Daekyo Co., Ltd. and Subsidiaries

Consolidated Financial Statements
December 31, 2013 and 2012

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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, 2013 and 2012, 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 Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, whose financial statements represent 1% of the Group's consolidated total assets as of December 31, 2013 and 2012, respectively. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for certain consolidated subsidiaries, is based solely on the reports of the other auditors.

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 audit 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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and 2012, and their financial performance and cash flows for the years then ended, 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 12, 2014

This audit report is effective as of March 12, 2014, 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.

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2013 and 2012

(in Korean won)	Notes	2013	2012
Assets			
Current assets			
Cash and cash equivalents	4,5,7,8	104,846,553,211	38,604,012,540
Financial deposits	4,5,7,8,30	11,479,330,091	9,322,951,126
Trade receivables	5,7,9,42	35,968,389,587	40,079,039,627
Other receivables	5,7,9,42	46,620,463,670	41,548,039,125
Financial assets at fair value through profit or loss	5,7,10	21,460,842,325	57,548,068,785
Available-for-sale financial assets	5,7,11	38,671,635,292	81,611,056,374
Inventories	12	23,149,811,700	24,161,843,707
Other current assets	13	5,716,001,322	9,285,733,466
		287,913,027,198	302,160,744,750
Non-current assets			
Financial deposits	5,7,8,30	303,000,000	305,062,981
Long-term other receivables	5,7,9,42	12,846,374,009	21,430,025,285
Available-for-sale financial assets	5,7,11	195,998,283,359	165,510,215,304
Investments in associates	14	2,385,454,747	2,395,226,005
Property, plant and equipment	15	141,487,519,919	147,787,114,662
Investment property	16	125,024,075,697	90,558,212,739
Intangible assets	17	75,452,258,810	83,557,928,606
Net defined benefit assets	22	396,404,967	-
Other non-current assets	13	484,885,524	408,609,492
		554,378,257,032	511,952,395,074
Total assets		842,291,284,230	814,113,139,824

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2013 and 2012

(in Korean won)	**Notes**	**2013**	**2012**
Liabilities			
Current liabilities			
Trade payables	4,5,6,7,42	9,706,668,910	10,195,505,884
Other payables	4,5,6,7,18,42	68,854,106,421	67,399,278,670
Borrowings	4,5,6,7,19	28,507,225,446	23,274,150,019
Income tax payable		10,777,083,978	5,151,477,094
Provisions	20	558,651,378	493,666,331
Other current liabilities	21	53,688,275,284	58,487,258,347
		172,092,011,417	165,001,336,345
Non-current liabilities			
Other payables	4,5,6,7,18	9,705,640,718	3,379,390,583
Borrowings	4,5,6,7,19	117,618,471	891,174,021
Net defined benefit liability	22	-	4,071,156,664
Deferred income tax liabilities	23	13,828,530,026	18,840,534,464
		23,651,789,215	27,182,255,732
Total liabilities		195,743,800,632	192,183,592,077
Equity attributable to owners of the Parent			
Capital stock	24	52,064,920,000	52,064,920,000
Capital surplus	25	69,626,473,529	68,919,275,425
Other components of equity	26,27,28	(60,803,172,427)	(54,890,574,087)
Accumulated other comprehensive income	23	87,265,353,428	76,774,703,864
Retained earnings	29	490,317,798,983	472,739,016,936
		638,471,373,513	615,607,342,138
Non-controlling interest			
Non-controlling interest		8,076,110,085	6,322,205,609
Total equity		646,547,483,598	621,929,547,747
Total liabilities and equity		842,291,284,230	814,113,139,824

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, 2013 and 2012

(in Korean won)	**Notes**	**2013**	**2012**
Net Sales	6,31,42	839,582,028,779	869,494,013,911
Cost of sales	33,42	688,639,185,290	718,594,395,558
Gross profit		150,942,843,489	150,899,618,353
Selling and administrative expenses	32,33,42	119,236,297,569	119,244,641,391
Operating income	6	31,706,545,920	31,654,976,962
Other income	34	34,556,419,556	35,446,688,746
Other expenses	35	13,787,391,292	25,785,593,784
Share of loss of associates	14	9,771,258	171,650,218
Financial income	36	2,543,519,867	2,171,101,449
Financial expenses	37	862,410,304	903,701,563
Profit before income tax		54,146,912,489	42,411,821,592
Income tax expense	38	21,924,273,673	12,840,893,988
Profit for the year from continuing operations		32,222,638,816	29,570,927,604
Discontinued operations			
Loss for the year from discontinued operations		-	(8,803,232,809)
Profit for the year		32,222,638,816	20,767,694,795
Profit for the year attributable to:			
Equity holders of the Parent Company		35,304,614,129	22,933,324,738
Non-controlling interests		(3,081,975,313)	(2,165,629,943)
Basic earnings per share from continuing operations attributable to the equity holders of the Parent Company during the year:	39		
Basic earnings per share for ordinary shares		381	338
Basic earnings per share for preferred shares		389	347
Basic loss per share from discontinued operations attributable to the equity holders of the Parent Company during the year:	39		
Basic loss per share for ordinary shares		-	(94)
Basic loss per share for preferred shares		-	(94)
Diluted earnings per share from continuing operations attributable to the equity holders of the Parent Company during the year:	39		
Diluted earnings per share for ordinary shares		381	338
Diluted earnings per share for preferred shares		388	347
Diluted loss per share from discontinued operations attributable to the equity holders of the Parent Company during the year:	39		
Diluted loss per share for ordinary shares		-	(94)
Diluted loss per share for preferred shares		-	(94)

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, 2013 and 2012

(in Korean won)	**Notes**	**2013**	**2012**
Profit for the year		32,222,638,816	20,767,694,795
Other comprehensive income, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the net defined benefit liability	22,23,29	1,334,745,193	(1,037,122,857)
Items that may be reclassified subsequently to profit or loss			
Gain(loss) on valuation of available-for-sale financial assets	23	10,620,300,640	(11,117,380,656)
Currency translation differences		(92,073,699)	(979,533,905)
Other comprehensive income(loss) for the year, net of tax		11,862,972,134	(13,134,037,418)
Total comprehensive income for the year		44,085,610,950	7,633,657,377
Comprehensive income (loss) for the year attributable to:			
Equity holders of the Parent Company		47,132,116,438	10,216,205,637
Non-controlling interest		(3,046,505,488)	(2,582,548,260)

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, 2013 and 2012

(in Korean won)

	Notes	Attributable to equity holders of the Parent Company						
		Capital Stock	Capital Surplus	Other components of Equity	Accumulated Other Comprehensive Income(loss)	Retained Earnings	Non-controlling Interest	Total Equity
Balance at January 1, 2012		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
Comprehensive income (loss)								
Profit for the year		-	-	-	-	22,933,324,738	(2,165,629,943)	20,767,694,795
Gain(loss) on valuation of available-for-sale financial assets		-	-	-	(11,117,380,656)	-	-	(11,117,380,656)
Remeasurement of net defined benefit liability		-	-	-	-	(1,009,015,312)	(28,107,545)	(1,037,122,857)
Currency translation differences		-	-	-	(590,723,133)	-	(388,810,772)	(979,533,905)
Transactions with equity holders of the Parent Company:								
Dividends	40	-	-	-	-	(14,233,557,340)	-	(14,233,557,340)
Interim dividends	40	-	-	-	-	(10,282,505,090)	-	(10,282,505,090)
Dividends of subsidiaries		-	-	-	-	-	(117,941,130)	(117,941,130)
Issuance of stocks of subsidiaries		-	(750,553,330)	-	-	-	2,973,235,430	2,222,682,100
Acquisition of treasury stock		-	-	(9,755,776,800)	-	-	-	(9,755,776,800)
Disposal of treasury stock		-	247,103,073	2,580,291,476	-	-	-	2,827,394,549
Stock options		-	-	(145,582,898)	-	-	-	(145,582,898)
Balance at December 31, 2012		52,064,920,000	68,919,275,425	(54,890,574,087)	76,774,703,864	472,739,016,936	6,322,205,609	621,929,547,747
Balance at January 1, 2013		52,064,920,000	68,919,275,425	(54,890,574,087)	76,774,703,864	472,739,016,936	6,322,205,609	621,929,547,747
Comprehensive income (loss)								
Profit for the year		-	-	-	-	35,304,614,129	(3,081,975,313)	32,222,638,816
Gain(loss) on valuation of available-for-sale financial assets		-	-	-	10,603,038,307	-	17,262,333	10,620,300,640
Remeasurement of net defined benefit liability		-	-	-	-	1,336,852,745	(2,107,552)	1,334,745,193
Currency translation differences		-	-	-	(112,388,743)	-	20,315,044	(92,073,699)
Transactions with equity holders of the Parent Company:								
Dividends	40	-	-	-	-	(9,415,857,270)	-	(9,415,857,270)
Interim dividends	40	-	-	-	-	(10,171,129,650)	-	(10,171,129,650)
Dividends of subsidiaries		-	-	-	-	-	(76,695,500)	(76,695,500)
Issuance of stocks of subsidiaries		-	(547,828)	-	-	-	4,877,105,464	4,876,557,636
Changes in scope of consolidation		-	-	-	-	524,302,093	-	524,302,093
Acquisition of treasury stock		-	-	(9,376,722,400)	-	-	-	(9,376,722,400)
Disposal of treasury stock		-	707,745,932	3,613,252,396	-	-	-	4,320,998,328
Stock options		-	-	(149,128,336)	-	-	-	(149,128,336)
Balance at December 31, 2013		52,064,920,000	69,626,473,529	(60,803,172,427)	87,265,353,428	490,317,798,983	8,076,110,085	646,547,483,598

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, 2013 and 2012

(in Korean won)	**Notes**	**2013**	**2012**
Cash flows from operating activities			
Cash generated from operations	41	131,858,439,656	73,638,742,227
Dividends received		2,894,079,719	3,785,229,641
Interest received		2,159,317,466	1,849,769,014
Interest paid		(834,715,590)	(1,562,254,298)
Income tax paid		(25,262,927,556)	(19,466,202,457)
Net cash generated from operating activities		110,814,193,695	58,245,284,127
Cash flows from investing activities			
Decrease in short-term financial deposits		11,690,445,246	8,986,217,938
Proceeds from disposal of available-for-sale financial assets		92,375,533,865	74,647,692,485
Decrease in other receivables		13,582,996,974	15,168,847,763
Proceeds from disposal of property, plant and equipment		1,751,067,739	50,776,444
Proceeds from disposal of intangible assets		175,807,668	-
Grants from goverments		553,000,000	120,000,000
Proceeds from disposal of business		1,100,000,000	-
Increase in long-term financial deposits		(13,813,241,466)	(5,806,646,045)
Acquisition of available-for-sale financial assets		(47,613,856,764)	(49,172,416,117)
Increase in other receivables		(10,418,623,510)	(16,808,746,331)
Acquisition of investments in associates		-	(2,400,000,000)
Acquisition of property, plant and equipment		(50,229,372,798)	(28,949,751,738)
Acquisition of investment property		(779,449,935)	(2,907,896,148)
Acquisition of intangible assets		(26,986,485,338)	(35,307,368,180)
Net cash used in investing activities		(28,612,178,319)	(42,379,289,929)
Cash flows from financing activities			
Disposal of treasury stock		3,749,520,973	1,727,152,949
Issuance of stocks of subsidiaries		4,876,557,636	2,218,039,256
Proceeds from borrowings		6,051,494,157	7,289,177,859
Acquisition of treasury stock		(9,376,722,400)	(9,755,776,800)
Dividends paid		(19,663,682,420)	(24,635,179,705)
Repayments of borrowings		(1,305,824,507)	(3,456,107,215)
Net cash used in financing activities		(15,668,656,561)	(26,612,693,656)
Net increase(decrease) in cash and cash equivalents		66,533,358,815	(10,746,699,458)
Cash and cash equivalents at the beginning of year		38,604,012,540	49,874,764,951
Exchange losses on cash and cash equivalents		(290,818,144)	(524,052,953)
Cash and cash equivalents at the end of year		104,846,553,211	38,604,012,540

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, 2013, the majority shareholder, Daekyo Holdings Co., Ltd. owns 54.5% of the Company.

