

Daekyo Co., Ltd. and Subsidiaries

Consolidated Financial Statements

December 31, 2014 and 2013

Daekyo Co., Ltd. and Subsidiaries
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December 31, 2014 and 2013

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

We have audited the accompanying consolidated financial statements of Daekyo Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Daekyo Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matters

The consolidated financial statements of the Group as of and for the year ended December 31, 2013, were audited in accordance with the previous Korean Standards on Auditing.

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.



March 10, 2015
Seoul, Korea

This audit report is effective as of March 10, 2015, 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, 2014 and 2013

<i>(in Korean won)</i>	Notes	2014	2013
Assets			
Current assets			
Cash and cash equivalents	4,5,7,8	107,436,922,494	104,846,553,211
Financial deposits	4,5,7,8,30	4,460,077,102	11,479,330,091
Trade receivables	5,7,9,42	32,354,566,164	35,968,389,587
Other receivables	5,7,9,42	42,077,355,755	46,620,463,670
Financial assets at fair value through profit or loss	5,7,10	61,782,813,425	21,460,842,325
Available-for-sale financial assets	5,7,11	50,822,709,345	38,671,635,292
Inventories	12	24,853,766,537	23,149,811,700
Other current assets	13	3,821,585,076	5,716,001,322
		<u>327,609,795,898</u>	<u>287,913,027,198</u>
Non-current assets			
Financial deposits	5,7,8,30	49,905,000	303,000,000
Long-term other receivables	5,7,9,42	14,140,561,232	12,846,374,009
Available-for-sale financial assets	5,7,11	167,799,548,598	195,998,283,359
Investments in associates	14	2,354,150,553	2,385,454,747
Property, plant and equipment	15	153,237,631,588	141,487,519,919
Investment property	16	115,806,845,658	125,024,075,697
Intangible assets	17	60,720,977,706	75,452,258,810
Net defined benefit assets	22	-	396,404,967
Other non-current assets	13	457,908,403	484,885,524
		<u>514,567,528,738</u>	<u>554,378,257,032</u>
Total assets		<u>842,177,324,636</u>	<u>842,291,284,230</u>

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2014 and 2013

<i>(in Korean won)</i>	Notes	2014	2013
Liabilities			
Current liabilities			
Trade payables	4,5,6,7,42	11,082,111,382	9,706,668,910
Other payables	4,5,6,7,18,42	68,624,097,291	68,854,106,421
Derivative financial liabilities		87,417,822	-
Borrowings	4,5,6,7,19	35,586,859,814	28,507,225,446
Income tax payable		11,212,686,609	10,777,083,978
Provisions	20	582,417,205	558,651,378
Other current liabilities	21	56,264,257,943	53,688,275,284
		<u>183,439,848,066</u>	<u>172,092,011,417</u>
Non-current liabilities			
Other payables	4,5,6,7,18	13,857,875,300	9,705,640,718
Borrowings	4,5,6,7,19	41,818,782	117,618,471
Net defined benefit liability	22	2,411,413,095	-
Deferred income tax liabilities	23	1,598,363,019	13,828,530,026
		<u>17,909,470,196</u>	<u>23,651,789,215</u>
Total liabilities		<u>201,349,318,262</u>	<u>195,743,800,632</u>
Equity attributable to owners of the Parent			
Capital stock	24	52,064,920,000	52,064,920,000
Capital surplus	25	69,921,480,844	69,626,473,529
Other components of equity	26,27,28	(66,434,186,074)	(60,803,172,427)
Accumulated other comprehensive income	23	63,356,763,492	87,265,353,428
Retained earnings	29	510,023,812,830	490,317,798,983
		<u>628,932,791,092</u>	<u>638,471,373,513</u>
Non-controlling interest			
Non-controlling interest		11,895,215,282	8,076,110,085
Total equity		<u>640,828,006,374</u>	<u>646,547,483,598</u>
Total liabilities and equity		<u>842,177,324,636</u>	<u>842,291,284,230</u>

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, 2014 and 2013

<i>(in Korean won)</i>	Notes	2014	2013
Net Sales	6,31,42	810,557,123,560	839,582,028,779
Cost of sales	33,42	659,666,469,231	688,639,185,290
Gross profit		150,890,654,329	150,942,843,489
Selling and administrative expenses	32,33,42	120,205,467,417	119,236,297,569
Operating income	6	30,685,186,912	31,706,545,920
Other income	34	46,800,606,964	34,556,419,556
Other expenses	35	25,066,796,988	13,787,391,292
Share of loss of associates	14	31,304,194	9,771,258
Financial income	36	2,826,199,710	2,543,519,867
Financial expenses	37	1,422,715,186	862,410,304
Profit before income tax		53,791,177,218	54,146,912,489
Income tax expense	38	15,566,413,526	21,924,273,673
Profit for the year		38,224,763,692	32,222,638,816
Profit for the year attributable to:			
Equity holders of the Parent Company		40,425,843,515	35,304,614,129
Non-controlling interests		(2,201,079,823)	(3,081,975,313)
Basic earnings per share	39		
attributable to the equity holders			
of the Parent Company during the year:			
Basic earnings per share for ordinary shares		444	381
Basic earnings per share for preferred shares		445	389
Diluted earnings per share	39		
attributable to the equity holders			
of the Parent Company during the year:			
Diluted earnings per share for ordinary shares		443	381
Diluted earnings per share for preferred shares		444	388

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, 2014 and 2013

<i>(in Korean won)</i>	Notes	2014	2013
Profit for the year		38,224,763,692	32,222,638,816
Other comprehensive income(loss), net of tax:			
Items that will not be reclassified to profit or loss			
Remeasurements of the net defined benefit liability	22,23,29	(2,325,454,037)	1,334,745,193
Items that may be reclassified subsequently to profit or loss			
Gain(loss) on valuation of available-for-sale financial assets	23	(22,915,042,065)	10,620,300,640
Currency translation differences		329,927,037	(92,073,699)
Other comprehensive income (loss) for the year, net of tax		<u>(24,910,569,065)</u>	<u>11,862,972,134</u>
Total comprehensive income for the year		<u>13,314,194,627</u>	<u>44,085,610,950</u>
Comprehensive income (loss) for the year attributable to:			
Equity holders of the Parent Company		14,195,498,861	47,132,116,438
Non-controlling interest		(881,304,234)	(3,046,505,488)

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, 2014 and 2013

(in Korean won)

