31, 2019 and 2018 are as follows. (Korean won in thousands):

	2019	2018
Salaries	₩ 2,606,827	₩ 2,534,557
Service contract expenses	96,881	63,450
Provision for severance and retirement benefits	168,007	155,420
Employee benefits	285,797	287,445
Travel	119,193	48,428
Entertainment	78,636	112,236
Telephone & Communication	34,985	45,255
Taxes and dues	108,604	84,876
Depreciation	407,177	12,185
Office rental	230,342	436,506
Insurance expenses	55,425	38,222
Vehicles maintenance	61,091	56,051
Delivery and freight costs	30,908	13,110
Training	405,763	369,913
Printing	97,354	53,314
Conference	782,349	444,767
Supplies	78,282	83,649
Consultancy fees and related expenses	789,915	770,664
Event	353,219	278,927
Advertising	484,703	593,907
Amortization	51,341	35,466
Other supporting expenses	208,573	229,843
Competition	1,970,238	1,948,024
Development fund	1,294,964	1,294,061
Taekwondo demo team	513,984	340,964
Supporting expenses by government fund	296,635	435,548
Office management	623,464	632,986
Bad debt expenses	121,665	-
Others	184,217	1,001
	₩ 12,540,539	₩ 11,400,775

16. Other revenues and expenses

Other revenues and expenses incurred for the years ended December 31, 2019 and 2018 are as follows.

(1) Other revenues incurred for the years ended December 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Interest income	₩ 248,624	₩ 225,645
Gain on foreign currency transaction	371,552	98,280
Gain on foreign currency translation	217,009	659,206
Gain on disposal of property and equipment	11,578	-
Other gain	898	772
	<u>₩ 849,661</u>	<u>₩ 983,903</u>

(2) Other expenses incurred for the years ended December 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Interest expenses	₩ 100,773	₩ -
Loss on foreign currency transaction	17,779	18,331
Donations	5,000	5,000
Loss on foreign currency translation	3,356	105,846
Other expenses	6	75
	<u>₩ 126,914</u>	<u>₩ 129,252</u>

17. Income taxes

(1) The major components of income tax expense (benefit) for the years ended December 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Current income tax charge	₩ 13,729	₩ 24,871
Adjustments in respect of current income tax of previous years	(236,398)	(237,902)
Income taxes recognized directly to equity	4,452	8,824
Income tax expense (benefit)	<u>₩ (218,217)</u>	<u>₩ (204,207)</u>

(2) Details of income taxes recognized directly to equity as at December 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Re-measurement loss on net of defined benefit liability	₩ 4,452	₩ 8,824

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17. Income taxes (cont'd)

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

	2019	2018
Income (loss) before income taxes	₩ (1,144,931)	₩ (137,061)
Tax at the statutory income tax rate	(229,885)	(15,077)
Adjustments:		
Expenses not deductible for tax purposes	(250,738)	(174,991)
Tax exemption of revenue	69,446	163
Others	192,960	(14,302)
Income tax expense (benefit)	₩ (218,217)	₩ (204,207)
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, 2019 and 2018 and for the years then ended are as follows (Korean won in thousands):

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

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17. Income taxes (cont'd)

	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	(36,254)	1,100	-	(35,154)
	(496,494)	₩ 245,756	₩ -	₩ (250,738)
Net deferred tax assets (liabilities)	₩ (313,560)	₩ 229,078	₩ 8,824	₩ (75,658)

18. Statements of cash flows

(1) Significant transactions not involving cash flows for the years ended December 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Provision for severance and retirement benefits	₩ 157,816	₩ 138,765
Depreciation	407,177	12,185
Amortization	51,340	35,466
Bad debt expenses	121,665	-
IOC subsidy	(4,279,351)	(4,279,351)
Gain on foreign currency translation, net	(217,009)	(659,206)
Loss on foreign currency translation, net	3,356	105,846
Interest income	(248,624)	(225,645)
Income tax expense (benefit)	(218,217)	(204,207)
Others	556,038	429,853
	₩ (3,665,809)	₩ (4,646,294)

18. Statements of cash flows (cont'd)

(2) Significant transactions net working capital for the years ended December 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018	
Other accounts receivable	₩	(449,490)	₩	(404,042)
Other current assets		(419,364)		(222,138)
Other liabilities		12,562		(152,423)
Retirement pension		(52,042)		(234,253)
Payment of severance and retirement benefits		(27,958)		(190,189)
	₩	(936,292)	₩	(1,203,045)