1.1 Subsidiaries

		Percentage of ownership (%)					
		December 31, 2013		December 31, 2012			
Subsidiaries	Location	Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest	Closing Month	Major Business
Daekyo Edupia Co., Ltd.	Korea	97.41	2.59	97.41	2.59	December	Education
BSCK (formerly, Daekyo Bookscan Co., Ltd.)	Korea	-	-	100.00	-	December	Book sales
Daekyo Book Center Co., Ltd.	Korea	97.93	2.07	97.93	2.07	December	Book sales
Daekyo CSA Co., Ltd.	Korea	70.00	30.00	70.00	30.00	December	Education
Daekyo Edu camp Co., Ltd. (formerly, DK Educamp Co., Ltd.)	Korea	98.36	1.64	98.36	1.64	December	Education
Daekyo New Development Investment Association.	Korea	80.00	20.00	80.00	20.00	December	Investment
Daekyo America, Inc.	America	50.06	49.94	50.06	49.94	December	Education
Daekyo Hong Kong Co., Ltd. [1]	China	47.89	52.11	47.89	52.11	December	Education
Beijing Daekyo Co., Ltd.	China	100.00	-	100.00	-	December	Education
Daekyo Malaysia Sdn. Bhd.	Malaysia	100.00	-	100.00	-	December	Education
Shanghai Daekyo Co., Ltd.	China	100.00	-	100.00	-	December	Education
P.T Daekyo Indonesia	Indonesia	99.77	0.23	99.71	0.29	December	Education
Daekyo Enopi Singapore PTE Ltd.	Singapore	100.00	-	100.00	-	December	Education
Heungkuk Altoran Securities Private Investment Trust	Korea	66.22	33.78	-	-	December	Investment
Hyundai Advantage Private Equity 5	Korea	100.00	-	-	-	December	Investment
Truston Private Securities Investment Trust 4	Korea	100.00	-	-	-	December	Investment
Hanwha Quant Long-short Private Securities Investment Trust 1	Korea	100.00	-	-	-	December	Investment

[1] Although the Group has less than 50% of the voting power in the investee, it is included in subsidiaries 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, 2013 and 2012, is as follows:

(in millions of Korean won)	December 31, 2013			December 31, 2012		
	Assets	**Liabilities**	**Equity**	**Assets**	**Liabilities**	**Equity**
Daekyo Edupia Co., Ltd.	11,806	17,225	(5,419)	13,550	14,284	(734)
Daekyo Book Center Co., Ltd.	5,613	3,962	1,651	6,143	4,492	1,651
Daekyo CSA Co., Ltd.	157	140	17	1,279	1,206	73
Daekyo Edu camp Co., Ltd. (formerly, DK Educamp Co., Ltd.)	21,700	20,413	1,287	28,579	24,178	4,401
Daekyo New Development Investment Association.	9,411	3	9,408	4,624	110	4,514
Daekyo America, Inc.	21,009	20,097	912	25,187	17,375	7,812
Daekyo Hong Kong Co., Ltd.	6,239	2,313	3,926	5,059	2,363	2,696
Beijing Daekyo Co., Ltd.	269	62	207	259	48	211
Daekyo Malaysia Sdn. Bhd.	1,831	1,571	260	2,943	1,984	959
Shanghai Daekyo Co., Ltd.	1,654	167	1,487	1,713	101	1,612
P.T Daekyo Indonesia	1,147	950	197	1,113	717	396
Daekyo Enopi Singapore PTE Ltd.	967	203	764	130	57	73
Heungkuk Altoran Securities Private Investment Trust	11,162	4	11,158	-	-	-
Hyundai Advantage Private Equity 5	10,189	58	10,131	-	-	-
Truston Private Securities Investment Trust 4	4,670	7	4,663	-	-	-
Hanwha Quant Long-short Private Securities Investment Trust 1	5,046	7	5,039	-	-	-

(in millions of Korean won)	2013			2012		
	Sales	**Net income (loss)**	**Comprehensive income**	**Sales**	**Net income (loss)**	**Comprehensive income**
Daekyo Edupia Co., Ltd.	14,767	(4,665)	(4,685)	17,953	(6,265)	(6,449)
Daekyo Book Center Co., Ltd.	10,667	(9)	-	12,630	(43)	(51)
Daekyo CSA Co., Ltd.	7,416	(56)	(56)	9,715	(1,349)	(1,418)
Daekyo Edu camp Co., Ltd. (formerly, DK Educamp Co., Ltd.)	46,734	(3,006)	(3,114)	54,800	(158)	(206)
Daekyo New Development Investment Association.	-	(1,106)	(1,106)	-	(403)	(403)
Daekyo America, Inc.	7,341	(7,040)	(6,900)	6,424	(3,898)	(4,488)
Daekyo Hong Kong Co., Ltd.	5,330	1,472	1,377	4,856	1,138	957
Beijing Daekyo Co., Ltd.	148	(7)	(4)	150	(159)	(175)
Daekyo Malaysia Sdn. Bhd.	2,110	(672)	(699)	1,988	131	87
Shanghai Daekyo Co., Ltd.	460	(149)	(125)	503	(351)	(458)
P.T Daekyo Indonesia	647	(463)	(537)	546	(220)	(267)
Daekyo Enopi Singapore PTE Ltd.	362	(373)	(437)	218	(332)	(328)
Heungkuk Altoran Securities Private Investment Trust	-	225	276	-	-	-
Hyundai Advantage Private Equity 5	-	(160)	131	-	-	-
Truston Private Securities Investment Trust 4	-	(569)	(337)	-	-	-
Hanwha Quant Long-short Private Securities Investment Trust 1	-	(23)	23	-	-	-

1.3 Changes in the Scope of Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2013 are as follows:

Name of a company	Reason
Heungkuk Altoran Securities Private Investment Trust	Newly acquired
Hyundai Advantage Private Equity 5	Newly acquired
Truston Private Securities Investment Trust 4	Newly acquired
Hanwha Quant Long-short Private Securities Investment Trust 1	Newly acquired

For the year ended December 31, 2013, BSCK (formerly Daekyo Bookscan Co., Ltd.) was excluded from the consolidation due to liquidation.

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 preparation of the consolidated 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.

2.1.1 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

The Group newly applied the following amended and enacted standards for the annual period beginning on January 1, 2013:

- Amendment to Korean IFRS 1001, *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*

The amendment requires entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The Group applies the amendment retroactively and there is no impact of the application of this amendment on its total comprehensive income or loss.

- Amendment to Korean IFRS 1019, *Employee Benefits*

The amendment requires entities to immediately recognize all actuarial gains and losses incurred in other comprehensive income or loss. All past service costs incurred are immediately recognized in accordance with the change of the plan, and the previous separate calculation of the interest cost and the expected returns on plan assets has been revised to calculate net interest expense (income) by applying the discount rate used in the defined benefit obligation measurement in the net defined benefit liabilities (assets). There is no material impact of the application of this amendment on the consolidated financial statements.

- Korean IFRS 1110, *Consolidated Financial Statements*

Korean IFRS 1110, *Consolidated Financial Statements*, introduces a single control concept and provides a specific guidance for the control. The adoption of this standard does not have an impact on consolidation scope in the consolidated financial statements.

- Korean IFRS 1111, *Joint Arrangements*

Korean IFRS 1111, *Joint Arrangements*, reflects the substance of joint arrangements and focuses on the rights and obligations of the parties to the joint arrangements rather than on the legal forms of the arrangements. Joint arrangements are classified into joint operations or joint ventures. The adoption of this standard does not have an material impact on the consolidated financial statements.

- Korean IFRS 1112, *Disclosures of Interests in Other Entities*

Korean IFRS 1112, *Disclosure of Interests in Other Entities*, provides disclosure requirements for all types of equity investments in other entities including subsidiaries, associates, joint ventures and unconsolidated structured entities.

- Korean IFRS 1113, *Fair Value Measurement*

Korean IFRS 1113, *Fair Value Measurement*, provides a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across K-IFRS. The Group has applied this standard prospectively according to the transitional provisions of K-IFRS 1113 and there is no material impact of the application of this standard on the consolidated financial statements.

(b) New standards and interpretations not yet adopted

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013, and not early adopted by the Group are as follows:

- Amendment to Korean IFRS 1110, *Consolidated Financial Statements*

Amendment to Korean IFRS 1110, *Consolidated Financial Statements*, provides that, if a parent company qualifies as an investment entity, it is required to measure its investments in subsidiaries at fair value through profit and loss instead of consolidating these subsidiaries in its consolidated financial statements. The amendment does not apply for a parent of an investment entity if the parent itself is not an investment entity. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Group expects that the application of this amendment would not have a material impact on its consolidated financial statements.

- Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*

Amendment to Korean IFRS 1032, *Financial Instruments: Presentation,* provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. This amendment is effective for annual periods beginning on or after January 1, 2014, and the Group is assessing the impact of application of this amendment on its consolidated financial statements.

- Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*

Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Group expects that the application of this amendment would not have impact on its consolidated financial statements.

- Enactment of Korean IFRS 2121, *Levies*

Korean IFRS 2121, *Levies*, are applied to a liability to pay a levy imposed by a government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). This interpretation is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Group expects that the application of this interpretation would not have a material impact on its consolidated financial statements.

2.2 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110, *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary and ceases when the Company loses control of the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs. acquisition-related costs are expensed as incurred.

Goodwill is recognized as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the identifiable net assets acquired. 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.

