Daekyo Co., Ltd. and Subsidiaries
Consolidated Financial Statements
December 31, 2011 and 2010

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RESPECTED TRUSTED PROFESSIONAL **SAMIL**

Report of Independent Auditors

To the Board of Directors and Shareholders of
Daekyo Co., Ltd.

We have audited the accompanying consolidated statements of financial position of Daekyo co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") as of December 31, 2011 and 2010, and the related consolidated statements of Income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and 2010, and their financial performance and cash flows for the years ended December 31, 2011 and 2010, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

Samil PricewaterhouseCoopers

Seoul, Korea
March 15, 2012

This audit report is effective as of March 15, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2011 and 2010, and January 1, 2010

(in Korean won)	Notes	December 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash and cash equivalents	6,7	49,874,764,951	79,113,231,187	62,952,154,133
Financial deposits	6,7	13,005,550,690	18,713,825,627	12,893,787,775
Trade receivables	6,8,41	46,084,564,978	36,802,516,150	39,530,847,462
Other receivables	6,8,41	40,243,966,145	41,289,050,638	27,694,986,290
Financial assets at fair value through profit or loss	4,6,9	54,443,258,815	27,557,608,817	13,415,506,515
Available-for-sale financial assets	4,6,10	86,932,387,897	74,555,072,154	71,045,835,189
Inventories	11	32,429,947,423	27,333,516,254	26,966,254,980
Other current assets	12	11,467,982,545	8,796,757,177	9,412,858,326
		334,482,423,444	314,161,578,004	263,912,230,670
Non-current assets				
Financial deposits	6,7	5,221,302	5,193,567	23,000,000
Long-term other receivables	6,8	19,219,742,706	26,667,017,782	44,676,688,565
Available-for-sale financial assets	4,6,10	182,333,570,240	255,398,549,700	218,050,257,800
Investments in associates	5,13	466,016,413	729,016,553	729,016,554
Property, plant and equipment	14	149,928,005,281	129,294,273,292	120,910,326,662
Investment property	15	72,082,141,743	87,613,068,651	89,417,985,355
Intangible assets	16	98,160,462,494	90,964,672,812	91,662,103,384
Other non-current assets	12	1,812,984,797	5,217,125,663	687,015,401
		524,008,144,976	595,888,918,020	566,156,393,721
Total assets		858,490,568,420	910,050,496,024	830,068,624,391

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2011 and 2010, and January 1, 2010

(in Korean won)	Notes	December 31, 2011	December 31, 2010	January 1, 2010
Liabilities				
Current liabilities				
Trade payables	4,6,41	11,494,751,890	10,668,949,328	12,972,074,119
Derivative financial instruments	4,6,29	63,441,493	-	-
Other payables	4,6,17,41	79,684,259,251	68,712,757,697	71,012,453,080
Borrowings	4,6,18	20,540,247,051	12,444,418,867	8,416,500,944
Income tax payable		12,523,249,808	7,788,306,055	14,895,445,674
Provisions	19	415,346,041	372,884,520	2,447,150,742
Other current liabilities	20	49,180,819,487	56,566,628,156	56,981,514,072
		173,902,115,021	156,553,944,623	166,725,138,631
Non-current liabilities				
Other payables	4,6,17	5,609,012,724	15,271,423,835	13,557,360,071
Borrowings	4,6,18	936,214,082	958,988,036	1,041,075,388
Retirement benefit obligations	21	9,573,443,087	7,265,958,436	7,481,040,050
Deferred income tax liabilities	22	24,688,606,527	42,556,095,686	29,805,010,424
		40,807,276,420	66,052,465,993	51,884,485,933
Total liabilities		214,709,391,441	222,606,410,616	218,609,624,564
Equity attributable to owners of the Parent				
Capital stock	23	52,064,920,000	52,064,920,000	52,064,920,000
Capital surplus	24	69,422,725,682	70,497,421,063	70,606,087,492
Other components of equity	25,26,27	(47,569,505,865)	(46,764,696,794)	(50,257,291,428)
Accumulated other comprehensive income	22	88,482,807,653	155,749,194,225	121,618,214,489
Retained earnings	28	475,330,769,940	448,465,376,580	413,021,972,273
		637,731,717,410	680,012,215,074	607,053,902,826
Non-controlling interest				
Non-controlling interest		6,049,459,569	7,431,870,334	4,405,097,001
Total equity		643,781,176,979	687,444,085,408	611,458,999,827
Total liabilities and equity		858,490,568,420	910,050,496,024	830,068,624,391

The accompanying notes are an integral part of these consolidated financial statements.

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2011 and 2010

(in Korean won)	Notes	2011	2010
Net Sales	5,30,41	932,828,728,504	904,217,159,462
Cost of sales	32,41	766,934,623,859	737,890,805,747
Gross profit		165,894,104,645	166,326,353,715
Selling and administrative expenses	31,32,41	109,764,631,047	97,926,416,589
Other operating income	30,33	28,714,978,609	23,459,008,085
Other operating expenses	34	15,965,779,356	18,241,297,049
Operating income	5,35	68,878,672,851	73,617,648,162
Loss from associates	5,13	263,000,141	-
Financial income	30,36	2,216,300,190	2,101,241,329
Financial expenses	36	924,981,589	733,587,116
Profit before income tax		69,906,991,311	74,985,302,375
Income tax expense	37	19,479,035,802	21,271,954,734
Profit for the year	40,43	50,427,955,509	53,713,347,641
Profit attributable to:			
Equity holders of the Parent Company	38	52,684,208,520	54,722,614,216
Non-controlling interests		(2,256,253,011)	(1,009,266,575)
Earnings per share attributable to the equity holders of the Parent Company during the year:	38		
Basic earnings per share for ordinary shares		561	583
Basic earnings per share for preferred shares		569	602

The accompanying notes are an integral part of these consolidated financial statements.

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2011 and 2010

(in Korean won)	Notes	2011	2010
Profit for the year		50,427,955,509	53,713,347,641
Other comprehensive income:			
Gain(loss) on valuation of available-for-sale financial assets		(67,434,137,344)	34,154,841,387
Actuarial loss on retirement benefit obligations	21,28	(3,209,012,578)	(1,427,452,911)
Currency translation differences		207,733,175	(135,763,633)
Other comprehensive income(loss) for the year, net of tax		(70,435,416,747)	32,591,624,843
Total comprehensive income(loss) for the year	43	(20,007,461,238)	86,304,972,484
Comprehensive income (loss) for the year attributable to:			
Equity holders of the Parent Company		(17,732,397,542)	87,443,089,193
Non-controlling interest		(2,275,063,696)	(1,138,116,709)

The accompanying notes are an integral part of these consolidated financial statements.

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2011 and 2010

(in Korean won)

	Notes	Capital Stock	Capital Surplus	Other components of Equity	Accumulated Other Comprehensive Income(loss)	Retained Earnings	Non-controlling Interest	Total Equity
		Attributable to equity holders of the Parent Company						
Balance at January 1, 2010		52,064,920,000	70,606,087,492	(50,257,291,428)	121,618,214,489	413,021,972,273	4,405,097,001	611,458,999,827
Comprehensive income (loss)								
Profit for the year		-	-	-	-	54,722,614,216	(1,009,266,575)	53,713,347,641
Gain(loss) on valuation of available-for-sale financial assets		-	-	-	34,154,841,387	-	-	34,154,841,387
Actuarial loss on retirement benefit obligations		-	-	-	-	(1,410,504,759)	(16,948,152)	(1,427,452,911)
Currency translation differences		-	-	-	(23,861,651)	-	(111,901,982)	(135,763,633)
Transactions with equity holders of the Parent Company :								
Dividends	39	-	-	-	-	(9,469,026,470)	-	(9,469,026,470)
Interim devidends	39	-	-	-	-	(8,399,678,680)	-	(8,399,678,680)
Issuance of stocks of subsidiaries		-	(295,886,734)	-	-	-	4,164,890,042	3,869,003,308
Acquisition of treasury stock		-	-	(1,973,176,104)	-	-	-	(1,973,176,104)
Disposal of treasury stock		-	187,220,305	6,637,167,027	-	-	-	6,824,387,332
Stock options		-	-	(1,171,396,289)	-	-	-	(1,171,396,289)
Balance at December 31, 2010		52,064,920,000	70,497,421,063	(46,764,696,794)	155,749,194,225	448,465,376,580	7,431,870,334	687,444,085,408
Balance at January 1, 2011		52,064,920,000	70,497,421,063	(46,764,696,794)	155,749,194,225	448,465,376,580	7,431,870,334	687,444,085,408
Comprehensive income (loss)								
Profit for the year		-	-	-	-	52,684,208,520	(2,256,253,011)	50,427,955,509
Gain(loss) on valuation of available-for-sale financial assets		-	-	-	(67,434,137,344)	-	-	(67,434,137,344)
Actuarial loss on retirement benefit obligations		-	-	-	-	(3,150,219,490)	(58,793,088)	(3,209,012,578)
Currency translation differences		-	-	-	167,750,772	-	39,982,403	207,733,175
Transactions with equity holders of the Parent Company:								
Dividends	39	-	-	-	-	(12,365,603,850)	-	(12,365,603,850)
Interim devidends	39	-	-	-	-	(10,302,991,820)	-	(10,302,991,820)
Issuance of stocks of subsidiaries		-	(1,708,359,407)	-	-	-	892,652,931	(815,706,476)
Acquisition of treasury stock		-	-	(3,237,050,970)	-	-	-	(3,237,050,970)
Disposal of treasury stock		-	633,664,026	2,775,142,464	-	-	-	3,408,806,490
Stock options		-	-	(342,900,565)	-	-	-	(342,900,565)
Balance at December 31, 2011		52,064,920,000	69,422,725,682	(47,569,505,865)	88,482,807,653	475,330,769,940	6,049,459,569	643,781,176,979

The accompanying notes are an integral part of these consolidated financial statements.

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2011 and 2010

(in Korean won)	Notes	2011	2010
Cash flows from operating activities			
Cash generated from operations	40	51,229,165,707	85,374,930,801
Dividends received		3,681,384,890	2,022,928,583
Interest received		1,731,857,371	2,114,940,330
Interest paid		(724,575,333)	(576,949,380)
Income tax paid		(15,530,279,309)	(24,341,733,885)
Net cash generated from operating activities		40,387,553,326	64,594,116,449
Cash flows from investing activities			
Decrease in short-term financial deposits		8,564,890,076	6,979,572,583
Proceeds from disposal of available-for-sale financial assets		78,756,267,472	51,299,750,198
Decrease in other receivables		42,360,618,467	23,034,659,639
Proceeds from disposal of property, plant and equipment		111,536,433	210,712,315
Increase in derivative financial instruments		1,238,190,000	-
Increase in cash and cash equivalents due to business combination and changes in scope of subsidiaries		284,446,060	-
Increase in long-term financial deposits		(3,357,573,924)	(12,864,409,428)
Acquisition of available-for-sale financial assets		(81,809,849,432)	(31,604,312,710)
Increase in other receivables		(34,779,377,457)	(15,861,748,969)
Acquisition of investments in associates		(4,994,000,000)	-
Acquisition of property, plant and equipment		(18,153,637,501)	(18,118,307,486)
Acquisition of investment property		(39,600,000)	-
Acquisition of intangible assets		(24,760,838,667)	(21,087,530,663)
Acquisition of other assets		(15,287,930,966)	(16,626,692,086)
Decrease in cash and cash equivalents due to business combination		(2,078,936,240)	(2,240,000,000)
Net cash used in investing activities		(53,945,795,679)	(36,878,306,607)
Cash flows from financing activities			
Disposal of treasury stock		1,496,563,173	1,932,981,670
Issuance of stocks of subsidiaries		992,493,956	3,886,706,956
Proceeds from borrowings		14,282,681,000	5,799,829,550
Acquisition of treasury stock		(3,237,050,970)	(1,973,176,104)
Dividends paid		(22,668,595,670)	(17,868,705,150)
Repayments of borrowings		(6,640,787,839)	(3,364,677,209)
Net cash uesd in financing activities		(15,774,696,350)	(11,587,040,287)
Net increase (decrease) in cash and cash equivalents		(29,332,938,703)	16,128,769,555
Cash and cash equivalents at the beginning of year		79,113,231,187	62,952,154,133
Exchange gains on cash and cash equivalents		94,472,467	32,307,499
Cash and cash equivalents at the end of year		49,874,764,951	79,113,231,187

The accompanying notes are an integral part of these consolidated financial statements.