Attributable to equity holders of the Parent Company

	Notes	Attributable to equity holders of the Parent Company						Total Equity
		Capital Stock	Capital Surplus	Other components of Equity	Accumulated Other Comprehensive Income(loss)	Retained Earnings	Non-controlling Interest	
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		<u>52,064,920,000</u>	<u>69,626,473,529</u>	<u>(60,803,172,427)</u>	<u>87,265,353,428</u>	<u>490,317,798,983</u>	<u>8,076,110,085</u>	<u>646,547,483,598</u>
Balance at January 1, 2014		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
Comprehensive income (loss)								
Profit for the year		-	-	-	-	40,425,843,515	(2,201,079,823)	38,224,763,692
Gain(loss) on valuation of available-for-sale financial assets		-	-	-	(24,087,178,230)	-	1,172,136,165	(22,915,042,065)
Remeasurement of net defined benefit liability		-	-	-	-	(2,321,754,718)	(3,699,319)	(2,325,454,037)
Currency translation differences		-	-	-	178,588,294	-	151,338,743	329,927,037
Transactions with equity holders of the Parent Company:								
Dividends	40	-	-	-	-	(9,313,199,150)	-	(9,313,199,150)
Interim dividends	40	-	-	-	-	(9,084,875,800)	-	(9,084,875,800)
Dividends of subsidiaries		-	-	-	-	-	(248,207,785)	(248,207,785)
Issuance of stocks of subsidiaries		-	(5,669,614)	-	-	-	4,948,617,216	4,942,947,602
Acquisition of treasury stock		-	-	(7,553,900,825)	-	-	-	(7,553,900,825)
Disposal of treasury stock		-	300,676,929	1,620,825,854	-	-	-	1,921,502,783
Stock options		-	-	302,061,324	-	-	-	302,061,324
Balance at December 31, 2014		<u>52,064,920,000</u>	<u>69,921,480,844</u>	<u>(66,434,186,074)</u>	<u>63,356,763,492</u>	<u>510,023,812,830</u>	<u>11,895,215,282</u>	<u>640,828,006,374</u>

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, 2014 and 2013

<i>(in Korean won)</i>	Notes	2014	2013
Cash flows from operating activities			
Cash generated from operations	41	43,630,021,097	131,858,439,656
Dividends received		2,321,619,228	2,894,079,719
Interest received		2,117,659,062	2,159,317,466
Interest paid		(1,307,109,974)	(834,715,590)
Income tax paid		(17,790,223,613)	(25,262,927,556)
Net cash generated from operating activities		28,971,965,800	110,814,193,695
Cash flows from investing activities			
Decrease in short-term financial deposits		11,942,809,569	11,690,445,246
Proceeds from disposal of available-for-sale financial assets		111,098,056,129	92,375,533,865
Decrease in other receivables		17,198,059,532	13,582,996,974
Proceeds from disposal of property, plant and equipment		241,272,724	1,751,067,739
Proceeds from disposal of intangible assets		-	175,807,668
Grants from governments		635,596,580	553,000,000
Proceeds from disposal of business		-	1,100,000,000
Increase in long-term financial deposits		(4,628,273,334)	(13,813,241,466)
Acquisition of available-for-sale financial assets		(91,648,658,113)	(47,613,856,764)
Increase in other receivables		(11,850,052,266)	(10,418,623,510)
Acquisition of property, plant and equipment		(16,649,167,743)	(50,229,372,798)
Acquisition of investment property		-	(779,449,935)
Acquisition of intangible assets		(28,799,571,290)	(26,986,485,338)
Net cash used in investing activities		(12,459,928,212)	(28,612,178,319)
Cash flows from financing activities			
Disposal of treasury stock		1,001,054,341	3,749,520,973
Issuance of stocks of subsidiaries		4,942,947,602	4,876,557,636
Proceeds from borrowings		6,100,241,415	6,051,494,157
Acquisition of treasury stock		(7,553,900,825)	(9,376,722,400)
Dividends paid		(18,646,282,735)	(19,663,682,420)
Repayments of borrowings		(14,180,606)	(1,305,824,507)
Net cash used in financing activities		(14,170,120,808)	(15,668,656,561)
Net increase in cash and cash equivalents		2,341,916,780	66,533,358,815
Cash and cash equivalents at the beginning of year		104,846,553,211	38,604,012,540
Exchange gains(losses) on cash and cash equivalents		248,452,503	(290,818,144)
Cash and cash equivalents at the end of year		107,436,922,494	104,846,553,211

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

Daekyo Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

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, 2014, the majority shareholder, Daekyo Holdings Co., Ltd. owns 54.5% of the Company.

1.1 Subsidiaries

Subsidiaries	Location	Percentage of ownership (%)				Closing Month	Major Business
		December 31, 2014		December 31, 2013			
		Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest		
Daekyo Edupia Co., Ltd.	Korea	97.41	2.59	97.41	2.59	December	Education
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. ¹	America	50.06	49.94	50.06	49.94	December	Education
Daekyo Hong Kong Co., Ltd. ²	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	99.77	0.23	December	Education
Daekyo Enopi Singapore PTE Ltd.	Singapore	100.00	-	100.00	-	December	Education
Daekyo Vietnam Co., Ltd.	Vietnam	100.00	-	-	-	December	Education
EYE LEVEL HUB LLC ¹	USA	50.06	49.94	-	-	December	Lease
Heungkuk Altoran Securities Private Investment Trust	Korea	71.66	28.34	66.22	33.78	December	Investment
Hyundai Advantage Private Equity 5	Korea	100.00	-	100.00	-	December	Investment
Truston Private Securities Investment Trust 4	Korea	100.00	-	100.00	-	December	Investment
Hanwha Quant Long-short Private Securities Investment Trust 1	Korea	100.00	-	100.00	-	December	Investment

¹ Investments have been changed as a result of the spin-off in 2014.

² Although the Group has less than 50% of the voting power in the investee, it is included in subsidiary as the Group has a right to appoint the majority of its Board of Directors.