Balances of receivables and payables, income and expenses and unrealized gains on transactions between the Group subsidiaries are eliminated. 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

In transactions with non-controlling interests, which do not result in loss of control, the Group recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

(c) Disposal of subsidiaries

If the Group loses control of a subsidiary, any investment continuously retained in the subsidiary is re-measured at its fair value at the date when control is lost and any resulting differences are recognized in profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence, and investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Group recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

2.3 Segment Reporting

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker (Note 6). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee 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 each entity operates (the “functional currency’). The consolidated financial statements are presented in Korean won, which is the Controlling Company’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, except when deferred in other comprehensive income as qualifying cash flow hedges.

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 non-operating income and expenses’ in the statement of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Exchange differences arising on non-monetary financial assets and liabilities such as equity instruments at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss and included in other comprehensive income, respectively, as part of the fair value gain or loss.

(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. Exchange differences arising are recognized in other comprehensive income.

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 Assets

(a) Classification and measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular purchases and sales of financial assets are recognized on trade date.

For hybrid (combined) instruments, the Group is unable to measure an embedded derivative separately from its host contract and therefore, the entire hybrid (combined) contract is classified as at fair value through profit or loss. The financial assets designated as at fair value through profit or loss by the Group are equity-linked securities.

Regular purchases and sales of financial assets are recognized on the trade date. At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables, and held-to-maturity investments are subsequently carried at amortized cost using the effective interest rate method.

Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

(b) Impairment

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.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments; or the disappearance of an active market for that financial asset because of financial difficulties.

(c) Derecognition

If the Group transfers a financial asset and the transfer does not result in derecognition because the Group has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as ‘borrowings’ in the statement of financial position.

2.7 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of income within 'other income (expenses)' or 'finance income (expenses)' according to the nature of transactions.

2.8 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.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method.

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

Non-current assets (or disposal group) are classified as 'non-current assets held-for-sale' (or assets of disposal group classified as 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.

2.11 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 income and expenses' in the statement of income.

2.12 Borrowing Costs

Borrowing costs incurred in the acquisition or construction of a qualifying asset are capitalized in the period when it is prepared for its intended use, and investment income earned on the temporary investment of borrowings made specifically for the purpose obtaining a qualifying asset is deducted from the borrowing costs eligible for capitalization during the period. Other borrowing costs are recognized as expenses for the period in which they are incurred.

2.13 Investment Property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. Investment property, except for land, is depreciated using the straight-line method over their useful lives from 40 to 60 years.

2.14 Intangible Assets

(a) Goodwill

Goodwill is measured as explained in Note 2.2 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.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(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 expensed 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 recognized 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 expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs stated as intangible assets are amortized using the straight-line method over their estimated useful lives 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 amortized using the following amortization method and estimated useful lives when the asset is available for use.

	Estimated Useful Lives	**Amortization 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 method
Right to use donated assets	1 - 4 years	Straight-line method

2.15 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 related 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.

Government grants related 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.

2.16 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.

2.17 Financial Liabilities

(a) Classification and measurement

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'trade payables', 'other payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

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 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.

2.20 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.

2.21 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.

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 on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. It represents future tax consequences that will arise when recovering or settling the carrying amount of its assets and liabilities. However, the deferred income tax is not accounted for if it arises 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 tax 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 joint ventures, except 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 to settle the balances on a net basis.

2.22 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 employees render services. 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. 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.

The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

(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.

2.23 Share Capital

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

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to owners of the parent until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received is included in equity attributable to owners of the parent.

2.24 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services rendered 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 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 recognizes the difference between the carrying amount and its recoverable amount as impairment loss and continues unwinding the discount as interest income. Interest income on impaired loans 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.

2.25 Lease

Leases in which a substantial 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.

2.26 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.

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 2.16. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(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) Provisions

As described in Note 20, the Group recognizes provisions for estimated returns as of the reporting date. The amounts are estimated based on historical data.

(e) Net defined benefit liability

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 22.

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 Group's financial performance.

Risk management is carried out by the Group's financial management department under policies approved by the board of directors. The Group's treasury department identifies evaluates and hedges financial risks in close co-operation with the Group'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, 2013 and 2012, if interest rates fluctuate by 100bp without other variables changing, the effects on interest expense are as follows:

	December 31, 2013		December 31, 2012	
(in millions of Korean won)	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest expense	224	(224)	205	(205)

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, 2013 and 2012, 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, 2013		December 31, 2012	
(in millions of Korean won)	**5% increase**	**5% decrease**	**5% increase**	**5% decrease**
Net income(loss)	813	(813)	2,181	(2,181)
Comprehensive income(loss)	8,992	(8,992)	11,158	(11,158)

(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.

(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, 2013, is ₩ 116,326 million (2012 : ₩ 47,927 million)

The analysis 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, 2013 and 2012, are as follows:

	December 31, 2013					
(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	9,707	9,707	9,707	-	-	-
Other payables (current)	68,854	68,854	68,854	-	-	-
Borrowings (current)	28,507	29,169	29,169	-	-	-
Other payables (non-current)	9,706	10,472	-	10,472	-	-
Borrowings (non-current)	118	131	2	45	84	-

	December 31, 2012					
(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	10,196	10,196	10,196	-	-	-
Other payables (current)	67,399	67,445	67,445	-	-	-
Borrowings (current)	23,274	23,772	23,772	-	-	-
Other payables (non-current)	3,379	3,571	-	3,571	-	-
Borrowings (non-current)	891	1,221	55	55	238	873

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.

Debt-to-equity ratios as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**December 31, 2013**	**December 31, 2012**
Total liabilities (A)	195,744	192,184
Total equity (B)	646,547	621,930
Debt-to-equity ratio (A/B)(%)	30%	31%

5. Fair Value

5.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	December 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Current:				
Cash and cash equivalents	104,847	104,847	38,604	38,604
Financial deposits	11,479	11,479	9,323	9,323
Trade receivables	35,968	35,968	40,079	40,079
Other receivables	46,620	46,620	41,548	41,548
Financial assets at fair value through profit or loss	21,461	21,461	57,548	57,548
Available-for-sale financial assets	38,672	38,672	81,611	81,611
	259,047	259,047	268,713	268,713
Non-current:				
Financial deposits	303	303	305	305
Other receivables	12,846	12,985	21,430	22,867
Available-for-sale financial assets	184,278	184,278	155,249	155,249
	197,427	197,566	176,984	178,421
	456,474	456,613	445,697	447,134
Financial liabilities				
Current:				
Trade payables	9,707	9,707	10,196	10,196
Other payables	68,854	68,877	67,399	67,399
Borrowings	28,507	28,507	23,274	23,274
	107,068	107,091	100,869	100,869
Non-current:				
Other payables	9,706	9,728	3,379	3,253
Borrowings	118	118	891	909
	9,824	9,846	4,270	4,162
	116,892	116,937	105,139	105,031

Carrying amount of financial assets and financial liabilities classified as current portion is measured at a reasonable approximation of fair value. Equity instruments that do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably and excluded from the fair value disclosures.

For the year ended December 31, 2013, there are no significant changes in the business or economic circumstances that affect the fair value of financial assets and financial liabilities.

5.2 Fair Value Measurement Method

For the purpose of measurement and disclosure, fair value is determined by the below methods.

(a) Available-for-sale financial assets

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 within 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.

(b) Non-current other receivables

Carrying amount and fair value of non-current other receivables as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	December 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans	552	552	552	552
Deposits	12,294	12,433	20,878	22,315
	12,846	12,985	21,430	22,867

Fair value of non-current other receivables is calculated based on a nominal value of expected future cash inflows discounted using a discount rate reflecting credit risk.

	December 31, 2013	December 31, 2012
Discount rate	4.91%	5.52%

(c) Non-current other payables

Carrying amount and fair value of non-current other payables as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	December 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term deposits received	9,706	9,728	3,379	3,253

Fair value of non-current other payables is calculated based on a nominal value of expected future cash outflows discounted using rates of return on non-guaranteed bonds having similar credit ratings as the Company.

	December 31, 2013	December 31, 2012
Discount rate	3.04%	3.14%

(d) Current financial assets and liabilities

As current financial assets and liabilities' maturity is short-term, their fair value is approximation of carrying amount.

5.3 Fair Value Hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

- 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).

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through profit or loss	21,461	-	-	21,461
Available-for-sale financial assets	222,950	-	-	222,950
Non-recurring fair value measurements : N/A				
Disclosed fair value				
Non-current other receivables	-	12,985	-	12,985
Non-current other payables	-	9,728	-	9,728
Investment property	-	-	220,059	220,059

(in millions of Korean won)	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Financial assets at fair value through profit or loss	57,548	-	-	57,548
Available-for-sale financial assets	236,860	-	-	236,860
Non-recurring fair value measurements : N/A				
Disclosed fair value				
Non-current other receivables	-	22,867	-	22,867
Non-current other payables	-	3,253	-	3,253
Investment property	-	-	134,149	134,149

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'.

Equity instruments that do not have a quoted price in an active market and are measured at cost are not included in above hierarchy because there are no fair value measurements recognized in the statement of financial position.

6. 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, 2013, follows:

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

The segment information for sales and operating income for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**		**2012**	
	Segment sales	**Operating income (loss)**	**Segment sales**	**Operating income (loss)**
Noonnoppi business	682,040	44,049	707,868	53,499
Media business	59,298	604	52,868	(10,893)
Other	29,953	(1,535)	23,942	(2,332)
Subsidiaries	95,981	(11,439)	109,784	(8,772)
	867,272	31,679	894,462	31,502
Other segments and inter-segment transactions	(27,690)	28	(24,968)	153
	839,582	31,707	869,494	31,655

Segment information of share of profit from associates, depreciation, amortization and fluctuation of non-current assets for the years ended December 31, 2013 and 2012, follows:

(in millions of Korean won)	**2013**			**2012**		
	Loss from associates	**Depreciation/ Amortization**	**Fluctuation of non-current assets**[1]	**Loss from associates**	**Depreciation/ Amortization**	**Fluctuation of non-current assets**[1]
Noonnoppi business	-	22,794	43,730	-	18,628	(5,260)
Media business	-	5,905	4,801	-	6,760	(2,772)
Other	(10)	5,062	(35,930)	(172)	5,836	14,018
Subsidiaries	-	14,983	-	-	19,968	(6,048)
	(10)	48,744	12,601	(172)	51,192	(62)

[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:

	2013			2012		
(in millions of Korean won)	Assets	Investments in associates	Liabilities	Assets	Investments in associates	Liabilities
Noonnoppi business	127,980	-	104,030	79,739	-	92,253
Media business	41,975	-	12,763	37,926	-	21,633
Other	653,510	2,385	44,761	674,175	2,395	44,920
Subsidiaries	18,826	-	34,190	22,273	-	33,378
	842,291	2,385	195,744	814,113	2,395	192,184

Sales by geographic areas for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	2013	2012
Domestic	821,561	856,083
Overseas	18,021	13,411
	839,582	869,494

There is no external customer attributing to more than 10% of total sales for the years ended December 31, 2013 and 2012.