1. General Information

Daekyo Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group") are engaged in educational and cultural work. The Company was incorporated in December 1986, to engage in the publication, manufacturing and sales of home-school materials. The Company, as an education and culture company, provides various products and educational services such as the Noonnoppi education, pre-school education, publishing, educational institutions, home-based teaching, on-line education, and after-school teaching.

In February 2004, the Company listed its shares on the KRX KOSPI Market of the Korean Exchange. As of December 31, 2011, the majority shareholder, Daekyo Holdings Co., Ltd. owns 54.5% of common stock of the Company.

1.1 Subsidiaries

Subsidiaries	Percentage of Ownership (%) at December 31, 2011	Location	Closing Month	Major Business
Daekyo Edupia Co., Ltd. (formerly Fermatedu Co., Inc.)	68.88	Korea	December	Education
Daekyo Bookscan Co., Ltd.	100.00	Korea	December	Book sales
Daekyo Book Center Co., Ltd.	97.93	Korea	December	Book sales
Daekyo CSA Co., Ltd.	70.00	Korea	December	Education
DK Educamp Co., Ltd.(formerly Daekyo Sobics Co., Ltd.)	96.72	Korea	December	Education
Daekyo New Development Investment Association.	80.00	Korea	December	Investment
Daekyo America, Inc.	50.06	America	December	Education
Daekyo Hong Kong Co., Ltd. [1]	47.89	China	December	Education
Beijing Daekyo Co., Ltd.	100.00	China	December	Education
Daekyo Malaysia Sdn. Bhd.	100.00	Malaysia	December	Education
Shanghai Daekyo Co., Ltd.	100.00	China	December	Education
P.T Daekyo Indonesia	99.58	Indonesia	December	Education
Daekyo Enopi Singapore PTE Ltd.	100.00	Singapore	December	Education

[1] Although the Group has less than 50% of the voting power in the investee, it is included as a subsidiary as the Group has a right to appoint the majority of its Board of Directors.

1.2 Summary of Financial Information of Consolidated Subsidiaries

Summary of financial position and comprehensive income of consolidated subsidiaries as of and for the years ended December 31, 2011 and 2010, follows:

	December 31, 2011					
(in millions of Korean won)	Assets	Liabilities	Equity	Sales	Net income (loss)	Total comprehensive income
Daekyo Edupia Co., Ltd.	11,984	13,233	(1,249)	13,388	(4,582)	(4,593)
Daekyo Bookscan Co., Ltd.	567	1,091	(524)	-	(827)	(827)
Daekyo Book Center Co., Ltd.	5,782	4,081	1,701	12,106	89	56
Daekyo New Development Investment Association.	5,040	123	4,917	-	(83)	(83)
Daekyo CSA Co., Ltd.	2,939	1,447	1,492	10,481	405	226
DK Educamp Co., Ltd.	2,016	409	1,607	5,734	(425)	(454)
Daekyo America, Inc.	20,346	12,555	7,791	4,419	(2,312)	(2,283)
Daekyo Hong Kong Co., Ltd.	3,651	1,686	1,965	3,578	775	824
Beijing Daekyo Co., Ltd.	426	40	386	212	20	42
Daekyo Malaysia Sdn. Bhd.	1,551	1,077	474	1,595	104	97
Shanghai Daekyo Co., Ltd.	2,108	38	2,070	653	(142)	(30)
P.T Daekyo Indonesia	1,047	711	336	586	(125)	(124)
Daekyo Enopi Singapore PTE Ltd.	485	85	400	290	(244)	(243)

	December 31, 2010					
(in millions of Korean won)	Assets	Liabilities	Equity	Sales	Net income (loss)	Total comprehensive income
Daekyo Edupia Co., Ltd.	14,605	13,626	979	16,530	(2,529)	(2,579)
Daekyo Bookscan Co., Ltd.	767	465	302	493	(2,448)	(2,448)
Daekyo Book Center Co., Ltd.	5,823	4,178	1,645	11,324	(222)	(246)
Daekyo EOL Co., Ltd.	1,524	596	928	4,056	96	96
Daekyo CSA Co., Ltd.	2,213	947	1,266	8,726	(19)	(7)
DK Educamp Co., Ltd.	2,470	408	2,062	5,943	61	50
Daekyo America, Inc.	12,014	1,940	10,074	3,806	(598)	(793)
Daekyo Hong Kong Co., Ltd.	2,001	860	1,141	2,613	452	424
Beijing Daekyo Co., Ltd.	377	32	345	240	(4)	(1)
Daekyo Malaysia Sdn. Bhd.	1,014	637	377	1,216	209	227
Shanghai Daekyo Co., Ltd.	2,173	74	2,099	728	(2,458)	(2,443)
P.T Daekyo Indonesia	906	446	460	614	(38)	(26)
Daekyo Enopi Singapore PTE Ltd.	455	39	416	85	(191)	(150)

1.3 Changes in the Scope of Consolidation

Subsidiaries newly included and eliminated in the consolidation during 2011 are as follows:

Subsidiaries newly included in the consolidation are:

Subsidiaries	Reasons
Daekyo New Development Investment Association	Newly established
Daekyo Publishing Co., Ltd.	Acquisition of shares

Subsidiaries eliminated from the consolidation are:

Subsidiaries	Reasons
Daekyo EOL Co., Ltd.	Merged
Daekyo Publishing Co., Ltd.	Merged

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

The Group's financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean-IFRS"). These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The consolidated financial statements of the Group were prepared in accordance with Korean-IFRS and are subject to Korean-IFRS 1101, 'First-time Adoption of Korean-IFRS'.

The transition date, according to Korean-IFRS 1101, from the previous accounting principles generally accepted in the Republic of Korea ("Previous K-GAAP") to Korean-IFRS is January 1, 2010. Reconciliations and descriptions of the effect of the transition from previous K-GAAP to Korean-IFRS on the Group's equity, comprehensive income and cash flows are described in Note 43.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The following standards and amendments to standards and interpretations have been issued and announced as of December 31, 2011, and shall be newly adopted by the Group for the year 2012 or thereafter :

- Korean-IFRS 1012 (amendments): '*Income Taxes*'

According to the amendments to Korean-IFRS 1012, *Income Taxes*, for the investment property that is measured using the fair value model, the measurement of deferred tax liability and deferred tax asset should reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless evidences support otherwise. This amendment is effective for the Group as of January 1, 2012. The Group expects that the application of this amendment would not have material impact on its consolidated financial statements.

- Korean-IFRS 1019 (amendments): '*Employee Benefits*'

According to the amendments to Korean-IFRS 1019, Employee Benefits, use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred from changes in pension plan are immediately recognized, and expected returns on interest costs and plan assets that used to be separately calculated are now changed to calculating net interest expense(income) by applying discount rate used in measuring defined benefit obligation in net defined benefit liabilities(assets). This amendment will be effective for the Group as of January 1, 2013, and the Group is assessing the impact of application of the amended Korean-IFRS 1019 on its consolidated financial statements.

- Korean-IFRS 1107 (amendments): '*Financial Instruments: Disclosure*'

According to the amendment, an entity should provide the required disclosures of nature, carrying amount, risk and rewards associated with all transferred financial instruments that are not derecognized from an entity's financial statements. In addition, an entity is required to disclose additional information related to transferred and derecognized financial instruments for any continuing involvement in transferred assets. This amendment is effective for the Group as of July 1, 2011. The Group is assessing the impact of application of the amended Korean-IFRS 1107 on its consolidated financial statements as of the report date.

- Korean-IFRS 1113 (enactment): '*Fair value measurement*'

Korean-IFRS 1113, *Fair value measurement*, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean-IFRSs. Korean-IFRS 1113 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within Korean-IFRSs. This amendment will be effective for the Group as of January 1, 2013. The Group is assessing the impact of application of the amended Korean-IFRS 1113 on its consolidated financial statements.

2.2 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean-IFRS 1027, '*Consolidated and Separate Financial Statements*'.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders giving the Group the power to govern the financial and operating policies and others.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured as the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with Korean-IFRS1039, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Intercompany transactions, balances, income, expenses and unrealized gain on transactions between Group companies are eliminated. Unrealized losses are also eliminated after recognizing impairment of transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profit or loss is recognized in the statement of income, and its share of post-acquisition movements in other comprehensive income of associates is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount as 'impairment loss on investment in an associate' in the statement of income.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognized in profit or loss.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Korean won, which is the controlling entity's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in 'financial income or expenses' in the statement of income. All other foreign exchange gains and losses are presented in 'other operating income and expenses' in the statement of income.

(c) Translation to presentation currency

The financial performance and financial position of all Group entities whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of income are translated at average exchange rates; and
- all resulting exchange differences are recognized in other comprehensive income.

When the Company ceases to control the subsidiary, the cumulative exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.6 Financial Instruments

2.6.1 Classification

The Group classifies its financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments, and financial liabilities at amortised cost. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

(a) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial assets held for trading. Financial assets and liabilities are classified in this category if acquired principally for the purpose of selling in the short term. Derivatives or embedded derivatives are also categorized as held for trading unless they are designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'cash and cash equivalents', 'financial deposits', 'trade receivables' and 'loans and other receivables' in the statement of financial position.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless their maturities are less than 12 months or management intends to dispose of them within 12 months after the end of the reporting period.

(d) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and are classified as 'held-to-maturity financial assets' in the statements of financial position. If the Group were to sell other than an insignificant amounts of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities of less than 12 months after the end of the reporting period, which are classified as current assets.

(e) Financial liabilities measured at amortised cost

The Group classifies all non-derivative financial liabilities as financial liabilities measured at amortised cost except for financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition. In this case the transferred asset continues to be recognised and a financial liability is measured as the consideration received. Financial liabilities are classified as 'trade payables', 'borrowings' and 'other payables' in the statements of financial position. Financial liabilities measured at amortised cost are included in non-current liabilities, except for maturities less than 12 months after the end of the reporting period, which are classified as current liabilities.

2.6.2 Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss are presented in the statement of income within 'other operating income and expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of income as part of 'other operating income' when the Group's right to receive dividend payments is established.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income as 'other operating income and expenses'.

Interest on available-for-sale and held-to-maturity financial assets calculated using the effective interest method is recognized in the statement of income as part of 'other operating income'. Dividends on available-for-sale financial assets are recognized in the statement of income as part of 'other operating income' when the Group's right to receive dividend payments is established.

2.6.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.6.4 Derecognition

Financial instruments are derecognized when the contractual rights to receive cash flows from the investments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. If the risk and rewards of ownership of transferred assets have not been substantially transferred, the Group reviews the level of control retained over that asset and the extent of its continuing involvement to determine if transfers do not qualify for derecognition.

2.7 Impairment of Financial Assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, such as:
  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted using the initial effective interest rate. The carrying amount of the asset is reduced by the impairment loss amount and the amount of the loss is recognized in the statement of income. In practice, the Group may measure impairment loss based on the fair value of financial asset using an observable market price.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (for example, an improvement in debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

(b) Available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the statement of income. Impairment losses recognized in the consolidated statement of income on equity instruments are not reversed through the statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed in profit or loss.

2.8 Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The resulting gain or loss is recognized in 'other operating income and expenses' or 'financial income and expenses' according to the nature of transactions.