Daekyo Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

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, 2014 and 2013, is as follows:

(in millions of Korean won)	December 31, 2014			December 31, 2013		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
Daekyo Edupia Co., Ltd.	6,182	17,829	(11,647)	11,806	17,225	(5,419)
Daekyo Book Center Co., Ltd.	5,821	4,342	1,479	5,613	3,962	1,651
Daekyo CSA Co., Ltd.	15	-	15	157	140	17
Daekyo Edu camp Co., Ltd.	18,966	19,003	(37)	21,700	20,413	1,287
Daekyo New Development Investment Association.	16,378	46	16,332	9,411	3	9,408
Daekyo America, Inc.	6,902	5,683	1,219	21,009	20,097	912
Daekyo Hong Kong Co., Ltd.	5,629	966	4,663	6,239	2,313	3,926
Beijing Daekyo Co., Ltd.	1,391	209	1,182	269	62	207
Daekyo Malaysia Sdn. Bhd.	246	63	183	1,831	1,571	260
Shanghai Daekyo Co., Ltd.	1,740	1,416	324	1,654	167	1,487
P.T Daekyo Indonesia	1,451	1,442	9	1,147	950	197
Daekyo Enopi Singapore PTE Ltd.	851	891	(40)	967	203	764
Daekyo Vietnam Co., Ltd.	491	1	490	-	-	-
EYE LEVEL HUB LLC	20,779	19,964	815	-	-	-
Heungkuk Altoran Securities Private Investment Trust	19,201	7	19,194	11,162	4	11,158
Hyundai Advantage Private Equity 5	9,604	226	9,378	10,189	58	10,131
Truston Private Securities Investment Trust 4	4,593	21	4,572	4,670	7	4,663
Hanwha Quant Long-short Private Securities Investment Trust 1	4,922	7	4,915	5,046	7	5,039

Daekyo Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

(in millions of Korean won)

	2014			2013		
	Sales	Net income (loss)	Comprehensive income(loss)	Sales	Net income (loss)	Comprehensive income(loss)
Daekyo Edupia Co., Ltd.	15,215	(6,110)	(6,227)	14,767	(4,665)	(4,685)
Daekyo Book Center Co., Ltd.	9,751	(167)	(172)	10,667	(9)	-
Daekyo CSA Co., Ltd.	-	(3)	(3)	7,416	(56)	(56)
Daekyo Edu camp Co., Ltd.	36,915	(1,291)	(1,324)	46,734	(3,006)	(3,114)
Daekyo New Development Investment Association.	-	1,866	6,924	-	(1,106)	(1,106)
Daekyo America, Inc.	7,387	(3,590)	(3,565)	7,341	(7,040)	(6,900)
Daekyo Hong Kong Co., Ltd.	5,643	758	953	5,330	1,472	1,377
Beijing Daekyo Co., Ltd.	387	(320)	(317)	148	(7)	(4)
Daekyo Malaysia Sdn. Bhd.	88	(26)	(33)	2,110	(672)	(699)
Shanghai Daekyo Co., Ltd.	2,421	71	86	460	(149)	(125)
P.T Daekyo Indonesia	716	(625)	(614)	647	(463)	(537)
Daekyo Enopi Singapore PTE Ltd.	648	(802)	(804)	362	(373)	(437)
Daekyo Vietnam Co., Ltd.	31	(365)	(351)	-	-	-
EYE LEVEL HUB LLC	559	(2,006)	(1,931)	-	-	-
Heungkuk Altoran Securities Private Investment Trust	-	(20)	550	-	225	276
Hyundai Advantage Private Equity 5	-	4	(451)	-	(160)	131
Truston Private Securities Investment Trust 4	-	154	(91)	-	(569)	(337)
Hanwha Quant Long-short Private Securities Investment Trust 1	-	20	(120)	-	(23)	23

1.3 Change in the Scope of Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2014 are as follows :

<u>Subsidiaries</u>	<u>Reason</u>
EYE LEVEL HUB LLC	Newly acquired
Daekyo Vietnam Co., Ltd.	Newly acquired

Daekyo Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

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 maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with 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, 2014:

- Enactment of Korean IFRS 2121, Levies

Korean IFRS 2121, *Levies* is applied to a liability to pay a levy imposed by the 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 application of this interpretation does not have a material impact on the consolidated financial statements.

- Amendment to Korean IFRS 1102, Share-based payment

Korean IFRS 1102, *Share-based payment*, clarifies the definition of 'vesting conditions' such as

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'performance condition', 'service condition' and others. This amendment is applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The application of this amendment does not have a material impact on the 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.

- Amendment to Korean IFRS 1036, *Impairment of Assets*

Amendment to Korean IFRS 1036, *Impairment of Assets*, removed certain disclosures of the recoverable amount of cash-generating units which had been included in this amendment by the issuance of Korean IFRS 1113.

- 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.

Other standards, amendments and interpretations which are effective for the annual period beginning on January 1, 2014, do not have a material impact on the financial statements of the Group.

(b) *New standards and interpretations not yet adopted by the Group*

The Group expects that new standards, amendments and interpretations issued but not effective for the annual period beginning on January 1, 2014 and not early adopted 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

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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.

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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 board of directors that makes strategic decisions.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the 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 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.

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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.

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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 all the 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.

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

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 'financial 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, 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.

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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	4- 10 years
Tools	4 - 6 years
Supplies	3 - 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

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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 recognized as an expense as incurred. Development costs which are individually identifiable and directly related to a new technology or to new products which carry probable future economic benefits are 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;

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- 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 recognized as an expense 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 or declining-balance 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 and software which meet the definition of an intangible asset are amortized using the following depreciation method and estimated useful lives when the asset is available for use.

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

2.15 Government Grants

Government grants 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 by deducting the grants in arriving at carrying amount of the 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

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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.

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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 consists of current and deferred tax. Tax is recognized on the profit for the period 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, respectively.

The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates tax policies that are applied in tax returns in which applicable tax regulation is subject to interpretation. The Company recognizes current income tax on the basis of the amount expected to be paid to the tax authorities.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred 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.

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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(asset) 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.

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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 the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received is included in equity attributable to the Company's equity holders.

2.24 Revenue Recognition

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

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The 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 weekly home-school materials, 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 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.

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(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 not transferred to the Group 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.

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3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. 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 resulting accounting estimates will, by definition, seldom equal the related actual results. 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

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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 under policies approved by the board of directors. The board reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(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, 2014 and 2013, if interest rates had changed by 100bp with all other variables held constant, the effects on interest expense are as follows:

(in millions of Korean won)	2014		2013	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest expense	279	(279)	224	(224)

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

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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, 2014 and 2013, if the prices of equity instruments had changed by 5% with all other variables held constant, the effects on net income (loss) and total comprehensive income (loss) would be as follows:

(in millions of Korean won)	2014		2013	
	5% increase	5% decrease	5% increase	5% decrease
Net income(loss)	2,338	(2,338)	813	(813)
Comprehensive income(loss)	8,884	(8,884)	8,992	(8,992)

(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 sales to 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, 2014, is ₩ 111,897 million (2013 : ₩ 116,326 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, 2014 and 2013, are as follows:

(In millions of Korean won)	2014				
	Book value	Cash flow on contract	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Trade payables	11,082	11,082	11,082	-	-
Derivative financial liabilities	87	87	87	-	-
Other payables (current)	68,624	68,624	68,624	-	-
Borrowings (current)	35,587	35,877	35,877	-	-
Other payables (non-current)	13,858	14,947	-	14,947	-
Borrowings (non-current)	42	49	-	-	49

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(In millions of Korean won)	2013				
	Book value	Cash flow on contract	Less than 1 year	Between 1 and 2 years	Between 2 and 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

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 consolidated statements of financial position.