7. Financial Instruments by Category

Categorizations of financial instruments are as follows:

(in millions of Korean won)	December 31, 2013			
	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	-	104,847	-	104,847
Financial deposits	-	11,479	-	11,479
Trade receivables	-	35,968	-	35,968
Other receivables	-	46,620	-	46,620
Financial assets at fair value through profit or loss	21,461	-	-	21,461
Available-for-sale financial assets	-	-	38,672	38,672
	21,461	198,914	38,672	259,047
Non-current				
Financial deposits	-	303	-	303
Other receivables	-	12,846	-	12,846
Available-for-sale financial assets	-	-	195,998	195,998
	-	13,149	195,998	209,147
	21,461	212,063	234,670	468,194

(in millions of Korean won)	December 31, 2013		
	Financial liabilities at fair value through profit or loss	**Financial liabilities carried at amortized cost**	**Total**
Financial liabilities			
Current			
Trade payables	-	9,707	9,707
Other payables	-	68,854	68,854
Borrowings	-	28,507	28,507
	-	107,068	107,068
Non-current			
Other payables	-	9,706	9,706
Borrowings	-	117	117
	-	9,823	9,823
	-	116,891	116,891

(in millions of Korean won)	December 31, 2012			
	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	-	38,604	-	38,604
Financial deposits	-	9,323	-	9,323
Trade receivables	-	40,079	-	40,079
Other receivables		41,548		41,548
Financial assets at fair value through profit or loss	57,548	-	-	57,548
Available-for-sale financial assets	-	-	81,611	81,611
	57,548	129,554	81,611	268,713
Non-current				
Financial deposits	-	305	-	305
Other receivables	-	21,430	-	21,430
Available-for-sale financial assets	-	-	165,510	165,510
	-	21,735	165,510	187,245
	57,548	151,289	247,121	455,958

(in millions of Korean won)	December 31, 2012		
	Financial liabilities at fair value through profit or loss	**Financial liabilities carried at amortized cost**	**Total**
Financial liabilities			
Current			
Trade payables	-	10,196	10,196
Other payables	-	67,399	67,399
Borrowings	-	23,274	23,274
	-	100,869	100,869
Non-current			
Other payables	-	3,379	3,379
Borrowings	-	891	891
	-	4,270	4,270
	-	105,139	105,139

Income and loss of financial instruments by category for the years ended December 31, 2013 and 2012, are as follows:

	2013					
(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 amortized cost**	**Total**
Dividend income	-	-	2,891	-	-	2,891
Gain (loss) on foreign currency translation	-	(168)	-	-	38	(130)
Gain (loss) on foreign currency transactions	-	(175)	-	-	(40)	(215)
Interest income (expenses)	-	4,308	358	-	(1,032)	3,634
Bad debt expenses	-	(1,617)	-	-	-	(1,617)
Gain on valuation of financial assets[1,2]	461	-	10,620	-	-	11,081
Gain on disposal of financial assets	5,589	-	19,307	-	-	24,896
Gain on disposal of derivatives	26	-	-	-	-	26
Impairment loss on assets	-	-	(993)	-	-	(993)

	2012					
(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 amortized cost	Total
Dividend income	-	-	3,785	-	-	3,785
Gain (loss) on foreign currency translation	-	(473)	-	-	203	(270)
Gain (loss) on foreign currency transactions	-	(62)	-	-	44	(18)
Interest income (expenses)	-	4,216	1	-	(1,052)	3,165
Bad debt expenses	-	(1,957)	-	-	-	(1,957)
Gain (loss) on valuation of financial assets[1,2]	5,043	-	(11,117)	-	-	(6,074)
Gain on disposal of financial assets	516	-	18,000	-	-	18,516
Gain on disposal of derivatives	-	-	-	63	-	63

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

[2] The reclassified amounts from other comprehensive income(loss) into the statement of income include ₩11,244 million (2012: ₩11,452 million).

8. Cash and Cash Equivalents, and Financial Deposits

Details of cash and cash equivalents are as follows:

(in millions of Korean won)	December 31, 2013	December 31, 2012
Ordinary deposits	32,967	29,756
Short-term bank deposits	71,880	8,848
	104,847	38,604

The financial deposits restricted in use are as follows:

(in millions of Korean won)	December 31, 2013	December 31, 2012	Reason
Financial deposits	1,535	1,192	Security deposits and others

9. Trade Receivables and Other Receivables

Details of trade receivables and other receivables are as follows:

(in millions of Korean won)	December 31, 2013		
	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current			
Trade receivables	43,801	(7,833)	35,968
Non trade receivables	9,291	(4,754)	4,537
Accrued income	914	(257)	657
Loans	314	-	314
Deposits	41,112	-	41,112
	95,432	(12,844)	82,588
Non-current			
Loans	552	-	552
Deposits	12,294	-	12,294
	12,846	-	12,846
	108,278	(12,844)	95,434

(in millions of Korean won)	December 31, 2012		
	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current			
Trade receivables	46,498	(6,419)	40,079
Non trade receivables	10,046	(4,540)	5,506
Accrued income	276	(257)	19
Loans	364	-	364
Deposits	35,659	-	35,659
	92,843	(11,216)	81,627
Non-current			
Loans	552	-	552
Deposits	20,878	-	20,878
	21,430	-	21,430
	114,273	(11,216)	103,057

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

(in millions of Korean won)	December 31, 2013						
		Past due but not impaired					
	Current	Up to 3 months	3 to 6 months	6 to 12 months	Over one year	Impaired[1]	Total
Current							
Trade receivables	34,596	89	928	683	156	7,349	43,801
Non trade receivables	4,452	-	-	-	93	4,746	9,291
Accrued income	657	-	-	-	-	257	914
Loans	314	-	-	-	-	-	314
Deposits	41,112	-	-	-	-	-	41,112
	81,131	89	928	683	249	12,352	95,432
Non-current							
Loans	552	-	-	-	-	-	552
Deposits	12,294	-	-	-	-	-	12,294
	12,846	-	-	-	-	-	12,846
	93,977	89	928	683	249	12,352	108,278

(in millions of Korean won)	December 31, 2012						
		Past due but not impaired					
	Current	Up to 3 months	3 to 6 months	6 to 12 months	Over one year	Impaired[1]	Total
Current							
Trade receivables	36,363	811	1,191	1,179	1,026	5,928	46,498
Non trade receivables	5,531	-	-	1	93	4,421	10,046
Accrued income	19	-	-	-	-	257	276
Loans	364	-	-	-	-	-	364
Deposits	35,659	-	-	-	-	-	35,659
	77,936	811	1,191	1,180	1,119	10,606	92,843
Non-current							
Loans	552	-	-	-	-	-	552
Deposits	20,854	-	-	-	24	-	20,878
	21,406	-	-	-	24	-	21,430
	99,342	811	1,191	1,180	1,143	10,606	114,273

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

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, 2013 and 2012, are as follows:

	2013					
(in millions of Korean won)	**At January 1**	**Addition (reversal)**	**Write-off**	**Exchange differences**	**Changes in scope of subsidiaries**	**At December 31**
Trade receivables	6,419	1,434	(11)	(9)	-	7,833
Non trade receivables	4,540	183	-	31	-	4,754
Accrued income	257	-	-	-	-	257
	11,216	1,617	(11)	22	-	12,844

	2012					
(in millions of Korean won)	**At January 1**	**Addition (reversal)**	**Write-off**	**Exchange differences**	**Changes in scope of subsidiaries**	**At December 31**
Trade receivables	7,725	1,490	(2,783)	(13)	-	6,419
Non trade receivables	4,376	467	(159)	(144)	-	4,540
Accrued income	257	-	-	-	-	257
	12,358	1,957	(2,942)	(157)	-	11,216

The provision of bad debts allowance for impaired receivables have been included in ‘selling and administrative expenses’ in the statement of income and the provision of bad debts allowance of other receivables have been included in ‘other expenses’ in the statement of income.

10. 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, 2013**	**December 31, 2012**
Equity-linked securities	21,461	57,548

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.

11. Available-for-sale Financial Assets

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

(in millions of Korean won)	December 31, 2013	December 31, 2012
Current		
Beneficiary certificate	38,672	81,611
Non-Current		
Beneficiary certificate	6,543	-
Marketable equity securities	170,581	155,249
Non-marketable equity securities	11,720	10,261
Debt securities	7,154	-
	195,998	165,510
	234,670	247,121

Beneficiary certificates and marketable equity securities are measure based on quoted price in active market. Non-marketable equity securities are measured at cost. Due to initial stage of business operation of non-marketable securities, the ranges of expected cash flows are significant and the probabilities of the various estimates cannot be reasonably assessed.

Details of marketable equity securities are as follows:

	December 31, 2013		
(in millions of Korean won)	Acquisition cost	Fair value	Carrying value
Shinhan Financial Group Co., Ltd.	43,291	160,820	160,820
Inzi Controls Co., Ltd.	68	25	25
Others	9,137	9,736	9,736
	52,496	170,581	170,581

	December 31, 2012		
(in millions of Korean won)	Acquisition cost	Fair value	Carrying value
Shinhan Financial Group Co., Ltd.	50,272	155,205	155,205
Inzi Controls Co., Ltd.	68	44	44
	50,340	155,249	155,249

Changes in available-for-sale financial assets for the years ended December 31, 2013 and 2012, are as follows:

	2013					
(in millions of Korean won)	**Beginning balance**	**Acquisition**	**Disposal**	**Valuation**	**Impairment**	**Ending balance**
Beneficiary certificate	81,611	24,801	(60,676)	(521)	-	45,215
Marketable equity securities	155,248	10,947	(24,925)	29,311	-	170,581
Non-marketable equity securities	10,262	4,700	(2,249)	-	(993)	11,720
Debt securities	-	7,166	(62)	50	-	7,154
	247,121	47,614	(87,912)	28,840	(993)	234,670

	2012					
(in millions of Korean won)	**Beginning balance**	**Acquisition**	**Disposal**	**Valuation**	**Impairment**	**Ending balance**
Beneficiary certificate	86,932	41,233	(51,128)	4,574	-	81,611
Marketable equity securities	174,930	4,939	(20,488)	(4,133)	-	155,248
Non-marketable equity securities	7,403	3,000	(140)	-	(1)	10,262
	269,265	49,172	(71,756)	441	(1)	247,121

12. Inventories

Details of inventories are as follows:

(In millions of Korean won)	**December 31, 2013**	**December 31, 2012**
Merchandise	6,877	9,439
Finished goods	14,677	14,504
Stored goods	2,229	2,276
Raw materials	1,236	966
	25,019	27,185
Allowance for losses on valuation of inventories	(1,869)	(3,023)
	23,150	24,162

The cost of inventories recognized as expense and included in ‘cost of sales’ amounts to ₩65,303 million (2012: ₩72,257 million) including ‘losses on valuation of inventories’ of ₩210 million (2012: ₩1,944 million).