2.9 Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for doubtful accounts.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of finished goods and work in progress consists of raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Non-current Assets (or disposal group) Held for Sale

Non-current assets (or disposal group) held for sale are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.12 Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation and accumulated impairment loss. Historical cost includes expenditures directly attribute to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land, standing timber and construction-in-progress are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

Buildings	40 - 60 years
Structures	3 - 40 years
Machinery	4 - 5 years
Vehicles	2 - 10 years
Tools	2 - 6 years
Supplies	2 - 17 years
Equipment	5 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other operating income and expenses' in the statement of income.

2.13 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.14 Investment Property

Investment property is held to earn rentals or for capital appreciation or both. Investment property also includes property that is being constructed or developed for future use as investment property. Investment property is measured initially at its cost including transaction costs incurred in acquiring the asset. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses.

Subsequent costs are include in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land held for investment is not depreciated. Investment property, except for land, is depreciated using straight-line method over their useful lives from 40 to 60 years.

The depreciation method, the residual value and the useful life of an asset are reviewed at the end of each financial year and, if management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other operating income and expenses' in the statement of income.

The fair value of investment property disclosed in Note 15 reflects market conditions at the end of the reporting period, with adjustment that reflects specific asset's characteristics, condition and location.

2.15 Intangible Assets

(a) Goodwill

Goodwill is measured as explained in Note 2.2(a) and goodwill arising on the acquisition of subsidiaries and business is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination.

(b) Membership rights

Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to be utilized

(c) Development Costs

Expenditure on research is recognised as an expense as incurred. Development costs which are individually identifiable and directly related to a new technology or to new products which carry probable future economic benefits are recognised as intangible assets when all the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs stated as intangible assets are amortised using the straight-line method over their estimated useful lives of 4 - 5 years when the assets are available for using or selling and are tested for impairment.

(d) *Other intangible assets*

Other intangible assets such as industrial property rights, right to use donated assets and software which meet the definition of an intangible asset are amortised using the following depreciation method and estimated useful lives when the asset is available for use.

	Estimated Useful Lives	Depreciation Method
Industrial property rights	5 - 10 years	Straight-line method
Software	4 - 5 years	Straight-line method
Other intangible assets	1 - 15 years	Straight-line/Declining balance
Right to use donated assets	1 - 4 years	Straight-line method

2.16 Government Grants

Grants from a government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are presented as a deduction of related assets and are credited to depreciation over the expected lives of the related assets.

Government grants relating to income are deferred and recognized in the statement of income over the period necessary to match them with the costs that they are intended to compensate.

2.17 Impairment of Non-financial Assets

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.18 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Financial Guarantee Contract

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amounts below. Any increase in the liability relating to guarantees is reported as other financial liabilities.

- amount calculated in accordance with Korean-IFRS 1037, '*Provisions, Contingent Liabilities and Contingent Assets;*' or
- the initial amount, less accumulated amortization recognized in accordance with Korean-IFRS 1018, '*Revenue*'.

2.20 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method. The Group classifies the liability as current as long as it does not have an unconditional right to defer its settlement for at least 12 months after the reporting date. Sales return provision is for the estimated sales returns based on historical results.

2.21 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and can be reliably estimated. Provisions are not recognized for future operating losses. The Group recognises the sales return provision for the estimated sales return based on historical results.

2.22 Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention either to settle the balances on a net basis or to realize the asset and settle the liability simultaneously.

2.23 Employee Benefits

(a) *Post-employment benefits*

The Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income, while costs are amortized over the vesting periods.

(b) Share-based payments

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted. The Group makes payments with its treasury shares when the options are exercised.

2.24 Share Capital

Ordinary shares and preferred shares that are not mandatorily redeemable are classified as equity.

Where any entity within the Group purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received is included in equity attributable to the Company's equity holders.

2.25 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services supplied in the ordinary course of the Group's activities. Revenue is presented net of value-added tax, returns and discounts, after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The revenue can be reliably measured only when any contingency related to sales is resolved. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group sells reference books, collections, publications and others. Sales of goods are recognized when products are delivered to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales of services

Revenue is generally recognized on a straight-line basis over the period the service is rendered when weekly home-school services are provided. For the rest of services, revenue is recognized by reference to the stage of completion in accordance with the substance of the relevant agreements.

(c) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

(e) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

2.26 Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the leassor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

2.27 Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

2.28 Customer Loyalty Programmes

The Group operates mileage system to manage sources of stable income through secure of regular customer and award credits of best customer. If a member buys books, the Group grants the member mileage points. The related revenue is deferred from the points when it sells the goods and recognised as revenue when the mileage points are used.

3. Critical Accounting Estimates and Judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimations and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.17. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 16).

(b) Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recorded, based on its best estimate, current taxes and deferred taxes that the Group will be liable in the future for the operating results as of the financial year end. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(d) Retirement benefit obligation

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the pension benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions. Additional information is disclosed in Note 21.

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's Accounting department under policies approved by the board of directors. The Company's treasury department identifies evaluates and hedges financial risks in close co-operation with the Company's operating units.

(a) Market risk

i) Interest rate risk

The interest rate risk is the risk that interest expenses arising from borrowings would fluctuate because of changes in market interest rates in the future. The risk mainly arises from borrowings with variable interest rates. The Group holds all fixed rate financial deposits and therefore there is no effect on the net income or net asset due to changes in interest rates.

As of December 31, 2011 and 2010, if interest rates fluctuate by 100bp without other variables changing, the effects on interest expense are as follows:

	December 31, 2011		December 31, 2010	
(in millions of Korean won)	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Interest expense	179	(179)	123	(123)

ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale financial assets, financial assets at fair value through profit or loss or derivative financial instruments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

As of December 31, 2011 and 2010, if the prices of equity instruments fluctuated by 5% while other variables were fixed, the effects on net income (loss) and total comprehensive income (loss) would be as follows:

	December 31, 2011		December 31, 2010	
(in millions of Korean won)	5% increase	5% decrease	5% increase	5% decrease
Net income(loss)	2,031	(2,043)	1,044	(1,044)
Comprehensive income(loss)	11,956	(11,967)	13,534	(13,534)

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Corporate customers are evaluated taking into account its financial position, past experience and other factors and individual customers are settled in cash or using major credit cards (Note 8).

(c) Liquidity Risk

The Group forecasts its cash flow and liquidity status and sets action plans on a regular basis to manage liquidity risk proactively. In addition, the Group copes with potential financial distress by maintaining adequate amount of cash and financial deposits. The balances of cash and cash equivalents, and current-financial deposits as of December 31, 2011, are ₩62,880 million (December 31, 2010: ₩97,827 million; January 1, 2010: ₩75,846 million).

The analyses of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	December 31, 2011					
(In millions of Korean won)	Book value	Cash flow on contract	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade payables	11,495	11,495	11,495	-	-	-
Derivative financial instruments	63	63	63	-	-	-
Other payables (current)	79,684	79,887	79,887	-	-	-
Borrowings (current)	20,540	21,361	21,361	-	-	-
Other payables (non-current)	5,609	5,667	-	5,667	-	-
Borrowings (non-current)	936	1,542	60	60	222	1,200

	December 31, 2010					
(In millions of Korean won)	Book value	Cash flow on contract	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade payables	10,669	10,669	10,669	-	-	-
Other payables (current)	68,713	68,814	68,814	-	-	-
Borrowings (current)	12,444	12,818	12,818	-	-	-
Other payables (non-current)	15,271	15,720	-	15,720	-	-
Borrowings (non-current)	959	1,689	67	67	216	1,339

	January 1, 2010					
(In millions of Korean won)	Book value	Cash flow on contract	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade payables	12,972	12,972	12,972	-	-	-
Other payables (current)	71,012	71,176	71,176	-	-	-
Borrowings (current)	8,417	8,739	8,739	-	-	-
Other payables (non-current)	13,557	14,409	-	14,409	-	-
Borrowings (non-current)	1,041	1,870	69	69	226	1,506

The amounts disclosed in the table are the contractual undiscounted cash flows, prepared based on the earliest date of the payments that can be requested and the cash flow of interest is included.

4.2 Capital Management

The Group's objectives when managing capital are to maintain a sound capital structure. The Group monitors capital on the basis of the liabilities/equity ratio which is calculated as total liabilities divided by total equity on statements of financial position.

Liabilities /equity ratios as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Total liabilities (A)	214,709	222,606	218,610
Total equity (B)	643,781	687,444	611,459
Liabilities-to-equity ratio (A/B)(%)	33%	32%	36%

4.3 Fair Value Estimation

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in measurements.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The carrying amount of trade receivables and other financial assets is estimated by a reasonable approximation of fair value. The fair value of equity instruments that do not have quoted prices in active markets and cannot be reasonably estimated are measured at cost.

The Group's financial assets and financial liabilities that are measured at fair value as of December 31, 2011 and 2010, and January 1, 2010 are as follows:

	December 31, 2011			
(In millions of Korean won)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	54,443	-	-	54,443
Available-for-sale financial assets	261,863	-	-	261,863
Derivative financial instruments	-	63	-	63

	December 31, 2010			
(In millions of Korean won)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	27,558	-	-	27,558
Available-for-sale financial assets	329,540	-	-	329,540

	January 1, 2010			
(In millions of Korean won)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	13,416	-	-	13,416
Available-for-sale financial assets	288,818	-	-	288,818

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity in the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various valuation techniques and makes judgments based on current market conditions. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value an instrument are observable, the instrument is included in 'level 2'.

If one or more of the significant inputs is not based on observable market data, the instrument is included in 'level 3'.

5. Segment Information

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

The segments of the Group are strategic business divisions providing different products and services. They are reported separately because each business division requires different technologies and marketing strategies. The main products and services of each business division for the year ended December 31, 2011, are as follows:

	Products and services
Noonnoppi business	Noonnoppi home-school material, Premium home-school material(CHAIHONG, Soluny)
Growing business	School, Institution, On-line education and others
Media business	Publication, library, textbook, media business and others
Other	Managing and supporting non-operating business
Subsidiaries	Domestic/Overseas subsidiaries

As the Group restructured its business division during the year, media business was newly established. As a result, the comparative financial information has been reclassified based on the new division classification.

The segment information for sales and operating income for the years ended December 31, 2011 and 2010, are as follows:

	2011		2010	
(in millions of Korean won)	Segment sales	Operating income (loss)	Segment sales	Operating income (loss)
Noonnoppi business	732,528	63,520	740,025	55,528
Growing business	68,927	(5,398)	69,210	(1,131)
Media business	66,642	(7,911)	42,958	(9,645)
Other	35,652	28,259	26,500	35,994
Subsidiaries	58,935	(8,730)	56,374	(4,812)
	962,684	69,740	935,067	75,934
Other segments and inter-segment transactions[1]	(29,855)	(861)	(30,850)	(2,316)
	932,829	68,879	904,217	73,618

[1] Sales between segments are carried out at arm's length.

Segment information of share of profit from associates, depreciation, amortization and fluctuation of non-current assets for the years ended December 31, 2011 and 2010, are as follows:

	2011			2010		
(in millions of Korean won)	Loss from associates	Depreciation/ Amortization	Fluctuation of non-current assets[1]	Loss from associates	Depreciation/ Amortization	Fluctuation of non-current assets[1]
Noonnoppi business	-	7,498	12,416	-	10,709	8,796
Growing business	-	20,003	(2,775)	-	19,907	(3,270)
Media business	-	812	1,323	-	538	3,293
Other	263	18,062	(9,906)	-	12,538	2,338
Subsidiaries	-	1,804	7,764	-	1,889	(757)
	263	48,179	8,822	-	45,581	10,400

[1] Financial instrument, deferred income tax asset and investment in associates are excluded from 'fluctuation of non-current assets'.

Details of segment information of assets, liabilities and investments in associates are as follows:

	December 31, 2011			December 31, 2010		
(in millions of Korean won)	Assets	Investments in associates	Liabilities	Assets	Investments in associates	Liabilities
Noonnoppi business	91,799	-	107,450	72,913	-	126,617
Growing business	41,069	-	5,309	50,134	-	6,686
Media business	48,779	-	14,375	39,318	-	8,471
Other	644,598	466	53,002	722,329	729	62,550
Subsidiaries	32,246	-	34,573	25,356	-	18,282
	858,491	466	214,709	910,050	729	222,606

Sales by geographic areas for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Domestic	921,496	894,915
Overseas	11,333	9,302
	932,829	904,217

There is no external customer attributing to more than 10% of total sales for the years ended December 31, 2011 and 2010.