Debt-to-equity ratios as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014	2013
Total liabilities (A)	201,349	195,744
Total equity (B)	640,828	646,547
Debt-to-equity ratio (A/B)(%)	31%	30%

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, 2014 and 2013, are as follows:

(in millions of Korean won)	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Current:				
Cash and cash equivalents	107,437	107,437	104,847	104,847
Financial deposits	4,460	4,460	11,479	11,479
Trade receivables	32,355	32,355	35,968	35,968
Other receivables	42,077	42,077	46,620	46,620

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Financial assets at fair value through profit or loss	61,783	61,783	21,461	21,461
Available-for-sale financial assets	50,823	50,823	38,672	38,672
	<u>298,935</u>	<u>298,935</u>	<u>259,047</u>	<u>259,047</u>
Non-current:				
Financial deposits	50	50	303	303
Other receivables	14,141	14,290	12,846	12,985
Available-for-sale financial assets	151,367	151,367	184,278	184,278
	<u>165,558</u>	<u>165,707</u>	<u>197,427</u>	<u>197,566</u>
	<u>464,493</u>	<u>464,642</u>	<u>456,474</u>	<u>456,613</u>
Financial liabilities				
Current:				
Trade payables	11,082	11,082	9,707	9,707
Other payables	68,624	68,624	68,854	68,877
Borrowings	35,587	35,587	28,507	28,507
Derivative financial liabilities	87	87	-	-
	<u>115,380</u>	<u>115,380</u>	<u>107,068</u>	<u>107,091</u>
Non-current:				
Other payables	13,858	14,112	9,706	9,728
Borrowings	42	42	118	118
	<u>13,900</u>	<u>14,154</u>	<u>9,824</u>	<u>9,846</u>
	<u>129,280</u>	<u>129,534</u>	<u>116,892</u>	<u>116,937</u>

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, 2014, 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

Fair value with the purpose of measurement and disclosure 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

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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, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans	3	3	552	552
Deposits	14,138	14,287	12,294	12,433
	<u>14,141</u>	<u>14,290</u>	<u>12,846</u>	<u>12,985</u>

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, 2014	December 31, 2013
Discount rate	4.41%	4.91%

(c) Non-current other payables

Carrying amount and fair value of non-current other payables as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term deposits received	13,858	14,112	9,706	9,728

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, 2014	December 31, 2013
Discount rate	2.26%	3.04%

(d) Current financial assets and liabilities

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

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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, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial asset/liabilities that are measured at fair value				
Financial assets at fair value through profit or loss	61,783	-	-	61,783
Available-for-sale financial assets	202,190	-	-	202,190
Derivative financial liabilities	-	87	-	87
Financial asset/liabilities that are not measured at fair value: N/A				
Disclosed fair value				
Non-current other receivables	-	14,290	-	14,290
Non-current other payables	-	14,112	-	14,112

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	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial asset/liabilities that are measured at fair value				
Financial assets at fair value through profit or loss	21,461	-	-	21,461
Available-for-sale financial assets	222,950	-	-	222,950
Financial asset/liabilities that are not measured at fair value: N/A				
Disclosed fair value				
Non-current other receivables	-	12,985	-	12,985
Non-current other payables	-	9,728	-	9,728

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 financial instruments within Level 1 consist of listed equity securities which are categorized as available-for-sale securities. The financial instruments within Level 2 are derivative financial instruments, and the fair value of each derivative is discounted, using the forward exchange rate at the end of reporting period.

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.

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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, 2014, 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, 2014 and 2013, are as follows:

(in millions of Korean won)	2014		2013	
	Segment sales	Operating income (loss)	Segment sales	Operating income (loss)
Noonnoppi business	654,780	38,022	682,040	44,049
Media business	79,051	511	59,298	604
Other	26,861	(322)	29,953	(1,535)
Subsidiaries	79,760	(7,551)	95,981	(11,439)
	840,452	30,660	867,272	31,679
Other segments and inter-segment transactions	(29,895)	(25)	(27,690)	28
	810,557	30,685	839,582	31,707

Segment information of share of profit from associates, depreciation, amortization and fluctuation of non-current assets for the years ended December 31, 2014 and 2013, follows:

(in millions of Korean won)	2014			2013		
	Loss from associates	Depreciation/Amortization	Fluctuation of non-current assets ¹	Loss from associates	Depreciation/Amortization	Fluctuation of non-current assets ¹
Noonnoppi business	-	20,082	(966)	-	22,794	43,730
Media business	-	8,004	(7,674)	-	5,905	4,801
Other	(31)	5,895	(32,024)	(10)	5,062	(35,930)
Subsidiaries	-	10,139	10,102	-	14,983	-
	(31)	44,120	(30,562)	(10)	48,744	12,601

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

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

(in millions of Korean won)	December 31, 2014			December 31, 2013		
	Assets	Investments in associates	Liabilities	Assets	Investments in associates	Liabilities
Noonnoppi business	114,450	-	93,678	127,980	-	104,030
Media business	43,346	-	22,091	41,975	-	12,763
Other	591,142	2,354	44,170	653,510	2,385	44,761
Subsidiaries	93,239	-	41,410	18,826	-	34,190
	<u>842,177</u>	<u>2,354</u>	<u>201,349</u>	<u>842,291</u>	<u>2,385</u>	<u>195,744</u>

Sales by geographic areas for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014	2013
Domestic	789,171	821,561
Overseas	21,386	18,021
	<u>810,557</u>	<u>839,582</u>

There is no external customer attributing to more than 10% of total sales for the years ended December 31, 2014 and 2013.