13. Other Assets

Details of other assets are as follows:

(In millions of Korean won)	December 31,2013	December 31, 2012
Current		
Advances	1,831	4,917
Prepaid expenses	3,885	4,369
	5,716	9,286
Non-current		
Advances	485	409
	485	409
	6,201	9,695

14. Investments in Associates

Details of investments in associates are as follows:

(in millions of Korean won)		Country	Percentage of ownership (%) at December 31, 2013	December 31, 2013	December 31, 2012
Domestic corporation	DKI Growing Star 1 Investment partnership	Korea	24.00	2,385	2,395
Foreign corporation	Daekyo Bertelsmann Educational Service Limited	China	50.00	-	-
				2,385	2,395

Changes in investments in associates for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	2013	2012
Beginning balance	2,395	466
Acquisition	-	2,400
Share of profit(loss)	(10)	(172)
Impairment losses	-	(299)
Ending balance	2,385	2,395

Summarized financial information of associates for the year ended December 31, 2013, is as follows:

(in millions of Korean won)	**Assets**	**Liabilities**	**Net sales**	**Loss for the year**
DKI Growing Star 1 Investment partnership	9,942	3	219	(41)
Daekyo Bertelsmann Educational Service Limited	-	-	-	-

15. Property, Plant and Equipment

Details of property, plant and equipment are as follows:

	December 31, 2013										
(in millions of Korean won)	**Land**	**Buildings**	**Structures**	**Machinery**	**Vehicles**	**Tools**	**Supplies**	**Equipment**	**Standing timber**	**Construction-in-progress**	**Total**
Acquisition cost	49,756	82,810	3,361	468	1,827	177	62,093	2,890	528	2,793	206,703
Accumulated depreciation	-	(20,590)	(937)	(468)	(1,066)	(144)	(39,287)	(2,450)	-	-	(64,942)
Accumulated impairment loss	-	-	-	-	-	-	(273)	-	-	-	(273)
Net book amount	49,756	62,220	2,424	-	761	33	22,533	440	528	2,793	141,488

	December 31, 2012										
(in millions of Korean won)	**Land**	**Buildings**	**Structures**	**Machinery**	**Vehicles**	**Tools**	**Supplies**	**Equipment**	**Standing timber**	**Construction-in-progress**	**Total**
Acquisition cost	35,956	100,810	3,409	468	1,475	146	50,985	2,844	528	16,971	213,592
Accumulated depreciation	-	(32,219)	(862)	(468)	(797)	(122)	(28,960)	(2,377)	-	-	(65,805)
Net book amount	35,956	68,591	2,547	-	678	24	22,025	467	528	16,971	147,787

Changes in property, plant and equipment for the years ended December 31, 2013 and 2012, are as follows:

	2013									
(in millions of Korean won)	**Land**	**Buildings**	**Structures**	**Vehicles**	**Tools**	**Supplies**	**Equipment**	**Standing timber**	**Construction -in-progress**	**Total**
At January 1	35,956	68,591	2,547	678	24	22,025	467	528	16,971	147,787
Acquisitions	-	8,282	-	416	34	13,185	255	-	25,172	47,344
Disposal/disuse	(1,081)	(941)	(31)	(16)	-	(537)	(125)	-	-	(2,731)
Impairment	-	-	-	-	-	(273)	-	-	-	(273)
Depreciation	-	(1,620)	(92)	(309)	(24)	(11,782)	(157)	-	-	(13,984)
Reclassification to investment property	11,897	(48,439)	-	-	-	-	-	-	-	(36,542)
Transfer-in(out)	2,960	36,388	-	-	-	-	-	-	(39,348)	-
Exchange differences	24	(41)	-	(8)	(1)	(85)		-	(2)	(113)
At December 31	49,756	62,220	2,424	761	33	22,533	440	528	2,793	141,488

	2012									
(in millions of Korean won)	**Land**	**Buildings**	**Structures**	**Vehicles**	**Tools**	**Supplies**	**Equipment**	**Standing timber**	**Construction -in-progress**	**Total**
At January 1	37,783	83,671	2,569	186	12	22,006	479	528	2,694	149,928
Acquisitions	-	3,867	79	690	78	11,412	305	-	12,902	29,333
Disposal/disuse	-	-	-	-	-	(247)	(152)	-	-	(399)
Depreciation	-	(2,483)	(100)	(190)	(65)	(11,094)	(166)	-	-	(14,098)
Reclassification to investment property	(1,746)	(15,963)	-	-	-	-	-	-	-	(17,709)
Transfer-in	-	-	-	-	-	-	-	-	1,383	1,383
Exchange differences	(81)	(501)	(1)	(8)	(1)	(52)	1	-	(8)	(651)
At December 31	35,956	68,591	2,547	678	24	22,025	467	528	16,971	147,787

Depreciation for the years ended December 31, 2013 and 2012, is charged as follows:

(In millions of Korean won)	**2013**	**2012**
Cost of sales	7,659	7,950
Selling and administrative expenses	6,325	6,148
	13,984	14,098

16. Investment Property

Details of investment property are as follows:

	December 31, 2013		
(in millions of Korean won)	**Acquisition cost**	**Accumulated depreciation**	**Carrying amount**
Land	20,994	-	20,994
Buildings	131,435	(27,405)	104,030
	152,429	(27,405)	125,024

	December 31, 2012		
(in millions of Korean won)	**Acquisition cost**	**Accumulated depreciation**	**Carrying amount**
Land	32,892	69,260	102,152
Buildings	-	(11,594)	(11,594)
	32,892	57,666	90,558

Changes in carrying amounts of investment property for the years ended December 31, 2013 and 2012, are as follows:

	2013		
(in millions of Korean won)	**Land**	**Buildings**	**Total**
At January 1	32,892	57,666	90,558
Acquisition	-	779	779
Transfer	(11,898)	48,440	36,542
Depreciation	-	(2,673)	(2,673)
Exchange differences	-	(182)	(182)
At December 31	20,994	104,030	125,024

	2012		
(in millions of Korean won)	**Land**	**Buildings**	**Total**
At January 1	31,146	40,936	72,082
Acquisition	-	2,908	2,908
Transfer	1,746	15,963	17,709
Depreciation	-	(1,549)	(1,549)
Exchange differences	-	(592)	(592)
At December 31	32,892	57,666	90,558

Fair value of investment property as of December 31, 2013, is ₩220,059 million (2012: ₩134,149 million).

Rental income from investment property during the year ended December 31, 2013, is ₩5,763 million (2012: ₩4,401 million), and operating expenses (including repairs and maintenance) directly related to those investment property is ₩7,109 million (2012: ₩3,322 million).

17. Intangible Assets

Details of intangible assets are as follows:

	December 31, 2013							
(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	3,732	5,858	125,442	1,762	31,158	14,432	28,133	210,517
Accumulated amortization	-	-	(82,986)	(1,522)	(18,476)	(10,911)	(17,129)	(131,024)
Accumulated impairments loss	(1,407)	-	(1,778)	-	(79)	(24)	-	(3,288)
Government grants	-	-	-	-	(91)	(662)	-	(753)
Net book amounts	2,325	5,858	40,678	240	12,512	2,835	11,004	75,452

	December 31, 2012							
(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	6,769	5,557	130,495	1,637	23,555	12,241	36,830	217,084
Accumulated amortization	-	-	(69,576)	(1,480)	(13,961)	(8,934)	(21,045)	(114,996)
Accumulated impairments loss	(4,148)	-	(13,417)	(2)	(376)	-	-	(17,943)
Government grants	-	-	-	-	-	(587)	-	(587)
Net book amounts	2,621	5,557	47,502	155	9,218	2,720	15,785	83,558

Changes in intangible assets for the years ended December 31, 2013 and 2012, are as follows:

	2013							
(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	2,621	5,557	47,502	155	9,218	2,720	15,785	83,558
Acquisitions	-	301	-	128	2,181	2,203	6,386	11,199
Acquisitions by internal development	-	-	15,508	-	-	-	-	15,508
Disposal	-	-	(60)	-	(79)	-	-	(139)
Amortization (including government grants)	-	-	(14,487)	(43)	(4,715)	(1,679)	(11,163)	(32,087)
Impairments	(296)	-	(1,779)	-	-	(24)	-	(2,099)
Transfer-in (out)	-	-	(6,006)	-	6,075	-	(4)	65
Grants from governments	-	-	-	-	(168)	(385)	-	(553)
At December 31	2,325	5,858	40,678	240	12,512	2,835	11,004	75,452

	2012							
(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	5,818	5,557	54,454	114	7,766	2,223	22,228	98,160
Acquisitions	-	-	-	92	1,697	1,274	7,247	10,310
Acquisitions by internal development	-	-	24,013	-	-	-	-	24,013
Amortization (including government grants)	-	-	(13,086)	(49)	(3,713)	(3,218)	(15,479)	(35,545)
Impairments	(3,197)	-	(11,389)	(2)	(376)	(104)	-	(15,068)
Transfer-in (out)	-	-	(6,490)	-	3,844	2,667	1,789	1,810
Grants from governments	-	-	-	-	-	(120)	-	(120)
Exchange differences	-	-	-	-	-	(2)	-	(2)
At December 31	2,621	5,557	47,502	155	9,218	2,720	15,785	83,558

Amortization for the years ended December 31, 2013 and 2012, is charged as follows:

(In millions of Korean won)	**2013**	**2012**
Cost of sales	29,213	33,130
Selling and administrative expenses	2,874	2,415
	32,087	35,545

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, 2013**	**December 31, 2012**
CHAIHONG division	480	480
Academy division	1,844	2,141
	2,324	2,621

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 the CHAIHONG division are 10.89% and 2.87%, and of the Academy division are 0% and 2.87%, respectively.

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

18. Other Payables

Details of other payables are as follows:

(in millions of Korean won)	December 31, 2013	December 31, 2012
Current		
Non-trade payables	21,107	23,312
Accrued expenses	42,407	39,294
Deposits received	5,340	4,793
	68,854	67,399
Non-current		
Deposits received	9,706	3,379
	9,706	3,379
	78,560	70,778

19. Borrowings

Details of borrowings are as follows:

(in millions of Korean won)	Details	Latest maturity date	Annual interest rate (%) at Dec 31, 2013	December 31, 2013	December 31, 2012
Current					
Korea Exchange Bank	General loans in foreign currency	2014-11-24	LIBOR 1M + 145bp	2,533	2,571
Hana Bank[1]	Operating loans	2014-06-08	FTP + 206bp	3,000	3,000
Woori Bank[1]	Operating loans	2014-05-22	3M CD + 296bp	1,000	1,000
Woori Bank[1]	Operating loans	2014-05-22	3M CD + 303bp	500	500
Woori Bank[1]	Operating loans	2014-05-22	3M CD + 301bp	600	600
Korea Exchange Bank	Facility loans	2014-06-04	LIBOR 3M+180bp	8,443	8,569
Korea Exchange Bank	Facility loans	2014-04-02	LIBOR 3M+180bp	4,221	4,284
Korea Exchange Bank	Facility loans	2014-10-04	LIBOR 3M+150bp	2,110	-
Daekyo Holdings, Inc.	Borrowings from related party	2014-02-03 ~ 2014-12-31	6.90	6,100	2,750
				28,507	23,274
Non-Current					
Wells Fargo	General loans in foreign currency	2022-03-05	6.75	31	819
HSBC	General loans	2015-12-31	3.34	76	72
Hitachi Capital ingapore Pte. Ltd	General loans	2018-02-12	15.00	11	-
				118	891
				28,625	24,165

[1] The Group is provided with payment guarantees from related parties in relation to these borrowings (Note 30).