6. Financial Instruments by Category

Categorizations of financial instruments are as follows:

	December 31, 2011			
(in millions of Korean won)	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Financial assets				
Current				
Cash and cash equivalents	-	49,875	-	49,875
Financial deposits	-	13,006	-	13,006
Trade receivables	-	46,084	-	46,084
Other receivables	-	40,244	-	40,244
Financial assets at fair value through profit or loss	54,443	-	-	54,443
Available-for-sale financial assets	-	-	86,932	86,932
	54,443	149,209	86,932	290,584
Non-current				
Financial deposits	-	5	-	5
Other receivables	-	19,220	-	19,220
Available-for-sale financial assets	-	-	182,334	182,334
	-	19,225	182,334	201,559
	54,443	168,434	269,266	492,143

	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Total
Financial liabilities			
Current			
Trade payables	-	11,495	11,495
Derivative financial instruments	63	-	63
Other payables	-	79,684	79,684
Borrowings	-	20,540	20,540
	63	111,719	111,782
Non-current			
Other payables	-	5,609	5,609
Borrowings	-	936	936
	-	6,545	6,545
	63	118,264	118,327

	December 31, 2010			
(in millions of Korean won)	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Financial assets				
Current				
Cash and cash equivalents	-	79,113	-	79,113
Financial deposits	-	18,714	-	18,714
Trade receivables	-	36,802	-	36,802
Other receivables	-	41,289	-	41,289
Financial assets at fair value through profit or loss	27,558	-	-	27,558
Available-for-sale financial assets	-	-	74,555	74,555
	27,558	175,918	74,555	278,031
Non-current				
Financial deposits	-	5	-	5
Other receivables	-	26,667	-	26,667
Available-for-sale financial assets	-	-	255,399	255,399
	-	26,672	255,399	282,071
	27,558	202,590	329,954	560,102

	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Total
Financial liabilities			
Current			
Trade payables	-	10,669	10,669
Other payables	-	68,713	68,713
Borrowings	-	12,444	12,444
	-	91,826	91,826
Non-current			
Other payables	-	15,271	15,271
Borrowings	-	959	959
	-	16,230	16,230
	-	108,056	108,056

	January 1, 2010			
(in millions of Korean won)	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Financial assets				
Current				
Cash and cash equivalents	-	62,952	-	62,952
Financial deposits	-	12,984	-	12,984
Trade receivables	-	39,531	-	39,531
Other receivables	-	27,695	-	27,695
Financial assets at fair value through profit or loss	13,415	-	-	13,415
Available-for-sale financial assets	-	-	71,046	71,046
	13,415	143,072	71,046	227,533
Non-current				
Financial deposits	-	23	-	23
Other receivables	-	44,677	-	44,677
Available-for-sale financial assets	-	-	218,050	218,050
	-	44,700	218,050	262,750
	13,415	187,772	289,096	490,283

	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Total
Financial liabilities			
Current			
Trade payables	-	12,972	12,972
Other payables	-	71,013	71,013
Borrowings	-	8,417	8,417
	-	92,402	92,402
Non-current			
Other payables	-	13,557	13,557
Borrowings	-	1,041	1,041
	-	14,598	14,598
	-	107,000	107,000

Income and loss of financial instruments by category for the years ended December 31, 2011 and 2010, are as follows:

	2011					
(in millions of Korean won)	Financial assets at fair value through profit or loss	Loans and Receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Total
Dividend income	-	-	3,681	-	-	3,681
Gain (loss) on foreign currency translation	-	212	-	-	(102)	110
Gain (loss) on foreign currency transactions	-	(89)	-	-	20	(69)
Interest income (expenses)	-	4,359	-	-	(1,303)	3,056
Reversal of : allowance for doubtful accounts (expenses)	-	(2,086)	-	-	-	(2,086)
Gain (loss) on valuation of financial assets[1,2]	(1,592)	-	(67,434)	-	-	(69,026)
Gain (loss) on disposal of financial assets	532	-	19,301	-	-	19,833
Gain (loss) on valuation of derivatives	-	-	-	1,175	-	1,175

	2010				
(in millions of Korean won)	Financial assets at fair value through profit or loss	Loans and Receivables	Available-for-sale financial assets	Financial liabilities carried at amortised cost	Total
Dividend income	-	-	2,023	-	2,023
Gain (loss) on foreign currency translation	-	(35)	-	40	5
Gain (loss) on foreign currency transactions	-	(46)	-	(3)	(49)
Interest income (expenses)	-	5,121	-	(1,126)	3,995
Reversal of : allowance for doubtful accounts (expenses)	-	(4,318)	-	-	(4,318)
Gain (loss) on valuation of financial assets[1,2]	558	-	34,155	-	34,713
Gain (loss) on disposal of financial assets	4,906	-	11,548	-	16,454

[1] The amounts recognised as other comprehensive income(loss) are included.

[2] The reclassified amounts from other comprehensive income(loss) into the statement of income include ₩15,152 million (2010: ₩7,023 million).

7. Cash and Cash Equivalents, and Financial Deposits

Details of cash and cash equivalents are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Demand deposits	17,293	24,552	24,892
Short-term bank deposits	32,582	54,561	38,060
	49,875	79,113	62,952

The financial deposits restricted in use are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010	Reason
Financial deposits	4,063	4,663	6,963	Security deposits and others

8. Trade Receivables and Other Receivables

Details of trade receivables and other receivables are as follows:

	December 31, 2011		
(in millions of Korean won)	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current			
Trade receivables	53,810	(7,725)	46,085
Other receivables	7,262	(4,376)	2,886
Accrued income	319	(257)	62
Loans	598	-	598
Deposits	36,697	-	36,697
	98,686	(12,358)	86,328
Non-Current			
Loans	1,002	-	1,002
Deposits	18,218	-	18,218
	19,220	-	19,220
	117,906	(12,358)	105,548

	December 31, 2010		
(in millions of Korean won)	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current			
Trade receivables	42,710	(5,908)	36,802
Other receivables	7,500	(3,802)	3,698
Accrued income	295	(257)	38
Loans	900	-	900
Deposits	36,653	-	36,653
	88,058	(9,967)	78,091
Non-Current			
Loans	3,683	-	3,683
Deposits	22,984	-	22,984
	26,667	-	26,667
	114,725	(9,967)	104,758

	January 1, 2010		
(in millions of Korean won)	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current			
Trade receivables	43,934	(4,403)	39,531
Other receivables	7,070	(2,277)	4,793
Accrued income	410	-	410
Loans	1,896	-	1,896
Deposits	20,596	-	20,596
	73,906	(6,680)	67,226
Non-Current			
Loans	4,210	-	4,210
Deposits	40,467	-	40,467
	44,677	-	44,677
	118,583	(6,680)	111,903

The Group assesses whether a loss event exists for individual receivables and recognizes impairment loss with the difference between the recoverable amount and its carrying amount based on such assessment. The impairment loss for the overdue receivables is recognized by applying the setup rate of allowance for bad debts using historic experiences according to the period.

The movements in bad debts allowance for the years ended December 31, 2011 and 2010, are as follows:

	2011					
(in millions of Korean won)	At January 1	Reversal	Write-off	Exchange differences	Changes in scope of subsidiaries	At December 31
Trade receivables	5,908	1,077	(317)	2	1,055	7,725
Other receivables	3,802	1,009	(611)	135	41	4,376
Accrued income	257	-	-	-	-	257
	9,967	2,086	(928)	137	1,096	12,358

	2010				
(in millions of Korean won)	At January 1	Reversal	Write-off	Exchange differences	At December 31
Trade receivables	4,403	1,533	(28)	-	5,908
Other receivables	2,277	2,528	(1,026)	23	3,802
Accrued income	-	257	-	-	257
	6,680	4,318	(1,054)	23	9,967

The provision and reversal of bad debts allowance for impaired receivables have been included in 'operating expenses' in the statement of income and the provision and reversal of bad debts allowance of other receivables have been included in 'other operating expenses' in the statement of income.

The aging analysis of trade and other receivables are as follows:

	December 31, 2011						
		Past due but not impaired					
(in millions of Korean won)	Current	Up to 3 months	3 to 6 months	6 to 12 months	Over one year	Defaulted[1]	Total
Current							
Trade receivables	43,824	1,570	525	463	299	7,129	53,810
Other receivables	2,636	3	-	-	247	4,376	7,262
Accrued income	62	-	-	-	-	257	319
Loans	598	-	-	-	-	-	598
Deposits	36,697	-	-	-	-	-	36,697
	83,817	1,573	525	463	546	11,762	98,686
Non-Current							
Loans	1,002	-	-	-	-	-	1,002
Deposits	18,218	-	-	-	-	-	18,218
	19,220	-	-	-	-	-	19,220
	103,037	1,573	525	463	546	11,762	117,906

	December 31, 2010						
		Past due but not impaired					
(in millions of Korean won)	Current	Up to 3 months	3 to 6 months	6 to 12 months	Over one year	Defaulted[1]	Total
Current							
Trade receivables	34,044	1,503	618	1,175	45	5,325	42,710
Other receivables	3,051	39	222	386	-	3,802	7,500
Accrued income	38	-	-	-	-	257	295
Loans	900	-	-	-	-	-	900
Deposits	36,653	-	-	-	-	-	36,653
	74,686	1,542	840	1,561	45	9,384	88,058
Non-Current							
Loans	3,683	-	-	-	-	-	3,683
Deposits	22,984	-	-	-	-	-	22,984
	26,667	-	-	-	-	-	26,667
	101,353	1,542	840	1,561	45	9,384	114,725

	January 1, 2010						
		Past due but not impaired					
(in millions of Korean won)	Current	Up to 3 months	3 to 6 months	6 to 12 months	Over one year	Defaulted[1]	Total
Current							
Trade receivables	37,671	1,625	458	313	-	3,867	43,934
Other receivables	3,925	-	718	150	-	2,277	7,070
Accrued income	410	-	-	-	-	-	410
Loans	1,896	-	-	-	-	-	1,896
Deposits	20,596	-	-	-	-	-	20,596
	64,498	1,625	1,176	463	-	6,144	73,906
Non-Current							
Loans	4,210	-	-	-	-	-	4,210
Deposits	40,467	-	-	-	-	-	40,467
	44,677	-	-	-	-	-	44,677
	109,175	1,625	1,176	463	-	6,144	118,583

[1] All defaulted receivables have been provided with allowance for doubtful accounts.

9. Financial Assets at Fair Value through Profit or Loss

Details of financial assets at fair value through profit or loss are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Equity-Linked Securities	54,443	27,558	13,416

Financial assets at fair value through profit or loss are presented within operating activities as part of changes in working capital in the statements of cash flows.

10. Available-for-sale financial assets

Details of available-for-sale financial assets are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Current			
Beneficiary certificate	86,932	74,530	71,046
Government/public debts	-	25	-
	86,932	74,555	71,046
Non-Current			
Marketable equity securities	174,930	255,010	217,773
Non-marketable equity securities	7,404	388	252
Government/public debts	-	-	25
	182,334	255,398	218,050
	269,266	329,953	289,096

Details of marketable equity securities are as follows:

	December 31, 2011				
(in millions of Korean won)	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Fair value	Carrying value
Shinhan Financial Group Co., Ltd.[1]	4,399,975	0.93	52,665	174,899	174,899
Inzi Controls Co., Ltd.	6,000	0.04	68	31	31
	4,405,975		52,733	174,930	174,930

[1] The Company provides 150,000 shares line of credit during the years ended December 31, 2011.