7. Financial Instruments by Category

Categorizations of financial instruments are as follows:

(in millions of Korean won)	December 31, 2014			
	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	-	107,437	-	107,437
Financial deposits	-	4,460	-	4,460
Trade receivables	-	32,355	-	32,355
Other receivables	-	42,077	-	42,077
Financial assets at fair value through profit or loss	61,783	-	-	61,783
Available-for-sale financial assets	-	-	50,823	50,823
	<u>61,783</u>	<u>186,329</u>	<u>50,823</u>	<u>298,935</u>
Non-current				
Financial deposits	-	50	-	50
Other receivables	-	14,141	-	14,141
Available-for-sale financial assets	-	-	167,800	167,800
	-	<u>14,191</u>	<u>167,800</u>	<u>181,991</u>
	<u>61,783</u>	<u>200,520</u>	<u>218,623</u>	<u>480,926</u>

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(in millions of Korean won)

(in millions of Korean won)

	December 31, 2014		
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Total
Financial liabilities			
Current			
Trade payables	-	11,082	11,082
Other payables	-	68,624	68,624
Borrowings	-	35,587	35,587
Derivative financial liabilities	87	-	87
	87	115,293	115,380
Non-current			
Other payables	-	13,858	13,858
Borrowings	-	42	42
	-	13,900	13,900
	87	129,193	129,280

(in millions of Korean won)

(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

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(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
Other payables	-	68,854
Borrowings	-	28,507
	-	107,068
Non-current		
Other payables	-	9,706
Borrowings	-	117
	-	9,823
	-	116,891

Income and loss of financial instruments by category for the years ended December 31, 2014 and 2013, are as follows:

	2014				
	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
(in millions of Korean won)					Total
Dividend income	-	-	2,322	-	-
Gain (loss) on foreign currency translation	-	756	(9)	-	(109)
Gain (loss) on foreign currency transactions	-	(214)	-	-	-
Interest income (expenses)	-	2,092	190	-	401
Bad debt expenses	-	(699)	-	-	-
Gain (loss) on valuation of financial assets ^{1,2}	753	-	(22,915)	-	-
Gain (loss) on disposal of financial assets	568	-	35,641	-	-
Gain (loss) on valuation of derivatives	-	-	-	(87)	-

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(in millions of Korean won)	2013					Total
	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	
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 (loss) on valuation of financial assets ^{1,2}	461	-	10,620	-	-	11,081
Gain (loss) on disposal of financial assets	5,589	-	19,307	-	-	24,896
Gain (loss) on disposal of derivatives	26	-	-	-	-	26

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 ₩22,659 million (2013: ₩11,244 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, 2014	December 31, 2013
Ordinary deposits	33,022	32,967
Short-term bank deposits	74,415	71,880
	<u>107,437</u>	<u>104,847</u>

The financial deposits restricted in use are as follows:

(in millions of Korean won)	December 31, 2014	December 31, 2013	Reason
Financial deposits	1,315	1,535	Security deposits and others

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9. Trade Receivables and Other Receivables

Details of trade receivables and other receivables are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014		
	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current			
Trade receivables	38,765	(6,410)	32,355
Non-trade receivables	9,840	(4,702)	5,138
Accrued income	90	-	90
Loans	209	-	209
Deposits	36,640	-	36,640
	<u>85,544</u>	<u>(11,112)</u>	<u>74,432</u>
Non-current			
Loans	3	-	3
Deposits	14,138	-	14,138
	<u>14,141</u>	<u>-</u>	<u>14,141</u>
	<u>99,685</u>	<u>(11,112)</u>	<u>88,573</u>

<i>(in millions of Korean won)</i>	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
	<u>95,432</u>	<u>(12,844)</u>	<u>82,588</u>
Non-current			
Loans	552	-	552
Deposits	12,294	-	12,294
	<u>12,846</u>	<u>-</u>	<u>12,846</u>
	<u>108,278</u>	<u>(12,844)</u>	<u>95,434</u>

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

		December 31, 2014						
		Past due but not impaired				Impaired ¹	Total	
(in millions of Korean won)	Current	Up to 3 months	3 to 6 months	6 to 12 months	Over one year			
Current								
Trade receivables	29,507	1,836	853	46	656	5,867	38,765	
Non-trade receivables	5,045	-	-	-	93	4,702	9,840	
Accrued income	90	-	-	-	-	-	90	
Loans	209	-	-	-	-	-	209	
Deposits	36,640	-	-	-	-	-	36,640	
	<u>71,491</u>	<u>1,836</u>	<u>853</u>	<u>46</u>	<u>749</u>	<u>10,569</u>	<u>85,544</u>	
Non-current								
Loans	3	-	-	-	-	-	3	
Deposits	14,138	-	-	-	-	-	14,138	
	<u>14,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,141</u>	
	<u>85,632</u>	<u>1,836</u>	<u>853</u>	<u>46</u>	<u>749</u>	<u>10,569</u>	<u>99,685</u>	
		December 31, 2013						
		Past due but not impaired				Impaired ¹	Total	
(in millions of Korean won)	Current	Up to 3 months	3 to 6 months	6 to 12 months	Over one year			
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	
	<u>81,131</u>	<u>89</u>	<u>928</u>	<u>683</u>	<u>249</u>	<u>12,352</u>	<u>95,432</u>	
Non-current								
Loans	552	-	-	-	-	-	552	
Deposits	12,294	-	-	-	-	-	12,294	
	<u>12,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,846</u>	
	<u>93,977</u>	<u>89</u>	<u>928</u>	<u>683</u>	<u>249</u>	<u>12,352</u>	<u>108,278</u>	

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 provision rates based on historical experience considering the overdue period of receivables.

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The movements in bad debts allowance for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014				At December 31
	At January 1	Addition (reversal)	Write-off	Exchange differences	
Trade receivables	7,833	548	(1,975)	4	6,410
Non-trade receivables	4,754	151	(245)	42	4,702
Accrued income	257	-	(257)	-	-
	<u>12,844</u>	<u>699</u>	<u>(2,477)</u>	<u>46</u>	<u>11,112</u>

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

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:

<i>(in millions of Korean won)</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Equity-linked securities	61,783	21,461

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.