20. Provisions

Changes in provisions for sales return for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**	**2012**
At January 1	494	415
Addition	431	465
Utilization	(366)	(386)
At December 31	559	494

21. Other Liabilities

Details of other liabilities are as follows:

(in millions of Korean won)	**December 31, 2013**	**December 31, 2012**
Current		
Withholding	6,523	8,215
Advances from customer	45,680	49,355
Unearned income	1,485	917
	53,688	58,487

22. Post-employment Benefit

22.1 Defined Benefit Plan

Details of net defined benefit liability(asset) recognized on the consolidated statements of financial position are as follows:

(in millions of Korean won)	**December 31, 2013**	**December 31, 2012**
Present value of funded defined benefit obligations	45,869	45,092
Present value of unfunded defined benefit obligations	606	541
Fair value of plan assets	(46,871)	(41,562)
Liability(asset) on the statement of financial position	(396)	4,071

The amounts recognized in the consolidated statements of income for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**	**2012**
Current service cost	9,266	9,862
Net interest cost	134	316
Total expenses	9,400	10,178

Cumulative actuarial losses recognized in the consolidated statements of comprehensive income as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**December 31, 2013**	**December 31, 2012**
Remeasurement of net defined benefit liability before tax	(5,484)	(7,283)
Tax effect	1,144	1,609
Remeasurement of net defined benefit liability after tax	(4,340)	(5,674)

Total expenses for the years ended December 31, 2013 and 2012, are charged as follows:

(in millions of Korean won)	**2013**	**2012**
Cost of sales	7,522	7,704
Selling and administrative expenses	1,878	2,474
	9,400	10,178

Changes in the carrying amount of defined benefit liability for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**	**2012**
At January 1	45,633	42,624
Current service cost	9,266	9,862
Interest expense	1,441	1,605
Remeasurements:		
- Actuarial gains and losses arising from changes in financial assumptions	(833)	1,456
- Actuarial gains and losses arising from experience adjustments	(983)	(145)
Benefit payments	(8,049)	(9,769)
At December 31	46,475	45,633

Changes in the fair value of plan assets for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**	**2012**
At January 1	41,562	33,051
Expected return on plan assets	1,306	1,289
Remeasurements:		
- Return on plan assets	(17)	42
Contributions of employers	11,097	15,880
Benefit payments	(7,077)	(8,700)
At December 31	46,871	41,562

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

(%)	**December 31, 2013**	**December 31, 2012**
Discount rate	3.74 ~ 3.89	3.25 ~ 3.50
Future salary increases	2.72 ~ 2.96	2.08 ~ 2.99

Plan assets consist of as follows:

(in millions of Korean won)	**December 31, 2013**	**December 31, 2012**
Time deposits	7,677	12,177
Equity-linked Securities	12,143	14,482
Derivative linked securities (Principal and interest assured) and others	27,051	14,903
	46,871	41,562

Expected future contribution of defined benefit plans by employer is best estimated to be ₩8,990 million after the reporting period.

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	2.33% decrease / 2.44% increase
Salary growth rate	0.5% increase/decrease	2.53% increase / 2.43% decrease

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The Group reviews the funding level on an annual basis and has a policy to eliminate deficit in the fund.

Expected maturity analysis of undiscounted pension benefits as of December 31, 2013, is as follows:

(in millions of Korean won)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Between 5 and 10 years**	**Over 10 years**	**Total**
Pension benefits	7,998	9,044	26,823	36,216	45,213	125,294

The weighted average duration of the defined benefit obligations is 7.37 years.

22.2 Defined Contribution Plan

Recognized expense related to the defined contribution plan for the year ended December 31, 2013, is ₩426 million (2012: ₩439 million).

23. Deferred Income Tax

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

(in millions of Korean won)	**December 31, 2013**	**December 31, 2012**
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	17,930	4,619
Deferred tax asset to be recovered after more than 12 months	12,439	13,575
Deferred tax assets before offsetting	30,369	18,194
Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	778	1,983
Deferred tax liability to be recovered after more than 12 months	43,420	35,052
Deferred tax liabilities before offsetting	44,198	37,035
Deferred tax assets (liabilities) ,net	(13,829)	(18,841)

The gross movement in the deferred income tax assets and liabilities for the years ended December 31, 2013 and 2012, is as follows:

(in millions of Korean won)	**2013**	**2012**
At January 1	(18,841)	(24,689)
Charged to the statement of income	8,861	2,066
Charged(credited) to other comprehensive income	(3,849)	3,782
At December 31	(13,829)	(18,841)

The movements in deferred income tax assets and liabilities for the years ended December 31, 2013 and 2012, without offsetting balances within the same tax jurisdiction, are as follows:

(in millions of Korean won)	2013			
		Increase (decrease)		
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Deferred tax assets				
Net defined benefit liability	6,734	693	-	7,427
Allowance for doubtful accounts	1,417	211	-	1,628
Accrued expenses	1,385	183	-	1,568
Loss on valuation of available-for-sale financial assets	791	12,965	(169)	13,587
Remeasurement of net defined benefit liability	1,701	-	(470)	1,231
Impairment loss on intangible assets	1,523	(1,007)	-	516
Amortization	578	(86)	-	492
Guarantee deposits	658	(190)	-	468
Depreciation	2,227	-	-	2,227
Other	1,180	45	-	1,225
	18,194	12,814	(639)	30,369
Deferred tax liabilities				
Available-for-sale financial assets	(1,227)	-	-	(1,227)
Plan assets	(8,251)	(589)	6	(8,834)
Gain on valuation of available-for-sale financial assets	(25,444)	(2,797)	(3,216)	(31,457)
Depreciation	-	(1,573)	-	(1,573)
Other	(2,113)	1,006	-	(1,107)
	(37,035)	(3,953)	(3,210)	(44,198)
	(18,841)	8,861	(3,849)	(13,829)

(in millions of Korean won)	2012			
		Increase (decrease)		
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Deferred tax assets				
Net defined benefit liability	5,585	1,149	-	6,734
Allowance for doubtful accounts	2,362	(945)	-	1,417
Accrued expenses	1,278	107	-	1,385
Loss on valuation of available-for-sale financial assets	1,778	-	(987)	791
Remeasurement of net defined benefit liability	1,458	-	243	1,701
Impairment loss on intangible assets	559	964	-	1,523
Amortization	876	(298)	-	578
Guarantee deposits	656	2	-	658
Depreciation	-	2,227	-	2,227
Other	1,249	(69)	-	1,180
	15,801	3,137	(744)	18,194
Deferred tax liabilities				
Available-for-sale financial assets	(1,227)	-	-	(1,227)
Plan assets	(7,602)	(639)	(10)	(8,251)
Gain on valuation of available-for-sale financial assets	(29,980)	-	4,536	(25,444)
Depreciation	(336)	336	-	-
Other	(1,345)	(768)	-	(2,113)
	(40,490)	(1,071)	4,526	(37,035)
	(24,689)	2,066	3,782	(18,841)

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

	December 31, 2013		
(in millions of Korean won)	Before Tax	Tax effects	After Tax
Gain(loss) on valuation of available-for-sale financial assets	115,864	(28,039)	87,825
Remeasurement of net defined benefit liability	(5,484)	1,144	(4,340)
Currency translation differences	(559)	-	(559)

	December 31, 2012		
(in millions of Korean won)	**Before Tax**	**Tax effects**	**After Tax**
Gain(loss) on valuation of available-for-sale financial assets	101,875	(24,654)	77,221
Remeasurement of net defined benefit liability	(7,283)	1,609	(5,674)
Currency translation differences	(908)	-	(908)

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

(in millions of Korean won)	**December 31, 2013**	**December 31, 2012**
Investments in subsidiaries and others	62,571	67,673

24. Share Capital

The Company is authorized to issue 1,500 million shares with a par value per share of ₩500. As of December 31, 2013, 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 2013 and 2012.

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.

25. Capital Surplus

Details of capital surplus are as follows:

(in millions of Korean won)	**December 31, 2013**	**December 31, 2012**
Share premium	46,797	46,797
Other capital surplus	22,829	22,122
	69,626	68,919

26. Other Components of Equity

Details of other components of equity are as follows:

(in millions of Korean won)	December 31, 2013	December 31, 2012
Stock options	210	359
Treasury shares	(61,013)	(55,250)
	(60,803)	(54,891)

27. Share-Based Payments

As of December 31, 2013, the summary of stock options to be granted to employees is as follows:

	Details
Date of the first announcement	January 8, 2014
Grant method	Issuance of shares
Exercise period	February 4, 2014 ~ February 10, 2014 (expected)
Vesting conditions	Options are conditional on the employee completing service between July 1, 2013 and December 31, 2013 and achieving performance goals.
Exercise price[1]	Standard price of common stock × (1- discount rate)
Shares to be granted[2]	71,083 shares of common stock (expected)

[1] The standard price of common stock is calculated as mathematical average of closing price on reference date, one month average closing price and one week average closing price rolled-back from the reference date, December 31, 2013. 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, 2013, are as follows:

- The first half 2013

	Details
Date of the first announcement	September 13, 2012
Grant method	Issuance of shares
Exercise period	April 22, 2013 ~ April 26, 2013
Vesting conditions	Options are conditional on the employee completing service between July 1, 2012 and December 31, 2012 and achieving performance goals.
Exercise price[1]	Standard price of common stock × (1- discount rate)
Shares to be granted[2]	129,223 shares of common stock

[1] The standard price of common stock is ₩6,390 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 ₩3,830. Vested stock options of 118,572 of common stock and 17,771 of preferred stock were exercised and unexercised options have lapsed.