	December 31, 2010				
(in millions of Korean won)	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Fair value	Carrying value
Shinhan Financial Group Co., Ltd.	4,819,975	1.02	57,693	254,976	254,976
Inzi Controls Co., Ltd.	6,000	0.04	68	34	34
	4,825,975		57,761	255,010	255,010

	January 1, 2010				
(in millions of Korean won)	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Fair value	Carrying value
Shinhan Financial Group Co., Ltd.	5,040,579	1.06	57,899	217,753	217,753
Inzi Controls Co., Ltd.	6,000	0.04	68	20	20
	5,046,579		57,967	217,773	217,773

11. Inventories

Details of inventories are as follows:

(In millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Merchandise	10,371	7,064	5,626
Finished goods	20,386	17,020	16,660
Stored goods	2,192	2,324	4,021
Raw materials	560	1,057	826
	33,509	27,465	27,133
Allowance for losses on Valuation of Inventories	(1,079)	(132)	(167)
Total	32,430	27,333	26,966

The cost of inventories recognized as expense and included in 'cost of sales' amounts to ₩43,577 million (2010: ₩61,056 million) including 'losses on valuation of inventories' of ₩76 million (2010: nil) and allowance for losses on valuation of inventories' of ₩72 million (2010: ₩35 million).

12. Other Assets

Details of other assets are as follows:

(In millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Current			
Advances	4,230	1,407	1,825
Prepaid expenses	7,238	7,390	7,588
	11,468	8,797	9,413
Non-Current			
Advances	-	-	39
Prepaid expenses	20	50	-
Initial throw-in equipment	1,793	5,167	648
	1,813	5,217	687
	13,281	14,014	10,100

13. Investments in associates

Details of investments in associates are as follows:

(in millions of Korean won)	Country	Percentage of ownership (%) at December 31, 2011	December 31, 2011	December 31, 2010	January 1, 2010
Child-Care Consortium[1]	Korea	16.44	466	729	729
Daekyo Bertelsmann Educational Service Limited	China	50.00	-	-	-
			466	729	729

[1] Even though the Group holds less than 20% of shares of the investee, it is classified as an associate as the Group has significant influence on it.

Changes in investments in associates for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Beginning balance	729	729
Share of profit(loss)	(263)	-
Ending balance	466	729

Summarized financial information of associates as of December 31, 2011, is as follows:

(in millions of Korean won)	Assets	Liabilities	Revenues	Profit/(loss)
Child-Care Consortium	6,783	3,948	7,214	(423)
Daekyo Bertelsmann Educational Service Limited	-	-	-	-

14. Property, Plant and Equipment

Details of property, plant and equipment are as follows:

	December 31, 2011										
(in millions of Korean won)	Land	Buildings	Structures	Machinery	Vehicles	Tools	Supplies	Equipment	Standing timber	Construction -in-progress	Total
Acquisition cost	37,783	115,284	3,451	468	862	74	40,935	3,020	528	2,694	205,099
Accumulated depreciation	-	(31,613)	(882)	(468)	(676)	(62)	(18,929)	(2,541)	-	-	(55,171)
Net book amount	37,783	83,671	2,569	-	186	12	22,006	479	528	2,694	149,928

	December 31, 2010										
(in millions of Korean won)	Land	Buildings	Structures	Machinery	Vehicles	Tools	Supplies	Equipment	Standing timber	Construction -in-progress	Total
Acquisition cost	35,223	83,993	3,449	468	862	74	33,687	2,934	528	2,235	163,419
Accumulated depreciation	-	(20,066)	(771)	(468)	(589)	(51)	(9,772)	(2,408)	-	-	(34,125)
Net book amount	35,223	63,927	2,678	-	239	23	23,915	526	528	2,235	129,294

	January 1, 2010										
(in millions of Korean won)	Land	Buildings	Structures	Machinery	Vehicles	Tools	Supplies	Equipment	Standing timber	Construction -in-progress	Total
Acquisition cost	35,438	83,076	3,425	468	810	97	16,486	3,322	528	2,020	145,670
Accumulated depreciation	-	(17,468)	(641)	(468)	(455)	(62)	(3,053)	(2,613)	-	-	(24,760)
Net book amount	35,438	65,608	2,784	-	355	35	13,433	709	528	2,020	120,910

Changes in property, plant and equipment for the years ended December 31, 2011 and 2010, are as follows:

	2011									
(in millions of Korean won)	Land	Buildings	Structures	Vehicles	Tools	Supplies	Equipment	Standing timber	Construction -in-progress	Total
At January 1	35,223	63,927	2,678	239	23	23,915	526	528	2,235	129,294
Acquisitions	-	10,187	-	45	-	7,198	266	-	457	18,153
Transfer to Business combination	-	-	-	-	-	217	-	-	-	217
Disposal/disuse	-	-	-	-	-	(88)	(46)	-	-	(134)
Depreciation	-	(1,877)	(109)	(102)	(11)	(9,329)	(267)	-	-	(11,695)
Reclassification to investment property	2,546	11,015	-	-	-	-	-	-	-	13,561
Transfer-in	-	-	-	-	-	34	-	-	-	34
Changes in scope of subsidiaries	-	-	-	4	-	57	-	-	-	61
Exchange differences	14	419	-	-	-	2	-	-	2	437
At December 31	37,783	83,671	2,569	186	12	22,006	479	528	2,694	149,928

	2010									
(in millions of Korean won)	Land	Buildings	Structures	Vehicles	Tools	Supplies	Equipment	Standing timber	Construction -in-progress	Total
At January 1	35,438	65,608	2,784	355	35	13,433	709	528	2,020	120,910
Acquisitions	98	-	-	85	-	15,581	228	-	2,126	18,118
Transfer to Business Combination	-	-	-	-	-	823	-	-	-	823
Disposal/disuse	-	-	-	-	-	(146)	(111)	-	-	(257)
Depreciation	-	(1,989)	(110)	(202)	(11)	(7,685)	(300)	-	-	(10,297)
Reclassification to investment property	(285)	332	-	-	-	-	-	-	-	47
Transfer-in (out)	-	-	4	-	-	1,904	-	-	(1,908)	-
Exchange differences	(28)	(24)	-	1	(1)	5	-	-	(3)	(50)
At December 31	35,223	63,927	2,678	239	23	23,915	526	528	2,235	129,294

Depreciation for the years ended December 31, 2011 and 2010, is charged as follows:

(In millions of Korean won)	2011	2010
Cost of sales	5,665	4,464
Selling and administrative expenses	6,030	5,833
	11,695	10,297

15. Investment Property

Details of investment property are as follows:

	December 31, 2011		
(in millions of Korean won)	Acquisition cost	Accumulated depreciation	Carrying amount
Land	31,146	-	31,146
Buildings	49,138	(8,202)	40,936
	80,284	(8,202)	72,082

	December 31, 2010		
(in millions of Korean won)	Acquisition cost	Accumulated depreciation	Carrying amount
Land	33,692	-	33,692
Buildings	69,774	(15,853)	53,921
	103,466	(15,853)	87,613

	January 1, 2010		
(in millions of Korean won)	Acquisition cost	Accumulated depreciation	Carrying amount
Land	33,407	-	33,407
Buildings	70,719	(14,708)	56,011
	104,126	(14,708)	89,418

Changes in carrying amounts of investment property for the years ended December 31, 2011 and 2010, are as follows:

	2011		
(in millions of Korean won)	Land	Buildings[1]	Total
At January 1	33,692	53,921	87,613
Acquisition	-	40	40
Depreciation	-	(2,010)	(2,010)
Transfer-out	(2,546)	(11,015)	(13,561)
At December 31	31,146	40,936	72,082

	2010		
(in millions of Korean won)	Land	Buildings[1]	Total
At January 1	33,407	56,011	89,418
Depreciation	-	(1,758)	(1,758)
Transfer-in (out)	285	(332)	(47)
At December 31	33,692	53,921	87,613

[1] Depreciation is calculated using the straight-line method over the estimated useful lives of 40 to 60 years.

Fair value of investment property as of December 31, 2011, is ₩111,387 million (2010: ₩141,267 million).

Rent income from investment property during the year ended December 31, 2011, is ₩6,636 million (2010: ₩5,174 million), and operating expenses (including repairs and maintenance) directly related to those investment property is ₩2,221 million (2010: ₩2,732 million).

16. Intangible Assets

Details of intangible assets are as follows:

	December 31, 2011							
(in millions of Korean won)	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	Total
Acquisition cost	7,845	5,557	132,190	1,547	19,187	8,439	128,150	302,915
Accumulated amortization	-	-	(72,086)	(1,433)	(11,421)	(4,823)	(105,922)	(195,685)
Accumulated impairments loss	(2,027)	-	(5,650)	-	-	(692)	-	(8,369)
Government grants	-	-	-	-	-	(701)	-	(701)
Net book amounts	5,818	5,557	54,454	114	7,766	2,223	22,228	98,160

	December 31, 2010							
(in millions of Korean won)	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	Total
Acquisition cost	7,845	5,414	132,741	1,508	16,573	5,321	108,874	276,276
Accumulated amortization	-	-	(77,990)	(1,321)	(10,613)	(3,187)	(87,068)	(180,179)
Accumulated impairments loss	-	-	(5,132)	-	-	-	-	(5,132)
Net book amounts	7,845	5,414	47,619	187	5,960	2,134	21,806	90,965

	January 1, 2010							
(in millions of Korean won)	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	Total
Acquisition cost	6,512	5,414	115,240	1,458	12,628	5,461	97,055	243,768
Accumulated amortization	-	-	(67,922)	(1,149)	(8,540)	(2,150)	(68,920)	(148,681)
Accumulated impairments loss	-	-	(3,426)	-	-	-	-	(3,426)
Net book amounts	6,512	5,414	43,892	309	4,088	3,311	28,135	91,661

Changes in intangible assets for the years ended December 31, 2011 and 2010, are as follows:

	2011							
(in millions of Korean won)	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	Total
At January 1	7,845	5,414	47,619	187	5,960	2,134	21,806	90,965
Acquisitions	-	-	21,950	39	1,365	1,407	-	24,761
Transfer from business Combination	-	-	-	-	-	658	-	658
Amortization (including government grants)	-	-	(11,408)	(112)	(2,816)	(1,283)	(18,854)	(34,473)
Impairments	(2,027)	-	(520)	-	-	(692)	-	(3,239)
Transfer-in (out)	-	-	(3,042)	-	3,058	-	19,276	19,292
Changes in scope of subsidiaries	-	143	(145)	-	199	-	-	197
Exchange differences	-	-	-	-	-	(1)	-	(1)
At December 31	5,818	5,557	54,454	114	7,766	2,223	22,228	98,160

	2010							
(in millions of Korean won)	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	Total
At January 1	6,512	5,414	43,892	309	4,088	3,311	28,135	91,661
Acquisitions	-	-	20,011	49	953	75	-	21,088
Transfer from business Combination	1,333	-	-	-	-	-	-	1,333
Amortization (including government grants)	-	-	(11,522)	(171)	(2,180)	(1,119)	(18,535)	(33,527)
Impairments	-	-	(1,706)	-	-	-	-	(1,706)
Transfer-in (out)	-	-	(3,056)	-	3,099	(132)	12,206	12,117
Exchange differences	-	-	-	-	-	(1)	-	(1)
At December 31	7,845	5,414	47,619	187	5,960	2,134	21,806	90,965

Amortization for the years ended December 31, 2011 and 2010, is charged as follows:

(In millions of Korean won)	2011	2010
Cost of sales	31,953	31,163
Selling and administrative expenses	2,520	2,364
	34,473	33,527

Goodwill is allocated among the Group's cash-generating units (CGUs) according to operating segments. Details of goodwill by operating segments are as follows:

(In millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
LIBRO division	1,333	1,333	-
CHAIHONG division	480	480	480
Academy division	4,005	6,032	6,032
	5,818	7,845	6,512

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering from one year to three years.

Management determined the budgeted EBIT margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. Growth rates and discount rates used for value-in-use calculations of LIBRO and CHAIHONG division are 3% and 12.6%, and of Academy division is 0% and 12.6%, respectively.