(3) Changes in liabilities arising from financing activities

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

19. Fair value

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

	2019		2018	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	₩ 1,385,854	₩ 1,385,854	₩ 875,643	₩ 875,643
Current and non-current financial assets	6,946,800	6,946,800	13,417,200	13,417,200
Other financial assets	1,837,335	1,837,335	1,534,574	1,534,574
	₩ 10,169,989	₩ 10,169,989	₩ 15,827,417	₩ 15,827,417
Financial liabilities:				
Other financial liabilities	₩ 198,162	₩ 198,162	₩ 339,269	₩ 339,269
Lease liabilities	1,784,477	1,784,477	-	-
	₩ 1,982,639	₩ 1,982,639	₩ 339,269	₩ 339,269

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

19. Fair value (cont'd)

(2) Fair value hierarchy

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

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

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

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

20. Lease

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

	Building
As at January 1, 2019	₩ -
Additions	2,025,934
Depreciation expense	(337,656)
As at December 31, 2019	₩ 1,688,278

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

	2019	2018
Depreciation expense of right-of-use assets	₩ 337,656	₩ -
Interest expense on lease liabilities	100,773	-

(3) Details of lease liabilities as at December 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Current lease liabilities	₩ 463,099	₩ -
Non-current lease liabilities	1,321,378	-
	₩ 1,784,477	₩ -

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

	2019		2018	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	₩ 593,512	₩ 463,099	₩ -	₩ -
After one year but not more than five years	1,482,210	1,321,378	-	-
	₩ 2,075,722	₩ 1,784,477	₩ -	₩ -

21. Contingencies

A former employee filed a lawsuit against the Federation for dismissal and the estimated payout is ₩109 million should the lawsuit be not successful for the Federation.

The Federation estimates that it is impossible to reasonably predict the outcome of the above litigation and the effect of the result on the financial statements is not significant.

Appendixes

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Statements of financial position (Non-profit segment)

As at December 31, 2019 and 2018

	December 31, 2019		December 31, 2018	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Assets				
Current assets:				
Quick assets:				
Cash and cash equivalents	₩ 1,150,349	\$ 993,565	₩ 690,944	\$ 596,773
Short-term financial instruments	3,409,305	2,944,641	6,929,375	5,984,950
Other short-term financial assets	219,465	189,553	32,770	28,303
Other current assets	10,000	8,637	-	-
Total current assets	4,789,119	4,136,396	7,653,089	6,610,026
Non-current assets:				
Investment assets:				
Long-term financial instruments	-	-	2,236,200	1,931,422
	-	-	2,236,200	1,931,422
Property and equipment:				
Vehicles	25,429	21,963	68,497	59,161
Accumulated depreciation	(25,429)	(21,963)	(55,576)	(48,001)
Office equipment	104,546	90,297	104,546	90,297
Accumulated depreciation	(104,546)	(90,297)	(103,477)	(89,374)
Leasehold improvements	27,280	23,562	27,280	23,562
Accumulated depreciation	(27,280)	(23,562)	(27,280)	(23,562)
	-	-	13,990	12,083
Intangible assets, net:				
Other intangible assets	115,304	99,589	154,610	133,538
Other non-current assets:				-
Leasehold deposits	838,998	724,648	830,000	716,877
Other deposits	61,559	53,169	41,559	35,895
	900,557	777,817	871,559	752,772
Total non-current assets	1,015,861	877,406	3,276,359	2,829,815
Total assets	₩ 5,804,980	\$ 5,013,802	₩ 10,929,448	\$ 9,439,841

(Continued)

Appendixes

World Taekwondo

Statements of financial position (Non-profit segment)

As at December 31, 2019 and 2018 (cont'd)

	December 31, 2019		December 31, 2018	
	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	₩ 133,672	\$ 115,453	₩ 138,538	\$ 119,656
Other accounts payable	30,815	26,615	129,162	111,558
Withholdings	24,135	20,846	20,784	17,951
Income in advance	247,227	213,532	-	-
Advance received from IOC Fund	4,279,351	3,696,106	8,558,702	7,392,211
Total current liabilities	4,715,200	4,072,552	8,847,186	7,641,376
Non-current liabilities:				
Severance and retirement benefits	1,025,142	885,422	778,062	672,018
Allowance for retirement pension	(640,301)	(553,032)	(597,703)	(516,240)
Total non-current liabilities	384,841	332,390	180,359	155,778
Total liabilities	5,100,041	4,404,942	9,027,545	7,797,154
Net assets				
Net assets with no restriction:				
Unappropriated retained earning	702,939	607,133	1,899,903	1,640,960
Net assets with permanent restriction	2,000	1,727	2,000	1,727
Total net assets	704,939	608,860	1,901,903	1,642,687
Total liabilities and net assets	₩ 5,804,980	\$ 5,013,802	₩ 10,929,448	\$ 9,439,841

Appendixes

World Taekwondo Statements of income (Non-profit segment) For the years ended December 31, 2019 and 2018