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11. Available-for-sale Financial Assets

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

<i>(in millions of Korean won)</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current		
Beneficiary certificate	<u>50,823</u>	<u>38,672</u>
Non-Current		
Beneficiary certificate	6,441	6,543
Marketable equity securities	129,176	170,581
Non-marketable equity securities	16,433	11,720
Debt securities	<u>15,750</u>	<u>7,154</u>
	<u>167,800</u>	<u>195,998</u>
	<u>218,623</u>	<u>234,670</u>

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:

<i>(in millions of Korean won)</i>	<u>December 31, 2014</u>		
	<u>Acquisition cost</u>	<u>Fair value</u>	<u>Carrying value</u>
Shinhan Financial Group Co., Ltd.	32,450	113,282	113,282
Inzi Controls Co., Ltd.	68	29	29
Others	<u>10,679</u>	<u>15,865</u>	<u>15,865</u>
	<u>43,197</u>	<u>129,176</u>	<u>129,176</u>

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

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Changes in available-for-sale financial assets for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014					
	Beginning balance	Acquisition	Disposal	Valuation	Exchange differences	Ending balance
Beneficiary certificate	45,215	42,216	(29,819)	(350)	2	57,264
Marketable equity securities	170,581	32,904	(71,899)	(2,410)	-	129,176
Non-marketable equity securities	11,720	6,216	(2,130)	529	98	16,433
Debt securities	7,154	10,313	(1,810)	93	-	15,750
	<u>234,670</u>	<u>91,649</u>	<u>(105,658)</u>	<u>(2,138)</u>	<u>100</u>	<u>218,623</u>

(in millions of Korean won)	2013					
	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
	<u>247,121</u>	<u>47,614</u>	<u>(87,912)</u>	<u>28,840</u>	<u>(993)</u>	<u>234,670</u>

12. Inventories

Details of inventories are as follows:

(In millions of Korean won)	December 31, 2014	December 31, 2013
Merchandise	6,439	6,877
Finished goods	15,684	14,677
Stored goods	2,463	2,229
Raw materials	<u>824</u>	<u>1,236</u>
	25,410	25,019
Allowance for losses on valuation of inventories	<u>(556)</u>	<u>(1,869)</u>
	<u>24,854</u>	<u>23,150</u>

The cost of inventories recognized as expense and included in 'cost of sales' amounts to ₩49,415 million (2013: ₩65,303 million). There are no losses on valuation of inventories in 2014 (2013: ₩210 million) and reversal of loss on valuation of inventories amounts to ₩498 million (2013: nil).

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13. Other Assets

Details of other assets are as follows:

<i>(In millions of Korean won)</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current		
Advances	800	1,831
Prepaid expenses	3,022	3,885
	<u>3,822</u>	<u>5,716</u>
Non-current		
Prepaid expenses	458	485
	<u>458</u>	<u>485</u>
	<u>4,280</u>	<u>6,201</u>

14. Investments in Associates

Details of investments in associates are as follows:

<i>(in millions of Korean won)</i>		<u>Country</u>	<u>Percentage of ownership (%) at December 31, 2014</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Domestic corporation	DKI Growing Star 1 Investment partnership	Korea	24.00	2,354	2,385
Foreign corporation	Daekyo Bertelsmann Educational Service Limited	China	50.00	-	-
				<u>2,354</u>	<u>2,385</u>

Changes in investments in associates for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<u>2014</u>	<u>2013</u>
Beginning balance	2,385	2,395
Share of profit(loss)	(31)	(10)
Ending balance	<u>2,354</u>	<u>2,385</u>

Summarized financial information of associates for the year ended December 31, 2014, is as follows:

<i>(in millions of Korean won)</i>	<u>Assets</u>	<u>Liabilities</u>	<u>Net sales</u>	<u>Loss for the year</u>
DKI Growing Star 1 Investment partnership	9,809	-	132	(130)
Daekyo Bertelsmann Educational Service Limited	-	-	-	-

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15. Property, Plant and Equipment

Details of property, plant and equipment are as follows:

	December 31, 2014										
(in millions of Korean won)	Land	Buildings	Structures	Machinery	Vehicles	Tools	Supplies	Equipment	Standing timber	Construction-in-progress	Total
Acquisition cost	49,263	93,776	3,362	468	2,100	107	74,719	2,747	528	2,613	229,683
Accumulated depreciation	-	(21,246)	(1,023)	(468)	(1,235)	(73)	(49,782)	(2,345)	-	-	(76,172)
Accumulated impairment loss	-	-	-	-	-	-	(273)	-	-	-	(273)
Net book amount	49,263	72,530	2,339	-	865	34	24,664	402	528	2,613	153,238

	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

Changes in property, plant and equipment for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014								Standing timber	Construction -in-progress	Total
	Land	Buildings	Structures	Vehicles	Tools	Supplies	Equipment				
At January 1	49,756	62,220	2,424	761	33	22,533	440	528	2,793	141,488	
Acquisitions	21	4,061	-	477	66	12,693	175	-	433	17,926	
Disposal/disuse	-	-	-	(14)	(66)	(123)	(51)	-	(33)	(287)	
Impairment	-	-	-	-	-	-	-	-	-	-	
Depreciation	-	(2,108)	(85)	(359)	(1)	(10,484)	(162)	-	-	(13,199)	
Reclassification to investment property	(726)	7,162	-	-	-	-	-	-	-	6,436	
Transfer-in(out)	212	368	-	-	-	-	-	-	(580)	-	
Exchange differences	-	827	-	-	2	45	-	-	-	874	
At December 31	49,263	72,530	2,339	865	34	24,664	402	528	2,613	153,238	

(in millions of Korean won)	2013								Standing timber	Construction -in-progress	Total
	Land	Buildings	Structures	Vehicles	Tools	Supplies	Equipment				
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)	

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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

Depreciation for the years ended December 31, 2014 and 2013, is charged as follows:

<i>(In millions of Korean won)</i>	2014	2013
Cost of sales	5,907	7,659
Selling and administrative expenses	7,292	6,325
	13,199	13,984

16. Investment Property

Details of investment property are as follows:

		December 31, 2014		
		Acquisition cost	Accumulated depreciation	Carrying amount
<i>(in millions of Korean won)</i>				
Land		21,720	-	21,720
Buildings		124,817	(30,730)	94,087
		146,537	(30,730)	115,807
		December 31, 2013		
		Acquisition cost	Accumulated depreciation	Carrying amount
<i>(in millions of Korean won)</i>				
Land		20,994	-	20,994
Buildings		131,435	(27,405)	104,030
		152,429	(27,405)	125,024

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Changes in carrying amounts of investment property for the years ended December 31, 2014 and 2013, are as follows:

	2014		
	Land	Buildings	Total
<i>(in millions of Korean won)</i>			
At January 1	20,994	104,030	125,024
Depreciation	-	(2,759)	(2,759)
Transfer	726	(7,162)	(6,436)
Exchange differences	-	(22)	(22)
At December 31	<u>21,720</u>	<u>94,087</u>	<u>115,807</u>

	2013		
	Land	Buildings	Total
<i>(in millions of Korean won)</i>			
At January 1	32,891	57,667	90,558
Acquisition	-	779	779
Depreciation	-	(2,673)	(2,673)
Transfer	(11,897)	48,439	36,542
Exchange differences	-	(182)	(182)
At December 31	<u>20,994</u>	<u>104,030</u>	<u>125,024</u>

Fair value of investment property as of December 31, 2014, is ₩208,092 million (2013: ₩220,059 million).