The carrying value of Academy division exceeded the recoverable amounts based on value-in-use calculations and the part of exceeded amounts is recognized as impairment loss. No impairment were recognised in other operating segments.

17. Other Payables

Details of other payables are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Current			
Non-trade payables	22,528	19,432	18,074
Accrued expenses	47,162	45,200	46,359
Deposits received	9,994	4,081	6,579
	79,684	68,713	71,012
Non-Current			
Non-trade payables	3,000	3,000	3,000
Accrued expenses	-	22	2,408
Deposits received	2,609	12,249	8,149
	5,609	15,271	13,557
	85,293	83,984	84,569

18. Borrowings

Details of borrowings are as follows:

(in millions of Korean won)	Details	Latest maturity date	Annual interest rate (%) at Dec 31, 2011	December 31, 2011	December 31, 2010	January 1, 2010
Current						
Korea Exchange Bank	General loans in foreign currency	2012.11.26	Libor 1M+145bp	3,610	4,556	-
Hana Bank[1]	General loans	2012.06.08	FTP+1.86	3,000	3,000	3,000
Woori Bank[1]	General loans	2012.05.25	3M CD+3.01	1,000	1,000	1,800
Woori Bank[1]	General loans	2012.06.04	3M CD+3.01	500	500	-
Woori Bank[1]	General loans	2012.06.10	3M CD+3.01	600	600	-
Korea Exchange Bank[1]	Facility loans	2012.05.30	Libor+1.4bp	9,230	8	17
Daekyo Holdings, Inc.	Borrowings from related party	2012.12.11	8.5	2,500	-	-
Others	Borrowings from related party	-	-	100	100	600
Kookmin Bank	General loans	-	-	-	1,800	2,000
Suhyup	General loans	-	-	-	880	1,000
				20,540	12,444	8,417
Non-Current						
Wells Fargo	General loans in foreign currency	2022.03.05	6.75	897	943	1,022
HSBC	General loans	2015.12.31	3.34	39	16	19
				936	959	1,041
				21,476	13,403	9,458

[1] The Group is provided with payment guarantees from related parties in relation to these borrowings (Note 29).

19. Provisions

Changes in provisions for sales return for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
At January 1	373	2,447
Addition	497	569
Utilization	(455)	(2,643)
At December 31	415	373

20. Other liabilities

Details of other liabilities are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Current			
Withholding	7,673	6,918	8,240
Advances	39,145	47,869	47,294
Unearned income	2,363	1,780	1,448
	49,181	56,567	56,982

21. Retirement benefit obligations

Details of retirement benefit obligations recognized on the consolidated statements of financial position are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Present value of defined benefit liability	42,624	34,804	28,905
Fair value of plan assets	(33,051)	(27,538)	(21,424)
Liability on the statement of financial position	9,573	7,266	7,481

The amounts recognised in the statements of income for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Current service cost	8,801	9,171
Interest cost	1,541	1,542
Expected return on plan assets	(1,341)	(852)
Total expenses	9,001	9,861

Cumulative actuarial losses recognized in the consolidated statements of comprehensive income for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Actuarial losses (before tax)	(6,012)	(1,809)
Tax effect	1,376	382
Actuarial losses (net of tax)	(4,636)	(1,427)

Total expenses for the years ended December 31, 2011 and 2010, are charged as follows:

(in millions of Korean won)	2011	2010
Cost of sales	6,439	7,868
Selling and administrative expenses	2,562	1,993
	9,001	9,861

Changes in the carrying amount of defined benefit liability for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
At January 1	34,804	28,905
Current service cost	8,801	9,171
Interest expense	1,541	1,542
Benefits paid	(6,402)	(7,001)
Actuarial loss	4,157	2,187
Changes in scope of subsidiaries	(277)	-
At December 31	42,624	34,804

Changes in the fair value of plan assets for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
At January 1	27,538	21,424
Expected return on plan assets	1,341	852
Employer contributions	6,837	8,896
Benefits paid	(2,489)	(4,021)
Actuarial gain (loss)	(44)	387
Changes in scope of subsidiaries	(132)	-
At December 31	33,051	27,538

The actual return on plan assets for the year ended December 31, 2011, is ₩1,297 million (2010: ₩1,239 million).

The principal actuarial assumptions to calculate defined benefit liability are as follows:

(%)	December 31, 2011	December 31, 2010	January 1, 2010
Discount rate	3.98 ~ 4.85	4.85 ~ 4.94	4.85 ~ 5.96
Expected rate of return	3.73 ~ 5.00	3.73 ~ 5.39	3.73 ~ 4.42
Future salary increases	2.99 ~ 4.64	3.09 ~ 4.64	4.64

Plan assets consist of as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Time deposits	8,130	4,722	21,325
Equity-linked securities	10,613	11,768	-
Derivative Linked Securities (Principal and interest assured)	14,308	11,048	99
	33,051	27,538	21,424

The sensitivity of the overall pension liability to changes in the principal actuarial assumptions is as follows:

	Changes in principal assumption	Impact on overall liability
Discount rate	0.5% increase/decrease	2.43% decrease/2.55% increase
Salary growth rate	0.5% increase/decrease	2.64% increase /2.54% decrease

Adjustments for the differences between initial assumptions and actual figures are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Present value of defined benefit liability	42,624	34,804	28,905
Fair value of plan assets	33,051	27,538	21,424
Deficit(surplus) of the funded plans	9,573	7,266	7,481
Defined benefit liability adjustments	(3,056)	(1,153)	-
Plan assets adjustments	(44)	387	-

22. Deferred Income Tax

Details of deferred tax assets and deferred tax liabilities are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets			
Deferred tax asset to be recovered within 12 months	6,539	3,603	3,958
Deferred tax asset to be recovered after more than 12 months	9,262	7,725	7,073
Deferred tax assets before offsetting	15,801	11,328	11,031
Deferred tax liabilities			
Deferred tax liability to be recovered within 12 months	1,411	1,978	658
Deferred tax liability to be recovered after more than 12 months	39,079	51,906	40,178
Deferred tax liabilities before offsetting	40,490	53,884	40,836
Deferred tax assets (liabilities) ,net	(24,689)	(42,556)	(29,805)

The gross movement in the deferred income tax assets and liabilities for the years ended December 31, 2011 and 2010, is as follows:

(in millions of Korean won)	2011	2010
At January 1	(42,556)	(29,805)
Charged/(credited) to the statement of income	1,069	(3,315)
Charged/(credited) to other comprehensive income	16,798	(9,436)
At December 31	(24,689)	(42,556)

The movement in deferred income tax assets and liabilities for the years ended December 31, 2011 and 2010, without offsetting balances within the same tax jurisdiction, is as follows:

	2011			
		Increase(decrease)		
(in millions of Korean won)	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Deferred tax assets				
Retirement benefit obligation	4,761	824	-	5,585
Allowance for doubtful accounts	1,739	623	-	2,362
Accrued expenses	852	426	-	1,278
Loss on valuation of available-for-sale financial assets	570	-	1,207	1,777
Actuarial gain	466	-	992	1,458
Impairment loss on intangible assets	711	(152)	-	559
Amortization	1,069	(193)	-	876
Guarantee deposits	507	149	-	656
Other	654	596	-	1,250
	11,328	2,273	2,199	15,801
Deferred tax liabilities				
Available-for-sale financial assets	(1,116)	(112)	-	(1,228)
Plan assets	(5,662)	(1,858)	-	(7,520)
Gain on valuation of available-for-sale financial assets	(44,577)	-	14,597	(29,980)
Depreciation	(1,277)	941	-	(336)
Other	(1,252)	(174)	2	(1,426)
	(53,884)	(1,204)	14,599	(40,490)
	(42,556)	1,069	16,798	(24,689)

	2010			
		Increase(decrease)		
(in millions of Korean won)	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Deferred tax assets				
Retirement benefit obligation	4,040	721	-	4,761
Allowance for doubtful accounts	1,252	487	-	1,739
Accrued expenses	581	271	-	852
Loss on valuation of available-for-sale financial assets	1,454	-	(884)	570
Actuarial gain	-	-	466	466
Impairment loss on intangible assets	514	197	-	711
Amortization	1,685	(616)	-	1,069
Guarantee deposits	-	507	-	507
Other	1,505	(852)	-	654
	11,031	715	(418)	11,328
Deferred tax liabilities				
Available-for-sale financial assets	(1,116)	-	-	(1,116)
Plan assets	(3,486)	(2,176)	-	(5,662)
Gain on valuation of available-for-sale financial assets	(35,643)	-	(8,934)	(44,577)
Depreciation	(204)	(1,073)	-	(1,277)
Other	(387)	(781)	(84)	(1,252)
	(40,836)	(4,030)	(9,018)	(53,884)
	(29,805)	(3,315)	(9,436)	(42,556)

Tax effects recognized directly in other comprehensive income are as follows:

	December 31, 2011		
(in millions of Korean won)	Before Tax	Tax effects	After Tax
Gain(loss) on valuation of available-for-sale financial assets	116,542	(28,203)	88,339
Actuarial gain (loss)	(6,012)	1,376	(4,636)
Currency translation differences	72	-	72
	110,602	(26,827)	83,775

	December 31, 2010		
(in millions of Korean won)	Before Tax	Tax effects	After Tax
Gain(loss) on valuation of available-for-sale financial assets	199,780	(44,007)	155,773
Actuarial gain (loss)	(1,809)	382	(1,427)
Currency translation differences	(136)	-	(136)
	197,835	(43,625)	154,210

	January 1, 2010		
(in millions of Korean won)	Before Tax	Tax effects	After Tax
Gain(loss) on valuation of available-for-sale financial assets	155,808	(34,190)	121,618
Actuarial gain (loss)	-	-	-
Currency translation differences	-	-	-
	155,808	(34,190)	121,618

Details of temporary differences that are unrecognized as deferred income tax assets are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Investments in subsidiaries	57,216	51,273	44,823

23. Share Capital

The Company is authorized to issue 1,500 million shares with a par value per share of ₩500. As of December 31, 2011, 84.7 million shares (₩42,352 million) of common stock and 19.4 million shares (₩9,713 million) of preferred stock are issued outstanding. There are no movements in common and preferred stocks during 2011 and 2010.

When the dividend rate of common stock exceeds the dividend rate of preferred stock (over 9% of the par value according to the resolution of the Board of Directors), the preferred stock has the right to be entitled to receive dividends at the same rate with the common stock for the excess rate.

24. Capital Surplus

Details of capital surplus are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Share premium	46,797	46,797	46,797
Other capital surplus	22,626	23,700	23,809
	69,423	70,497	70,606

25. Other Components of Equity

Details of other components of equity are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Stock options	504	847	2,019
Treasury shares	(48,074)	(47,612)	(52,276)
	(47,570)	(46,765)	(50,257)

26. Share-Based Payments

As of December 31, 2011, the summary of stock options to be granted to employees is as follows:

	Details
Date of the first announcement	June 28, 2011
Grant method	Issuance of shares
Exercise period	April 18, 2012 ~ April 25, 2012 (expected)
Vesting conditions	Options are conditional on the employee completing service between July 1, 2011 and December 31, 2011 and achieving performance goals.
Exercise price[1]	Standard price of common stock × (1- discount rate)
Shares to be granted[2]	191,308 shares of common stock (expected)

[1] The standard price of common stock is calculated as mathematical average of one month average closing price, and one week average closing price rolled-back from the reference date, December 31, 2011. The discount rates are 30%, 40%, 50% and 100%.

[2] Shares to be issued can be replaced with preferred stock of equivalent value, depending on the employees' choice.

The summary of stock options granted to employees for the year ended December 31, 2011, is as follows:

	Details
Date of the first announcement	January 4, 2011
Grant method	Issuance of shares
Exercise period	October 19, 2011 ~ October 25, 2011
Vesting conditions	Options are conditional on the employee completing service between January 1, 2011 and June 30, 2011 and achieving performance goals.
Exercise price[1]	Standard price of common stock × (1- discount rate)
Shares to be granted[2]	259,899 shares of common stock

[1] The standard price of common stock is ₩5,600 and the discount rates are 30%, 40%, 50% and 100%.