	2019		2018	
	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	₩ 181,593	\$ 156,843	₩ 159,220	\$ 137,519
Government subsidy	333,498	288,045	333,498	288,045
Kukkiwon subsidy	1,500,000	1,295,561	500,000	431,854
Other subsidies	251,394	217,131	373,570	322,655
Education program	272,172	235,077	406,657	351,233
IOC subsidy	4,279,351	3,696,106	4,279,351	3,696,106
Donation	1,184,932	1,023,434	1,085,000	937,122
Competitions	856,201	739,507	1,075,981	929,332
Total operating revenue	8,859,141	7,651,704	8,213,277	7,093,866
Operating expenses				
Salaries	2,163,829	1,868,914	1,999,893	1,727,322
Provision for severance and retirement benefits	139,456	120,449	122,635	105,921
Service contract expenses	80,417	69,457	50,065	43,241
Employee benefits	237,229	204,896	226,808	195,896
Travel	98,938	85,453	38,212	33,004
Entertainment	65,272	56,376	88,560	76,490
Telephone & Communication	29,039	25,081	35,708	30,841
Antidoping fee	623,464	538,490	632,986	546,714
Taxes and dues	90,148	77,861	66,971	57,843
Office rental	191,198	165,139	344,425	297,482
Insurance expenses	46,006	39,736	30,159	26,049
Vehicles maintenance	50,708	43,797	44,226	38,198
Delivery and freight costs	25,655	22,158	10,345	8,935
Training	336,809	290,904	291,880	252,099
Printing	80,810	69,796	42,067	36,334
Conference	649,399	560,890	350,944	303,113
Competition	1,635,420	1,412,524	1,537,090	1,327,595
Supplies	64,979	56,123	66,004	57,008
Consultancy fees and related expenses	655,679	566,315	608,093	525,214
Advertising	402,334	347,499	468,623	404,753
Event	293,194	253,234	220,087	190,091
Depreciation	4,658	4,023	11,370	9,820
Amortization	39,305	33,948	25,405	21,942
Development fund	1,294,964	1,118,470	1,294,061	1,117,690
Supporting expenses				
by government fund	296,635	256,206	435,548	376,186
Taekwondo demo team	513,984	443,932	340,964	294,493
Other supporting expenses	173,129	149,533	182,704	157,803
Others	152,916	132,075	792	684
Total operating expenses	10,435,574	9,013,279	9,566,625	8,262,761
Net operating loss	(1,576,433)	(1,361,575)	(1,353,348)	(1,168,895)

(Continued)

Appendixes

World Taekwondo Statements of income (Non-profit segment) For the years ended December 31, 2019 and 2018 (cont'd)

	2019		2018	
	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	₩ 308,412	\$ 266,378	₩ 77,547	\$ 66,978
Gain on foreign currency translation	180,131	155,580	520,147	449,255
Gain on disposal of property and equipment	11,578	10,000	-	-
Miscellaneous gain	745	643	610	527
Total non-operating revenue	500,866	432,601	598,304	516,760
Non-operating expenses				
Loss on foreign currency transaction	14,758	12,747	14,464	12,493
Loss on foreign currency translation	5,000	4,319	5,000	4,319
Donation	2,785	2,405	83,518	72,135
Miscellaneous loss	5	4	59	51
Total non-operating expenses	22,548	19,475	103,041	88,998
Net loss	₩ (1,098,115)	\$ (948,449)	₩ (858,085)	\$ (741,133)

Appendixes

World Taekwondo

Statements of financial position (Profit-making segment)

As at December 31, 2019 and 2018

	December 31, 2019		December 31, 2018	
	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	₩ 235,505	\$ 203,407	₩ 184,699	\$ 159,526
Short-term financial instruments	3,537,495	3,055,359	4,251,625	3,672,158
Other accounts receivable	548,572	473,805	407,668	352,106
Accrued income	168,741	145,743	222,577	192,241
Total current assets	4,490,313	3,878,314	5,066,569	4,376,031
Non-current assets:				
Property and equipment:				
Leasehold improvements	573,700	495,509	-	-
Accumulated depreciation	(64,597)	(55,793)	-	-
Office equipment	33,623	29,040	33,623	29,040
Accumulated depreciation	(33,623)	(29,040)	(33,357)	(28,811)
	509,103	439,716	266	229
Intangible assets, net:				
Other intangible assets	72,601	62,706	49,636	42,871
	72,601	62,706	49,636	42,871
Other non-current assets:				
Right-of-use assets	1,688,278	1,458,178	-	-
Deferred tax assets	160,740	138,832	-	-
	1,849,018	1,597,010	-	-
Total non-current assets	2,430,722	2,099,432	49,902	43,100
Total assets	₩ 6,921,035	\$ 5,977,746	₩ 5,116,471	\$ 4,419,131

(Continued)