- The second half 2013

	Details
Date of the first announcement	January 4, 2013
Grant method	Issuance of shares
Exercise period	July 19, 2013 ~ July 25, 2013
Vesting conditions	Options are conditional on the employee completing service between January 1, 2013 and June 30, 2013 and achieving performance goals.
Exercise price[1]	Standard price of common stock × (1- discount rate)
Shares to be granted[2]	82,621 shares of common stock

[1] The standard price of common stock is ₩7,250 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 ₩4,290. Vested stock options of 76,084 of common stock and 11,047 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 ₩210 million (2012: ₩359 million). The significant inputs into the model were the weighted average share price of ₩7,300 (2012: ₩6,350), exercise price ₩4,716 (2012: ₩4,127), volatility of 20% (2012: 27%), dividend yield of 3.25% (2012: 4.1%), an expected option life of 0.11 years (2012: 0.83 years) and an annual risk-free interest rate of 2.7% (2012: 2.8%).

Changes in stock options for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**	**2012**
At January 1	359	504
Compensation cost	415	761
Exercise	(564)	(906)
At December 31	210	359

28. Treasury Shares

Changes in treasury shares for the years ended December 31, 2013 and 2012, are as follows:

(shares, in millions of Korean won)	**2013**		
	Common stock	**Preferred stock**	**Amounts**
At January 1	7,497,995	4,077,903	55,250
Acquisition	1,168,460	403,470	9,377
Disposal	(594,656)	(35,238)	(3,614)
At December 31	8,071,799	4,446,135	61,013

(shares, in millions of Korean won)	**2012**		
	Common stock	**Preferred stock**	**Amounts**
At January 1	6,468,932	3,831,516	48,074
Acquisition	1,442,010	337,150	9,756
Disposal	(412,947)	(90,763)	(2,580)
At December 31	7,497,995	4,077,903	55,250

29. Retained Earnings

Details of retained earnings are as follows:

(in millions of Korean won)	**December 31, 2013**	**December 31, 2012**
Legal reserve[1]	32,300	32,300
Discretionary reserve	439,505	426,505
Unappropriated retained earnings	18,513	13,934
	490,318	472,739

[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, 2013, 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 general meeting of shareholders or

used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

The changes in retained earnings for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**	**2012**
At January 1	472,739	475,331
Profit attributable to equity holders of the Parent Company	35,305	22,933
Remeasurement of net defined benefit liability	1,337	(1,009)
Changes in scope of consolidation	524	-
Dividend paid	(19,587)	(24,516)
At December 31	490,318	472,739

30. Contingencies and Commitments

As of December 31, 2013, the Group has credit agreements with Woori Bank up to ₩19,000 million in relation to corporate purchase card programs.

As of December 31, 2013, the Group provides short-term financial instruments as collaterals amounting to ₩1,535 million for certain lessees in connection with the lessees' guarantees deposits and internet card payment. Seoul Guarantee Insurance Co., Ltd. has provided guarantees up to ₩2,730 million for the company's execution of contracts.

The Group entered into contracts with free-lance instructors to manage its educational service members. In accordance with the contracts, the Group pays the instructors a certain percentage of monthly cash collections from its educational service members. Expenses in relation to these contracts amounted to ₩361,194 million (2012: ₩ 361,004 million) in 2013.

As of December 31, 2013, the Group is either a plaintiff in one legal case or a defendant in three 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, 2013, 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.

31. Sales

Details of sales for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**	**2012**
Sales of goods	749,871	766,066
Sales of services	78,849	88,734
Royalty income	10,862	14,694
	839,582	869,494

32. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**	**2012**
Wages and salaries	25,138	23,418
Severance benefits	1,878	2,582
Welfare expense	6,099	6,362
Depreciation	6,692	6,148
Advertising expense	29,785	32,935
Commission expense	27,016	24,704
Amortization	2,874	2,415
Taxes and dues	3,602	3,596
Transportation expense	2,291	2,180
Printing expense	945	1,830
Rental expense	4,348	4,306
Other	8,568	8,769
	119,236	119,245

33. 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, 2013 and 2012, consist of:

(in millions of Korean won)	2013	2012
Changes in inventories	1,012	8,268
Purchase of raw materials and merchandise	64,291	63,989
Depreciation, amortization	48,744	51,192
Employee benefit expenses	153,655	173,587
Commission expenses	437,135	428,837
Rental expenses	29,765	29,702
Advertising expenses	30,418	33,014
Other expenses	42,855	49,250
	807,875	837,839

34. Other Income

Other income for the years ended December 31, 2013 and 2012, consist of:

(in millions of Korean won)	2013	2012
Interest income (lease)	2,160	2,270
Dividend income	2,891	3,785
Gain on disposal of financial assets at fair value through profit or loss	5,616	647
Gain on valuation of financial assets at fair value through profit or loss	583	5,707
Gain on disposal of available-for-sale financial assets	21,172	18,271
Other	2,134	4,767
	34,556	35,447

35. Other Expenses

Other expenses for the years ended December 31, 2013 and 2012, consist of:

(in millions of Korean won)	**2013**	**2012**
Interest expense (lease)	209	190
Loss on foreign currency transaction	239	49
Loss on foreign currency translation	149	474
Contribution expense	2,247	2,011
Commission for investment counseling	1,258	1,705
Loss on disposal of financial assets at fair value through profit or loss	122	664
Impairment loss on available-for-sale financial assets	993	-
Impairment loss on investments in associates	-	299
Impairment loss on property, plant and equipment	273	-
Impairment loss on intangible assets	2,099	12,298
Loss on disposal of available-for-sale financial assets	1,865	-
Other	4,333	8,096
	13,787	25,786

36. Financial Income

Financial income for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**	**2012**
Interest Income	2,506	1,948
Gain on foreign currency translation	38	203
Gain on foreign currency transaction	-	20
	2,544	2,171

37. Financial Expenses

Financial expenses for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**	**2012**
Interest expenses	823	863
Loss on foreign currency translation	39	41
	862	904

38. Income Tax Expense

Income tax expense for the years ended December 31, 2013 and 2012, consists of:

(in millions of Korean won)	**2013**	**2012**
Current income taxes:		
Current tax on profit for the year	18,356	11,249
Adjustments in respect of prior years	12,610	733
	30,966	11,982
Deferred tax:		
Changes in temporary differences	(8,861)	(2,066)
Other:		
Income tax directly to equity	(197)	(6)
Difference of changes in currency exchange	16	120
Income tax relating to discontinued operations	-	2,811
	(181)	2,925
Income tax expense	21,924	12,841

The tax on the Group's profit 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)	**2013**	**2012**
Profit before tax	54,147	42,412
Tax calculated at domestic tax rates applicable to profits in the respective countries	12,133	10,560
Tax adjustments:		
Income not subject to tax / expenses not deductible for tax purposes	1,663	504
Effects of unrecognized deferred income tax at the beginning	7,057	2,531
Changes in deferred tax assets	(13,604)	(1,233)
Adjustments in respect of prior years	12,610	733
Others	2,065	(254)
Income tax expense	21,924	12,841
Effective tax rate (Income tax over profit before tax)	40.5%	30.3%

39. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company 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.

Basic earnings per ordinary share for the years ended December 31, 2013 and 2012, is as follows:

(in millions of Korean won)	**2013**	**2012**
Profit attributable to ordinary shares[1]	29,386	19,005
Profit from continuing operations	29,386	26,345
Loss from discontinued operations	-	(7,340)
Weighted average number of ordinary shares in issue[2] (Unit: share)	77,103,111	77,835,494
Basic earnings per share (in won)		
Basic earnings per ordinary share from continuing operations	381	338
Basic loss per ordinary share from discontinued operations	-	(94)

Basic earnings per preferred share for the years ended December 31, 2013 and 2012, is as follows:

(in millions of Korean won)	**2013**	**2012**
Profit attributable to preferred shares[1]	5,919	3,928
Profit from continuing operations	5,919	5,391
Profit from discontinued operations	-	(1,463)
Weighted average number of preferred shares in issue[2] (Unit: share)	15,229,545	15,520,403
Basic earnings per share (in won)		
Basic earnings per preferred share from continuing operations	389	347
Basic loss per preferred share from discontinued operations	-	(94)

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

(in millions of Korean won)	**2013**	**2012**
Profit from continuing operations attributable to equity holders of the Parent Company (A)	35,305	31,736
Ordinary shares dividends (B)	16,153	20,073
Preferred shares dividends (C)	3,332	4,144
Undistributed earnings from continuing operations (D=A-B-C)	15,820	7,519
Undistributed earnings available for ordinary shares (E)	13,233	6,272
Undistributed earnings available for preferred shares(F)	2,587	1,247
Profit attributable to ordinary shares from continuing operations (G=B+E)	29,386	26,345
Profit attributable to preferred shares from continuing operations (H=C+F)	5,919	5,391
Profit from discontinued operations(J)	-	(8,803)
Ordinary shares dividends (K)	-	-
Preferred shares dividends (L)	-	-
Undistributed earnings from discontinued operations(M=J-K-L)	-	(8,803)
Undistributed earnings available for ordinary shares (N)	-	(7,340)
Undistributed earnings available for preferred shares (O)	-	(1,463)
Profit attributable to ordinary shares from discontinued operations (P=K+N)	-	(7,340)
Profit attributable to preferred shares from discontinued operations (Q=L+O)	-	(1,463)
Profit attributable to ordinary shares (R=G+P)	29,386	19,005
Profit attributable to preferred shares (S=H+Q)	5,919	3,928

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

(Shares)	**2013**	**2012**
Ordinary shares outstanding	84,702,850	84,702,850
Ordinary treasury shares	(8,071,799)	(7,497,995)
Ordinary shares	76,631,051	77,204,855
Weighted average number of ordinary shares outstanding	77,103,111	77,835,494
Preferred shares outstanding	19,426,990	19,426,990
Preferred treasury shares	(4,446,135)	(4,077,903)
Preferred shares	14,980,855	15,349,087
Weighted average number of preferred shares outstanding	15,229,545	15,520,403

Diluted earnings per ordinary share for the years ended December 31, 2013 and 2012, is as follows:

(in millions of Korean won)	**2013**	**2012**
Profit attributable to ordinary shares	29,386	19,005
Profit from continuing operations	29,386	26,345
Loss from discontinued operations	-	(7,340)
Weighted average number of ordinary shares in issue and dilutive potential ordinary shares (Unit: share)	77,168,566	77,907,144
Diluted earnings per share (in won)		
Diluted earnings per ordinary share from continuing operations	381	338
Diluted loss per ordinary share from discontinued operations	-	(94)

Basic earnings per preferred share for the years ended December 31, 2013 and 2012, is as follows:

(in millions of Korean won)	**2013**	**2012**
Profit attributable to preferred shares	5,919	3,928
Profit from continuing operations	5,919	5,391
Profit from discontinued operations	-	(1,463)
Weighted average number of preferred shares in issue and dilutive potential ordinary shares (Unit: share)	15,241,200	15,534,985
Diluted earnings per share (in won)		
Diluted earnings per preferred share from continuing operations	388	347
Diluted loss per preferred share from discontinued operations	-	(94)

40. Dividends

The interim dividends for ordinary shares paid in 2013 and 2012 were ₩8,490 million (₩110 per share, dividend rate: 22%) and ₩8,566 million (₩110 per share, dividend rate: 22%) and the interim dividends for preferred shares were ₩1,681 million (₩110 per share, dividend rate: 22%) and ₩1,717 million (₩110 per share, dividend rate: 22%), respectively.