[2] Shares to be issued can be replaced with preferred stock in equivalent value, depending on the employees' choice. Standard price of preferred stock for replacement was ₩4,133. Vested stock options of 233,546 of common stock and 23,194 of preferred stock were exercised and unexercised options have been lapsed.

The fair value of stock appreciation rights determined using the Black-Scholes valuation model was ₩504 million (2010: ₩847 million). The significant inputs into the model were the weighted average share price of ₩6,240 (2010: ₩6,198), exercise price ₩3,502 (2010: ₩1,549), volatility of 33% (2010: 25%), dividend yield of 3.9% (2010: 2.2%), an expected option life of 0.83 years (2010: 0.77 years) and an annual risk-free interest rate of 3.4% (2010: 3.4%).

Changes in stock options for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
At January 1	847	2,019
Compensation cost	1,557	1,919
Exercise	(1,900)	(3,091)
At December 31	504	847

27. Treasury Shares

Changes in treasury shares for the years ended December 31, 2011 and 2010, are as follows:

	2011		
(shares, in millions of Korean won)	Common stock	Preferred stock	Amounts
At January 1	6,373,673	3,835,484	47,612
Acquisition	512,700	83,870	3,237
Disposal	(417,441)	(87,838)	(2,775)
At December 31	6,468,932	3,831,516	48,074

	2010		
(shares, in millions of Korean won)	Common stock	Preferred stock	Amounts
At January 1	6,838,051	4,125,903	52,276
Acquisition	305,800	106,090	1,973
Disposal	(770,178)	(396,509)	(6,637)
At December 31	6,373,673	3,835,484	47,612

28. Retained Earnings

Details of retained earnings are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Legal reserve[1]	32,300	32,300	32,300
Discretionary reserve	394,505	366,505	333,505
Unappropriated retained earnings	48,526	49,660	47,217
	475,331	448,465	413,022

[1] The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. As of December 31, 2011, the Company's reserve equals 50% of the capital, therefore no additional reserve is needed. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

The appropriation of retained earnings for the years ended December 31, 2011 and 2010, is as follows:

(in millions of Korean won)	2011	2010
At January 1	448,465	413,022
Profit attributable to equity holders of the Parent Company	52,685	54,723
Actuarial losses	(3,150)	(1,411)
Dividend paid	(22,669)	(17,869)
At December 31	475,331	448,465

29. Contingencies and Commitments

As of December 31, 2011, the Group has credit agreements with Woori Bank up to ₩25,000 million in relation to corporate purchase card programs.

As of December 31, 2011, the Group provides short-term financial instruments as collaterals amounting to ₩4,063 million for certain lessees in connection with the lessees' guarantee deposits. Seoul Guarantee Insurance Co., Ltd. has provided guarantees up to ₩1,763 million for the company's execution of contracts.

The Group has an intellectual property right agreement for 'Noon-no-pi Math' with Two Hands Media Co., Ltd. Royalty expense paid in connection with this agreement amounted to ₩1,838 million (2010: ₩1,922 million) in 2011.

The Group entered into contracts with free-lance instructors to manage its educational service members. In accordance with the contracts, the Group pays instructors a certain percentage of monthly cash collections from its educational service members. Expenses in relation to these contracts amounted to ₩330,121 million (2010: ₩ 350,250 million) in 2011.

As of December 31, 2011, the Group is either a plaintiff in three legal cases or a defendant in two legal cases. The outcome of the cases and effect on the financial statements could not be ascertained at the end of the reporting period.

As of December 31, 2011, details of derivative financial instrument contracts the Group has entered are as follows:

(in millions of Korean won)	Position	Buyer	Underlying asset	Number of contracts	Expiration date	Premium	Fair value	Book value
European call option	Sell	Tongyang Securities Inc.	Shares	200,000	2012.05.04	689	19	19
European call option	Sell	Woori Investment & Securities	Shares	150,000	2012.07.04	549	44	44

The principal assumptions to assess derivative financial instruments using Black-Scholes model as of December 31, 2011, are as follows:

(in Korean won)	Share price on grant date	Exercise price	Price volatility	Dividend yield	Expected option life	Annual risk-free interest rate
Tongyang Securities Inc.	39,750	60,145	35.67%	1.42%	2012.07.04	3.40%
Woori Investment & Securities	39,750	60,030	35.67%	1.42%	2012.05.09	3.40%

As of December 31, 2011, the Group has been provided with payment guarantees of ₩ 5,100 million from the Parent Company, Daekyo Holdings Co., Ltd., in relation to borrowings of Daekyo Edupia Co., Inc.

30. Revenue by type

Details of revenue by type for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Revenue		
Sales of goods	883,172	862,411
Sales of services	35,884	29,163
Royalty income	13,773	12,643
	932,829	904,217
Other operating income		
Interest income (lease)	2,217	3,061
Dividend income	3,681	2,023
	5,898	5,084
Financial income		
Interest income	2,142	2,060
	2,142	2,060

31. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Wages and salaries	21,212	20,497
Severance benefits	2,562	1,993
Welfare expense	5,745	5,232
Depreciation	6,030	5,833
Advertising expense	34,986	30,734
Commission expense	18,209	11,931
Amortization	2,520	2,364
Taxes and dues	2,635	2,066
Transportation expense	2,344	2,271
Printing expense	1,652	1,875
Rental expense	3,990	4,195
Other	7,880	8,935
	109,765	97,926

32. Expenses by Nature

Expenses that are recorded by nature as cost of sales and selling and administrative expenses in the statement of income for the years ended December 31, 2011 and 2010, consist of:

(in millions of Korean won)	2011	2010
Changes in inventories	(5,097)	(367)
Purchase of raw materials and merchandise	48,674	61,423
Depreciation, amortization	48,179	45,581
Employee benefit expenses	178,485	168,159
Commission expenses	405,715	415,268
Rental expenses	29,476	29,447
Advertising expenses	35,061	30,912
Other expenses	136,206	85,394
	876,699	835,817

33. Other Operating Income

Other operating income for the years ended December 31, 2011 and 2010, consist of:

(in millions of Korean won)	2011	2010
Interest income (lease)	2,217	3,061
Dividend income	3,681	2,023
Gain on disposal of financial assets at fair value through profit or loss	534	4,906
Gain on disposal of available-for-sale financial assets	19,387	11,548
Gain on valuation of derivatives	1,175	-
Other	1,721	1,921
	28,715	23,459

34. Other Operating Expenses

Other operating expenses for the years ended December 31, 2011 and 2010, consist of:

(in millions of Korean won)	2011	2010
Interest expense (lease)	439	470
Contribution expense	3,040	2,159
Other bad debt expenses	1,009	2,785
Commission for investment counseling	1,039	720
Loss on disposal of inventories	3,075	6,971
Loss on disposal of financial assets at fair value through profit or loss	1,971	49
Impairment loss of intangible assets	3,239	1,706
Miscellaneous losses	1,481	3,103
Other	673	278
	15,966	18,241

35. Classification of Operating Income (loss)

(1) Material items of operating income (loss)

Operating income (loss) is calculated as gross profit net of selling and administrative expenses and other operating income and expenses (Notes 31, 33 and 34).

(2) Distinctions between Previous K-GAAP and Korean-IFRS

Under the former accounting standards, operating income (loss) was calculated as gross profit net of selling and administrative expenses. Under Korean-IFRS, operating income (loss) is calculated as gross profit, net of selling and administrative expenses, and other operating income and expenses. Hence operating income (loss) amount differs between previous K-GAAP to Korean-IFRS by the amount of other operating income and expenses (Notes 31, 33 and 34).

36. Financial Income and Expenses

Financial income and expenses for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Financial Income		
Interest Income	2,142	2,060
Gain on foreign currency translation	74	40
Other	-	1
	2,216	2,101
Financial Expenses		
Interest expenses	864	656
Loss on foreign currency translation	46	36
Foreign exchange loss	15	42
	925	734

37. Income Tax Expense

Income tax expense for the years ended December 31, 2011 and 2010, consists of:

(in millions of Korean won)	2011	2010
Current income taxes:		
Current tax on profit for the year	20,643	17,907
Adjustments in respect of prior years	(330)	(668)
	20,313	17,239
Deferred tax:		
Changes in temporary differences	(1,069)	3,315
	(1,069)	3,315
Other:		
Income tax directly to equity	278	696
Difference of changes in currency exchange	(43)	22
	235	718
Income tax expense	19,479	21,272

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

(in millions of Korean won)	2011	2010
Profit before tax	69,907	74,985
Tax calculated at domestic tax rates applicable to profits in the respective countries	17,388	16,880
Tax adjustments:		
Income not subject to tax/Expenses not deductible for tax purposes	(10)	1,773
Effects of unrecognized deferred tax assets	1,438	1,561
Changes in deferred tax assets	117	1,065
Adjustments in respect of prior years	(330)	(668)
Change in tax rate	197	346
Others	679	315
Income tax expense	19,479	21,272
Effective tax rate (Income tax over profit before tax)	27.86%	28.37%

38. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Group by the weighted average number of shares in issue excluding shares purchased by the Group and held as treasury shares. Preferred shares have rights to participate in the profits of the Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares. Although the Company granted stock options during the year 2011 and 2010, diluted earnings per share is not computed as the Group has no dilutive ordinary shares.

Basic earnings per ordinary share for the years ended December 31, 2011 and 2010, is as follows:

(in millions of Korean won)	2011	2010
Profit attributable to ordinary shares[1]	43,797	45,509
Weighted average number of ordinary shares in issue[2]	78,139,614	78,122,820
Basic earnings per share (in won)	561	583

Basic earnings per preferred share for the years ended December 31, 2011 and 2010, is as follows:

(in millions of Korean won)	2011	2010
Profit attributable to preferred shares[1]	8,887	9,214
Weighted average number of preferred shares in issue[2]	15,606,726	15,316,787
Basic earnings per share (in won)	569	602

[1] Profit attributable to ordinary and preferred shares is as follows:

(in millions of Korean won)	2011	2010
Profit attributable to equity holders of the Parent Company (A)	52,684	54,723
Ordinary shares dividends (B)	20,340	17,233
Preferred shares dividends (C)	4,211	3,586
Undistributed earnings (D=A-B-C)	28,133	33,905
Undistributed earnings available for ordinary shares (E)	23,457	28,276
Undistributed earnings available for preferred shares (F)	4,676	5,628
Profit attributable to ordinary shares (G=B+E)	43,797	45,509
Profit attributable to preferred shares (H=C+F)	8,887	9,214

[2] Weighted average numbers of shares are calculated as follows:

(Shares)	2011	2010
Ordinary shares outstanding	84,702,850	84,702,850
Ordinary treasury shares	(6,468,932)	(6,373,673)
Ordinary shares	78,233,918	78,329,177
Weighted average number of ordinary shares outstanding	78,139,614	78,122,820
Preferred shares outstanding	19,426,990	19,426,990
Preferred treasury shares	(3,831,516)	(3,835,484)
Preferred shares	15,595,474	15,591,506
Weighted average number of preferred shares outstanding	15,606,726	15,316,787

39. Dividends

The ordinary shares interim dividends paid in 2011 and 2010 were ₩8,584 million (₩110 per share, dividend rate: 22%) and ₩7,024 million (₩90 per share, dividend rate: 18%) and the preferred shares interim dividends were ₩1,719 million (₩110 per share, dividend rate: 22%) and ₩1,376 million (₩90 per share, dividend rate: 18%), respectively.

The ordinary shares dividends paid in 2011and 2010 were ₩10,183 million (₩130 per share, dividend rate: 26%) and ₩7,786 million (₩100 per share, dividend rate: 20%) and the preferred shares dividends were ₩2,183 million (₩140 per share, dividend rate: 28%) and ₩1,683 million (₩110 per share, dividend rate: 22%), respectively.