Rent income from investment property during the year ended December 31, 2014, is ₩8,242 million (2013: ₩5,763 million), and operating expenses (including repairs and maintenance) directly related to those investment property is ₩6,428 million (2013: ₩7,109 million).

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17. Intangible Assets

Details of intangible assets are as follows:

(in millions of Korean won)	December 31, 2014							Total
	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	
Acquisition cost	3,732	8,924	147,244	2,417	37,785	16,249	149,020	365,371
Accumulated amortization	-	-	(91,063)	(1,661)	(24,087)	(12,576)	(139,834)	(269,221)
Accumulated impairments loss	(3,252)	-	(30,841)	(2)	(401)	(24)	-	(34,520)
Government grants	-	-	-	-	(49)	(860)	-	(909)
Net book amounts	480	8,924	25,340	754	13,248	2,789	9,186	60,721

(in millions of Korean won)	December 31, 2013							Total
	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	
Acquisition cost	3,732	5,858	136,271	1,765	31,455	14,432	28,133	221,646
Accumulated amortization	-	-	(82,986)	(1,522)	(18,476)	(10,911)	(17,129)	(131,024)
Accumulated impairments loss	(1,407)	-	(12,607)	(3)	(376)	(24)	-	(14,417)
Government grants	-	-	-	-	(91)	(662)	-	(753)
Net book amounts	2,325	5,858	40,678	240	12,512	2,835	11,004	75,452

Changes in intangible assets for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014							Total
	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	
At January 1	2,325	5,858	40,678	240	12,512	2,835	11,004	75,452
Acquisitions	-	3,066	-	653	1,511	1,793	5,453	12,476
Acquisitions by internal development	-	-	15,899	-	-	-	-	15,899
Amortization (including government grants)	-	-	(13,874)	(139)	(5,675)	(1,203)	(7,271)	(28,162)
Impairments	(1,845)	-	(12,438)	-	(25)	-	-	(14,308)
Transfer-in (out)	-	-	(4,925)	-	4,925	-	-	-
Grants from governments	-	-	-	-	-	(636)	-	(636)
At December 31	480	8,924	25,340	754	13,248	2,789	9,186	60,721

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(in millions of Korean won)	2013							Total
	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	
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

Amortization for the years ended December 31, 2014 and 2013, is charged as follows:

(In millions of Korean won)	2014	2013
Cost of sales	24,492	29,213
Selling and administrative expenses	3,670	2,874
	28,162	32,087

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, 2014	December 31, 2013
CHAIHONG division	480	480
Academy division	-	1,845
	480	2,325

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 five 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 24.1% and 3.82%, and of the Academy division are 0% and 4.76%, respectively.

In 2014, impairment loss of ₩1,844,305 thousands for goodwill of academy division was recognized and no impairment was recognized in other operating segments.

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18. Other Payables

Details of other payables are as follows:

<i>(in millions of Korean won)</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current		
Non-trade payables	18,445	21,107
Accrued expenses	43,150	42,407
Deposits received	7,029	5,340
	<u>68,624</u>	<u>68,854</u>
Non-current		
Deposits received	13,858	9,706
	<u>13,858</u>	<u>9,706</u>
	<u>82,482</u>	<u>78,560</u>

19. Borrowings

Details of borrowings are as follows:

<i>(in millions of Korean won)</i>	Details	Latest maturity date	Annual interest rate (%) at Dec 31, 2014	December 31, 2014	December 31, 2013
Current					
Korea Exchange Bank	General loans in foreign currency	2015-11-23	LIBOR 1M+145BP	2,638	2,533
Hana Bank ¹	Operating loans	2015-06-08	FTP+206BP	3,000	3,000
Woori Bank ¹	Operating loans	2015-11-23	3M CD+282BP	1,000	1,000
Woori Bank ¹	Operating loans	2015-11-23	3M CD+293BP	500	500
Woori Bank ¹	Operating loans	2015-11-23	3M CD+293BP	600	600
Korea Exchange Bank	Facility loans	2015-03-02	LIBOR 3M+150BP	6,298	8,443
Korea Exchange Bank	Facility loans	2015-03-02	LIBOR 3M+150BP	13,190	4,221
Korea Exchange Bank	Facility loans	2015-02-12	LIBOR 3M+150BP	627	2,110
Daekyo Holdings, Inc.	Borrowings from related party	2015-01-31	6.90	7,700	6,100
KIA Motors Finance	General loans	2015-10-11	3.97	22	-
Hong Leong Bank Berhad	General loans	2015-01-03	2.69	12	-
				<u>35,587</u>	<u>28,507</u>
Non-Current					
Hitachi Capital Singapore Pte. Ltd	General loans	2017-12-31	7.00	5	11
Public Bank Berhad	General loans	2019-07-19	3.33	21	-
Maybank Islamic Berhad	General loans	2020-05-25	2.45	16	-
Wells Fargo	General loans	2022-03-05	6.75	-	31
HSBC	General loans	2015-12-31	3.34	-	76
				<u>42</u>	<u>118</u>
				<u>35,629</u>	<u>28,625</u>

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

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20. Provisions

Changes in provisions for sales return for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
At January 1	559	494
Addition	209	431
Utilization	(186)	(366)
At December 31	582	559

21. Other Liabilities

Details of other liabilities are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Current		
Withholding	6,343	6,523
Advances from customer	48,262	45,680
Unearned income	1,659	1,485
	56,264	53,688

22. Post-employment Benefit

22.1 Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Present value of funded defined benefit obligations	50,677	45,869
Present value of unfunded defined benefit obligations	650	606
Fair value of plan assets	(48,916)	(46,871)
Liability(assets) on the statement of financial position	2,411	(396)

The amounts recognized in the consolidated statements of income for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Current service cost	8,626	9,266
Net interest cost	(7)	134
Past service cost and gains and losses arising from settlements	(19)	-
Total expenses	8,600	9,400

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Cumulative actuarial losses recognized in the consolidated statements of comprehensive income as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Remeasurement of net defined benefit liability before tax	(8,502)	(5,484)
Tax effect	1,837	1,144
Remeasurement of net defined benefit liability after tax	<u>(6,665)</u>	<u>(4,340)</u>

Total expenses for the years ended December 31, 2014 and 2013, are charged as follows:

<i>(in millions of Korean won)</i>	2014	2013
Cost of sales	6,885	7,522
Selling and administrative expenses	1,715	1,878
	<u>8,600</u>	<u>9,400</u>