Appendixes

World Taekwondo

Statements of financial position (Profit-making segment)

As at December 31, 2019 and 2018

	December 31, 2018		December 31, 2018	
	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	₩ 27,367	\$ 23,637	₩ 37,038	\$ 31,990
Other accounts payable	6,309	5,449	34,531	29,825
Withholdings	4,941	4,268	5,556	4,799
Value added tax withheld	8,100	6,996	3,279	2,832
Income tax payable	2,423	2,093	21,029	18,163
Lease liabilities	463,099	399,982	-	-
Total current liabilities	512,239	442,425	101,433	87,609
Non-current liabilities:				
Severance and retirement benefits	209,876	181,271	208,012	179,661
Allowance for retirement pension	(169,237)	(146,171)	(159,794)	(138,015)
Lease liabilities	1,321,378	1,141,283	-	-
Deferred tax liabilities	-	-	75,658	65,345
Total non-current liabilities	1,362,017	1,176,383	123,876	106,991
Total liabilities	1,874,256	1,618,808	225,309	194,600
Net assets				
Net assets with no restriction:				
Allowance for non-profit segment	2,092,000	1,806,875	2,092,000	1,806,875
Unappropriated retained earning	2,954,779	2,552,063	2,799,162	2,417,656
Total net assets	5,046,779	4,358,938	4,891,162	4,224,531
Total liabilities and net assets	₩ 6,921,035	\$ 5,977,746	₩ 5,116,471	\$ 4,419,131

Appendixes

World Taekwondo Statements of income (Profit-making segment) For the years ended December 31, 2019 and 2018

	2019		2018	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Operating revenue:				
Marketing income	₩ 1,684,091	\$ 1,454,561	₩ 2,039,581	\$ 1,761,600
Sales of broadcasting rights	45,439	39,246	32,303	27,900
Advertisement	84,190	72,715	123,902	107,015
Total operating revenue	1,813,720	1,566,522	2,195,786	1,896,515
Operating expenses				
Salaries	442,998	382,620	534,663	461,792
Provision for severance and retirement benefits	16,464	14,220	32,786	28,317
Service contract expenses	28,551	24,660	13,385	11,561
Employee benefits	48,568	41,949	60,636	52,372
Travel	20,255	17,494	10,216	8,824
Entertainment	13,363	11,542	23,676	20,449
Telephone & Communication	5,945	5,135	9,546	8,245
Taxes and dues	18,456	15,941	17,904	15,464
Office rental	39,144	33,809	92,081	79,531
Insurance expenses	9,419	8,135	8,063	6,964
Vehicles maintenance	10,381	8,966	11,824	10,212
Delivery and freight costs	5,252	4,536	2,766	2,389
Training	68,954	59,556	78,033	67,398
Printing	16,544	14,289	11,247	9,714
Conference	132,951	114,831	93,823	81,036
Competition	334,817	289,184	410,935	354,927
Supplies	13,303	11,490	17,646	15,241
Consultancy fees and related expenses	134,236	115,941	162,571	140,414
Advertising	82,369	71,143	125,285	108,210
Event	60,025	51,844	58,839	50,820
Depreciation	402,518	347,658	815	704
Amortization	12,035	10,395	10,061	8,690
Bad debt expenses	121,665	105,083	-	-
Other supporting expenses	34,670	29,945	47,139	40,714
Miscellaneous	32,082	27,709	210	181
Total operating expenses	2,104,965	1,818,075	1,834,150	1,584,169
Net operating income (loss)	(291,245)	(251,553)	361,636	312,346

(Continued)

Appendixes

World Taekwondo Statements of income (Profit-making segment) For the years ended December 31, 2019 and 2018 (cont'd)

	2019		2018	
	Korean won in thousands	U.S. dollar (Note 2)	Korean won in thousands	U.S. dollar (Note 2)
Non-operating revenue				
Interest income	₩ 248,624	\$ 214,738	₩ 225,645	\$ 194,891
Gain on foreign currency transaction	63,141	54,535	20,732	17,906
Gain on foreign currency translation	36,878	31,852	139,059	120,106
Miscellaneous gain	153	132	163	141
Total non-operating revenue	348,796	301,257	385,599	333,044
Non-operating expenses				
Interest expenses	100,773	87,038	-	-
Loss on foreign currency transaction	3,022	2,610	3,867	3,340
Loss on foreign currency translation	570	492	22,328	19,285
Miscellaneous loss	1	1	16	14
Total non-operating expenses	104,366	90,141	26,211	22,639
Net income (loss) before income taxes	(46,815)	(40,437)	721,024	622,751
Income tax expense (benefit)	(218,217)	(188,476)	(204,207)	(176,375)
Net income	₩ 171,402	\$ 148,039	₩ 925,231	\$ 799,126