A ordinary share dividend in respect of the year ended December 31, 2011, of ₩150 per share (dividend rate: 30%), amounting to a total dividend of ₩11,736 million and a preferred share dividend of ₩160 per share (dividend rate: 32%), amounting to a total dividend of ₩2,498 million, are to be proposed at the annual general meeting on March 23, 2012. These financial statements do not reflect this dividend payable.

40. Cash Generated from Operations

Cash generated from operations for the years ended December 31, 2011 and 2010, is as follows:

(in millions of Korean won)	2011	2010
Profit for the year	50,428	53,713
Adjustments :		
Severance benefits	9,001	9,861
Depreciation/Amortization	48,179	45,581
Impairment of intangible assets	3,239	1,706
Loss on disposal of inventories	3,075	6,967
Interest income	(4,359)	(5,121)
Gain on disposal of available-for-sale financial assets	(19,387)	(11,548)
Dividend income	(3,681)	(2,023)
Income tax expense	19,479	21,272
Other	6,397	5,696
Changes in operating assets and liabilities		
Increase in financial assets at fair value through gain or loss	(27,944)	(12,198)
Decrease (Increase) in trade receivables	(8,015)	729
Increase in inventories	(3,437)	(6,744)
Increase in other assets	(5,564)	(2,521)
Increase(decrease) in trade payables	832	(2,289)
Increase(decrease) in other payables	2,748	(2,665)
Decrease in provisions	(172)	(2,074)
Decrease in other liabilities	(7,209)	(103)
Payment of defined benefit liability	(6,402)	(7,001)
Deposit in plan assets, net	(4,348)	(4,875)
Increase(decrease) in other assets, liabilities	(1,631)	(988)
Cash generated from operations	51,229	85,375

The principal non-cash transactions for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Valuation of available-for-sale financial assets	(78,526)	55,495
Reclassification of Initial throw-in equipment	19,276	12,205
Exercise of stock options	1,900	3,091
Reclassification of Investment property	13,560	47

41. Related Party Transactions

The Parent Company is Daekyo Holdings Co., Ltd.

The related parties are as follows:

Parent Company	Daekyo Holdings Co., Ltd.
Subsidiary	Daekyo Edupia Co., Ltd. (formerly Fermatedu Co., Inc.), Daekyo Bookscan Co., Ltd., Daekyo Book Center Co., Ltd., Daekyo CSA Co., Ltd., DK Educamp Co., Ltd. (formerly Daekyo Sobics Co., Ltd.), Daekyo New Development Investment Association, Daekyo America, Inc. Daekyo Hong Kong Co., Ltd., Beijing Daekyo Co., Ltd., Daekyo Malaysia Sdn. Bhd., Sanghai Daekyo Co., Ltd., P.T Daekyo Indonesia, Daekyo Enopi Singapore PTE Ltd.
Associates	Child-Care Consortium, Daekyo Bertelsmann Educational Services Limited
Other related parties	Daekyo D&S Co., Ltd., Twohandsmedia Co., Ltd., Tara Distribution Co., Ltd., Tara TPS Co., Ltd., Daekyo Culture foundation., BongAm School Foundation., BongAm Institute., Daekyo ENC Co., Ltd., Shindaeshin Construction Co., Ltd., Korea Scout Association, Tara Graphics Co., Ltd., Gangwon Deep Sea Water Co., Ltd., Daekyo CNS Co., Ltd.

Significant transactions for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011		2010	
	Sales	Purchases	Sales	Purchases
Parent Company	23	3,335	2	757
Other related parties	1,109	73,223	828	74,802
	1,132	76,558	830	75,559

The balances of significant transactions are as follows:

	December 31, 2011		December 31, 2010		January,1, 2010	
(in millions of Korean won)	Receivables	Payables	Receivables	Payables	Receivables	Payables
Parent Company	60	2,856	-	345	4	591
Other related parties	4,719	12,906	7,457	13,459	8,567	10,377
	4,779	15,762	7,457	13,804	8,571	10,968

Key management compensation costs of the Group for the years ended December 31, 2011 and 2010, consist of:

(in millions of Korean won)	2011	2010
Short-term salaries	3,508	3,633
Severance benefits	330	426
	3,838	4,059

Key management refers to the directors who have significant control and responsibilities on the Group's business plans, operations and controls.

42. Business Combination

On May 1, 2011, the Company acquired television business from Daekyo CNS Co., Ltd., a subsidiary of the Parent Company to raise its brand value and awareness and to boost the synergy of Group contents business through active media business.

(1) Summary of the business acquisition

Name of business	Daekyo CNS Co., Ltd.,'s TV business
Head office location	4^{th} Floor 107 Michelan Buld., Samseong-dong, Gangnam-gu, Seoul
CEO	Suk-Ju Oh
Type	Stock-unlisted corporation
Relation	Other related party

(2) Accounting of the business acquisition

(in millions of Korean won)	**Amount**
Consideration	
Cash and cash equivalents	2,105
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	26
Trade receivables and other receivables[1]	610
Property, plant and equipment	217
Intangible assets	658
Other payables	(246)
Total identifiable net assets	1,265
Capital surplus[2]	840

[1] The acquired trade receivables and other receivables include trade receivables of ₩479 million.

[2] The assets acquired and liabilities assumed are measured at the carrying value on the consolidated financial statement and the difference between consideration paid and total net assets is treated as capital surplus due to business combination under common control.

43. Transition to Korean-IFRS

43.1 First-time Adoption of Korean-IFRS

The Group's transition date to Korean-IFRS is January 1, 2010, and adoption date is January 1, 2011.

In preparing consolidated financial statements in accordance with Korean-IFRS 1101(First-time Adoption of Korean International Financial Reporting Standards), the Group has applied the mandatory exceptions and certain optional exemptions allowed by Korean-IFRS.

43.2 Exemption Options under Korean-IFRS 1101

The Group elected to apply the following optional exemptions from full retrospective application.

(1) Business combinations

The Group elected to apply the exemption for business combinations allowed under Korean-IFRS 1101 and has not retrospectively applied Korean-IFRS 1103 to past business combinations that occurred before the transition date.

(2) Cumulative translation differences

The Group elected to deem the cumulative translation differences for all foreign operations to be zero at January 1, 2010 in accordance with Korean-IFRS 1101.

(3) Fair value as deemed cost

The Group elected to measure certain property, plant and equipment at fair value as of the transition date to Korean-IFRS and use that fair value as its deemed cost at that date as follows:

(in millions of Korean won)

Reported amount under previous K-GAAP	Adjusted amount	Fair value as of the transition date
12,669	85	12,754

43.3 Mandatory Exceptions to Retroactive Application of Other Korean-IFRS

Exceptions to other Korean-IFRS applied by the Group are as follows:

(1) Exception for estimates

The Group's Korean-IFRS estimates at the transition date are consistent with the estimates as at the same date made in accordance with previous K-GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

43.4 Reconciliations Previous K-GAAP to Korean-IFRS

(1) Effects on the total assets, liabilities and equity, and profit and comprehensive income

Effects of Korean-IFRS adoption on the Group's total assets, liabilities and equity as of January 1, 2010, the date of Korean-IFRS transition, are as follows:

(In millions of Korean won)	Total assets	Total liabilities	Total equity
Reported amount under previous K-GAAP	822,179	217,294	604,885
Adjustments for:			
Changes in scope of consolidation	9,844	6,975	2,869
Deemed cost of property, plant and equipment[1]	85	-	85
Change of depreciation method for property, plant and equipment and intangible assets[2]	1,266	-	1,266
Financial assets[3]	(418)	-	(418)
Negative goodwill[4]	152	-	152
Allowance for bad debts[5]	346	-	346
Retirement benefit obligations[6]	-	(3,236)	3,236
Deferred income tax[7]	(3,385)	(2,374)	(1,011)
Customer's loyalty system[8]	-	(49)	49
	7,890	1,316	6,574
Adjusted amount under Korean-IFRS	830,069	218,610	611,459

[1] The Group applied the optional exemption to measure certain property, plant and equipment at fair value as of the transition date to Korean-IFRS and to use the fair value as the deemed cost.

[2] It is caused by the change of amortization method from the diminishing balance method to the straight-line method for certain intangible assets.

[3] It is caused by valuation of loans and receivables at fair value.

[4] It is caused by temporary recognised profit or loss of negative goodwill.

[5] The establishment of allowance for bad debts with the amount of estimated loss when objective signs of impairment exist.

[6] Retirement benefit obligations is calculated by using an actuarial method.

[7] Deferred tax effects from the above adjustments and reclassification of deferred tax assets and deferred tax liabilities to non-current items.

[8] As it is recognized as complex transaction on mileage, the related revenue is deferred until the mileage points are used.

Effects on the consolidated assets, liabilities and equity as of December 31, 2010, and the consolidated profit and comprehensive income for the year then ended, are as follows:

(in millions of Korean won)	Total assets	Total liabilities	Total equity	Profit(loss)	Comprehensive Income
Reported amount under previous K-GAAP	892,230	218,798	673,432	47,532	82,510
Adjustments:					
Changes in scope of consolidation	11,322	5,847	5,475	(78)	(1,037)
Deemed cost of property, plant and equipment[1]	85	-	85	-	-
Change of depreciation method for property, plant and equipment and intangible assets[2]	6,867	-	6,867	5,601	5,601
Negative goodwill/goodwill[3]	1,717	-	1,717	1,565	1,565
Financial assets/liabilities[4]	(391)	(12)	(379)	39	39
Allowance for bad debts[5]	292	-	292	(54)	(54)
Retirement benefit obligations[6]	-	(2,153)	2,153	726	(1,083)
Deferred income tax[7]	(2,072)	69	(2,141)	(1,512)	(1,130)
Customer's loyalty system[8]	-	57	(57)	(106)	(106)
	17,820	3,808	14,012	6,181	3,795
Adjusted amount under Korean-IFRS	910,050	222,606	687,444	53,713	86,305

[1] The Group applied the optional exemption to measure certain property, plant and equipment at fair value as of the transition date to Korean-IFRS and to use the fair value as the deemed cost.

[2] It is caused by the change of amortization method from the diminishing balance method to the straight-line method for certain intangible assets.

[3] It is caused by valuation of loans and receivables at fair value.

[4] It is caused by temporary recognised profit or loss of negative goodwill.

[5] The establishment of allowance for bad debts with the amount of estimated loss when objective signs of impairment exist.

[6] Retirement benefit obligations is calculated by using an actuarial method.

[7] Deferred tax effects from the above adjustments and reclassification of deferred tax assets and deferred tax liabilities to non-current items.

[8] As it is recognized as complex transaction on mileage, the related revenue is deferred until the mileage points are used.

The scope of consolidation as of January 1, 2010, has changed as follows:

Change	Reasons	Company
Increase	Entities previously not included in the consolidated financial statements based on the exception under Article 1-3 (2).1. of the Enforcement Decree of the Act on External Audit of Stock Companies which was granted to subsidiaries with less that total assets of W10 billion as of the previous fiscal year-end are included under Korean-IFRS.	Daekyo Bookscan Co., Ltd., Daekyo Book Center Co., Ltd., Daekyo CSA Co., Ltd., DK Educamp Co., Ltd. (formerly Daekyo Sobics Co., Ltd.), Daekyo EOL Co., Ltd., Daekyo Hong Kong Co., Ltd., Beijing Daekyo Co., Ltd., Daekyo Malaysia Sdn. Bhd., Shanghai Daekyo Co., Ltd., P.T Daekyo Indonesia.

(2) Effects on the cash flows

On adoption of Korean-IFRS, cash flows from interest received, interest paid, dividends received, and income taxes paid, which had not been separately presented, are presented separately on the face of the statement of cash flows. In order to accommodate the change, cash flows related to relevant income/expenses, assets/liabilities have been adjusted. The effects of the change in exchange rate on cash and cash equivalents in a foreign currency are presented separately from cash flows from operating, investing and financing activities.

44. Approval of financial Statements

The consolidated financial statements for the year ended December 31, 2011, were approved by the Board of Directors on March 6, 2012.