The dividends for ordinary shares paid in 2013 and 2012 were ₩7,727 million (₩100 per share, dividend rate: 20%) and ₩11,736 million (₩150 per share, dividend rate: 30%) and the dividends for preferred shares were ₩1,689 million (₩110 per share, dividend rate: 22%) and ₩2,498 million (₩160 per share, dividend rate: 32%), respectively.

A dividend for ordinary share in respect of the year ended December 31, 2013, of ₩100 per share (dividend rate: 20%), amounting to a total dividend of ₩7,663 million and a dividend for preferred share of ₩110 per share (dividend rate: 22%), amounting to a total dividend of ₩1,650 million, are to be proposed at the annual general meeting on March 21, 2014. These financial statements do not reflect this dividend payable.

41. Cash Generated from Operations

Cash generated from operations for the years ended December 31, 2013 and 2012, is as follows:

(in millions of Korean won)	**2013**	**2012**
Profit for the year	32,223	20,768
Adjustments :	61,837	69,231
Severance benefits	9,400	10,178
Depreciation and amortization	48,744	51,192
Impairment loss on available-for-sale financial assets	993	-
Impairment loss on investments in associates	-	299
Impairment loss on property, plant and equipment	273	-
Impairment loss on intangible assets	2,099	15,068
Interest income	(4,665)	(4,218)
Gain on disposal of available-for-sale financial assets	(21,172)	(18,271)
Dividend income	(2,891)	(3,785)
Income tax expense	21,924	10,030
Other	7,132	8,738
Changes in operating assets and liabilities:	37,798	(16,360)
Decrease in financial assets at fair value through gain or loss	42,162	2,455
Decrease in trade receivables	10	3,373
Decrease(increase) in inventories	(1,840)	4,401
Decrease(increase) in other assets	1,303	(3,339)
Decrease in trade payables	(1,705)	(893)
Increase(decrease) in other payables	14,228	(13,089)
Increase in provisions	65	78
Increase(decrease) in other liabilities	(4,845)	9,618
Payment of net defined benefit liability	(972)	(1,069)
Deposit in plan assets, net	(11,097)	(15,880)
Increase(decrease) in other assets, liabilities	489	(2,015)
Cash generated from operations	131,858	73,639

The significant non-cash transactions for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	**2013**	**2012**
Valuation of available-for-sale financial assets	14,011	(14,667)
Exercise of stock options	564	906
Reclassification of investment property	36,542	17,709
Increase(decrease) in other payables in relation to property, plant and equipment	(2,885)	383
Increase in other payables in relation to intangible assets	(195)	(984)

42. Related Party Transactions

As of December 31, 2013 and 2012, the Parent Company is Daekyo Holdings Co., Ltd.

Details of other related parties that have sales and other transactions with the Group or have receivables and payables balances as of December 31, 2013 and 2012, are as follows:

	December 31, 2013	**December 31, 2012**	**Relationship**
Other related parties	Gangwon Deep Sea Water Co., Ltd.	Gangwon Deep Sea Water Co., Ltd.	Subsidiary of Parent Company
	Daekyo D&S Co., Ltd.	Daekyo D&S Co., Ltd.	Subsidiary of Parent Company
	Daekyo CNS Co., Ltd.	Daekyo CNS Co., Ltd.	Subsidiary of Parent Company
	Daekyo CTU Co., Ltd.	-	Subsidiary of Parent Company
	-	Sindaesin Construction Co., Ltd	Although it was subsidiary of Parent Company in prior year, it merged with Daekyo D&S Co., Ltd. in 2013
	Daekyo Culture foundation	Daekyo Culture foundation	Key management performs the important duty
	Deakyo Investment Co., Ltd	Deakyo Investment Co., Ltd	Key management performs the important duty
	-	Gasan Co., Ltd	Key management is the entity's shareholders and the entity merge with Twohandsmedia Co., Ltd.
	Tara Graphics Co., Ltd.	Tara Graphics Co., Ltd.	Relatives of key managements is the entity's CEO
	Tara Distribution Co., Ltd.	Tara Distribution Co., Ltd.	Relatives of key managements is the entity's CEO
	Tara TPS Co., Ltd.	Tara TPS Co., Ltd.	Relatives of key managements is the entity's CEO
	Twohandsmedia Co., Ltd.	Twohandsmedia Co., Ltd.	Relatives of key managements is the entity's CEO
	Crystalwine Club Co., Ltd	-	Relatives of key managements is the entity's CEO

Significant transactions for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	2013					
	Sales		Purchases			
	Sales[1]	Others	Purchases[2]	Acquisition of non-current assets	Selling and administrative expenses	Others
Parent Company						
Daekyo Holdings Co., Ltd.	75	1	-	224	1,218	187
Other related parties						
Daekyo D&S Co., Ltd.	26	21	-	1,268	3,944	23
Daekyo CNS Co., Ltd.	69	29	-	1,427	14,336	-
Gangwon Deep Sea Water Co., Ltd.	70	12	-	-	834	6
Daekyo CTU Co., Ltd.	5	-	-	-	-	-
Daekyo Culture foundation	438	191	-	-	-	177
BongAm Institute	-	-	-	-	3	606
Twohandsmedia Co., Ltd.	1	-	-	-	839	-
Crystalwine Club Co., Ltd	-	-	-	-	7	-
Deakyo Investment Co., Ltd	15	-	-	-	425	-
Daekyo Culture foundation	1	-	-	-	256	-
Tara Distribution Co., Ltd.	-	-	9,184	-	440	-
Tara TPS Co., Ltd.	294	-	28,073	-	876	-
	994	254	37,257	2,919	23,178	999

(in millions of Korean won)	2012					
	Sales		Purchases			
	Sales[1]	Others	Purchases[2]	Acquisition of non-current assets	Selling and administrative expenses	Others
Parent Company						
Daekyo Holdings Co., Ltd.	23	-	14	-	1,694	115
Other related parties						
Gasan Co., Ltd	-	-	-	-	52	-
Daekyo D&S Co., Ltd.	1	-	-	76	3,085	-
Daekyo CNS Co., Ltd.	33	-	-	1,215	18,530	-
Gangwon Deep Sea Water Co., Ltd.	34	-	-	-	466	6
Sindaesin Construction Co., Ltd	-	-	-	-	4	-
Daekyo Culture foundation	194	260	-	-	-	-
Twohandsmedia Co., Ltd.	1	-	19	-	1,717	-
Deakyo Investment Co., Ltd	-	-	-	-	483	-
Tara Graphics Co., Ltd.	-	-	3	-	142	-
Tara Distribution Co., Ltd.	-	-	6,722	-	506	-
Tara TPS Co., Ltd.	294	-	27,461	-	1,253	-

	580	260	34,219	1,291	27,932	121

[1] Sale of goods and rendering of services are included.

[2] Purchases of goods and services (royalty and others) are included.

The balances of significant transactions are as follows:

(in millions of Korean won)	December 31, 2013				
	Receivables			Payables	
	Trade receivables	Other receivables	Others	Trade payables	Other payables
Parent Company					
Daekyo Holdings Co., Ltd.	3	1	-	-	6,934
Other related parties					
Gasan Co., Ltd	-	-	-	-	-
Daekyo D&S Co., Ltd.	-	28	4,560	-	1,705
Daekyo CNS Co., Ltd.	-	-	-	-	3,739
Gangwon Deep Sea Water Co., Ltd.	1	116	-	-	176
Daekyo Culture foundation	16	-	-	-	75
World Youth&Culture Foundation	-	-	-	-	34
Twohandsmedia Co., Ltd.	4	-	-	-	224
Crystal Wine Collection Co., Ltd	-	-	-	-	35
Crystalwine Club Co., Ltd	-	-	-	-	29
Deakyo Investment Co., Ltd	-	-	-	-	532
Tara Graphics Co., Ltd.	-	-	-	-	31
Tara Distribution Co., Ltd.	-	-	-	1,865	-
Tara TPS Co., Ltd.	-	-	-	4,774	2
	24	145	4,560	6,639	13,516

(in millions of Korean won)	December 31, 2012				
	Receivables			Payables	
	Trade receivables	Other receivables	Others	Trade payables	Other payables
Parent Company					
Daekyo Holdings Co., Ltd.	-	61	-	-	4,037
Other related parties					
Gasan Co., Ltd	1	1	-	-	-
Daekyo D&S Co., Ltd.	-	-	4,420	-	289
Daekyo CNS Co., Ltd.	-	150	-	-	3,083
Gangwon Deep Sea Water Co., Ltd.	-	4	-	-	25
Daekyo Culture foundation	104	-	-	-	19
World Youth&Culture Foundation	-	-	-	-	-
Twohandsmedia Co., Ltd.	-	-	-	-	221
Crystal Wine Collection Co., Ltd	-	-	-	-	-
Crystalwine Club Co., Ltd	-	-	-	-	-
Deakyo Investment Co., Ltd	-	-	-	-	-
Tara Graphics Co., Ltd.	-	-	-	-	27
Tara Distribution Co., Ltd.	-	-	-	1,281	-
Tara TPS Co., Ltd.	-	-	-	4,620	21
	105	216	4,420	5,901	7,722

Fund transactions with related parties for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)	2013					
		Equity contributions (reduction) in cash	Loan transactions		Borrowing transactions	
	Dividend received		Trade receivables	Other receivables	Borrowings	Repayments
Parent Company						
Daekyo Holdings Co., Ltd.	-	-	-	-	3,850	500
	-	-	-	-	3,850	500

(in millions of Korean won)	2013					
		Equity contributions (reduction) in cash	Loan transactions		Borrowing transactions	
	Dividend received		Trade receivables	Other receivables	Borrowings	Repayments
Parent Company						
Daekyo Holdings Co., Ltd.	-	-	-	-	2,750	2,500
Associates						
DKI Growing Star 1 Investment partnership	-	2,400	-	-	-	-
	-	2,400	-	-	2,750	2,500

Key management compensation of the Group for the years ended December 31, 2013 and 2012, consists of:

(in millions of Korean won)	2013	2012
Short-term salaries	3,694	3,716
Severance benefits	329	1,336
	4,023	5,052

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

As of December 31, 2013, no payment guarantees are provided by the Group for the funding sources of the related parties and payment guarantees provided by the related parties are described in Note 30.

43. Approval of Financial Statements

The issuance of the December 31, 2013 financial statements of the Group was approved by the Board of Directors on March 4, 2014, which is subject to change with the approval of the shareholders at their annual shareholders' meeting.

44. Events After the Reporting Period

The amended income tax law which was enacted on January 1, 2014, is expected to affect the calculation of deferred tax asset as the estimated current income tax amount and the amount of tax credit carryforward of the Group will decrease.