Changes in the carrying amount of defined benefit liability for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
At January 1	46,475	45,633
Current service cost	8,626	9,266
Interest expense	1,611	1,441
Past service cost and gains and losses arising from settlements	(19)	-
Remeasurements:		
- Actuarial gains and losses arising from changes in financial assumptions	2,009	(833)
- Actuarial gains and losses arising from changes in demographic assumptions	(80)	-
- Actuarial gains and losses arising from experience adjustments	819	(983)
Benefit payments	<u>(8,114)</u>	<u>(8,049)</u>
At December 31	<u>51,327</u>	<u>46,475</u>

Changes in the fair value of plan assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
At January 1	46,871	41,562
Expected return on plan assets	1,618	1,306
Remeasurements:		
- Return on plan assets	(269)	(17)
Contributions of employers	7,842	11,097

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Benefit payments	(7,146)	(7,077)
At December 31	48,916	46,871

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

(%)	December 31, 2014	December 31, 2013
Discount rate	2.35~2.98	3.74 ~ 3.89
Future salary increases	2.62~3.86	2.72 ~ 2.96

Plan assets consist of as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Time deposits	7,797	7,677
Equity-linked Securities	12,150	12,143
Derivative linked securities	28,969	27,051
(Principal and interest assured) and others	48,916	46,871

Expected future contribution of defined benefit plans by employer is best estimated to be ₩8,737 million after the reporting period.

The sensitivity of the defined benefit obligations to changes in the principal actuarial assumptions is as follows:

	Changes in principal assumption	Effect on defined benefit obligation
Discount rate	0.5% increase/decrease	2.33% decrease / 2.44% increase
Salary growth rate	0.5% increase/decrease	2.47% increase / 2.38% 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.

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Expected maturity analysis of undiscounted pension benefits as of December 31, 2014, is as follows:

<i>(in millions of Korean won)</i>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Between 5 and 10 years</u>	<u>Over 10 years</u>	<u>Total</u>
Pension benefits	8,610	19,940	25,717	26,253	36,260	116,780

The weighted average duration of the defined benefit obligations is 5.55 years.

22.2 Defined Contribution Plan

Recognized expense related to the defined contribution plan for the year ended December 31, 2014, is ₩457 million (2013: ₩426 million).

23. Deferred Income Tax

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

<i>(in millions of Korean won)</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	14,700	17,930
Deferred tax asset to be recovered after more than 12 months	15,098	12,439
Deferred tax assets before offsetting	<u>29,798</u>	<u>30,369</u>
Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	713	778
Deferred tax liability to be recovered after more than 12 months	30,683	43,420
Deferred tax liabilities before offsetting	<u>31,396</u>	<u>44,198</u>
Deferred tax assets (liabilities) ,net	<u>(1,598)</u>	<u>(13,829)</u>

The gross movement in the deferred income tax assets and liabilities for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	<u>2014</u>	<u>2013</u>
At January 1	<u>(13,829)</u>	<u>(18,841)</u>
Charged to the statement of income	2,694	8,861
Charged(credited) to other comprehensive income	9,537	(3,849)
At December 31	<u>(1,598)</u>	<u>(13,829)</u>

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The movement in deferred income tax assets and liabilities for the years ended December 31, 2014 and 2013, without offsetting balances within the same tax jurisdiction, is as follows:

(in millions of Korean won)

	2014			
	Beginning balance	Increase (decrease)		Ending balance
		Profit or loss	Other comprehensive income	
Deferred tax assets				
Net defined benefit liability	7,427	1,521	-	8,948
Allowance for doubtful accounts	1,628	(522)	-	1,106
Accrued expenses	1,568	472	-	2,040
Loss on valuation of available-for-sale financial assets	13,587	(3,247)	17	10,357
Remeasurement of net defined benefit liability	1,231	-	624	1,855
Impairment loss on intangible assets	516	1,850	-	2,366
Amortization	492	(33)	-	459
Guarantee deposits	468	(88)	-	380
Depreciation	2,227	(1,113)	-	1,114
Other	1,225	(52)	-	1,173
	<u>30,369</u>	<u>(1,212)</u>	<u>641</u>	<u>29,798</u>
Deferred tax liabilities				
Available-for-sale financial assets	(1,227)	191	-	(1,036)
Plan assets	(8,834)	(1,016)	69	(9,781)
Gain on valuation of available-for-sale financial assets	(31,457)	3,048	8,827	(19,582)
Depreciation	(1,573)	1,573	-	-
Other	(1,107)	110	-	(997)
	<u>(44,198)</u>	<u>3,906</u>	<u>8,896</u>	<u>(31,396)</u>
	<u>(13,829)</u>	<u>2,694</u>	<u>9,537</u>	<u>(1,598)</u>

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(in millions of Korean won)

	2013			
	Beginning balance	Increase (decrease)		Ending balance
		Profit or loss	Other comprehensive income	
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
	<u>18,194</u>	<u>12,814</u>	<u>(639)</u>	<u>30,369</u>
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)
	<u>(37,035)</u>	<u>(3,953)</u>	<u>(3,210)</u>	<u>(44,198)</u>
	<u>(18,841)</u>	<u>8,861</u>	<u>(3,849)</u>	<u>(13,829)</u>

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

(in millions of Korean won)	December 31, 2014		
	Before Tax	Tax effects	After Tax
Gain(loss) on valuation of available-for-sale financial assets	78,820	(19,049)	59,771
Remeasurement of net defined benefit liability	(8,502)	1,837	(6,665)
Currency translation differences	(381)	-	(381)

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<i>(in millions of Korean won)</i>	December 31, 2013		
	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)

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

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Investments in subsidiaries and others	59,573	62,571

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, 2014, 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 2014 and 2013.

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:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Share premium	46,797	46,797
Other capital surplus	23,124	22,829
	69,921	69,626

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26. Other Components of Equity

Details of other components of equity are as follows:

<i>(in millions of Korean won)</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Stock options	512	210
Treasury shares	(66,946)	(61,013)
	<u>(66,434)</u>	<u>(60,803)</u>

27. Share-Based Payments

As of December 31, 2014, the summary of stock options to be granted to employees is as follows:

	<u>Details</u>
Date of the first announcement	January 8, 2014
Grant method	Issuance of shares
Exercise period	February 3, 2015 ~ February 9, 2015
Vesting conditions	Options are conditional on the employee completing service between July 1, 2014 and December 31, 2014 and achieving performance goals.
Exercise price ¹	Standard price of common stock × (1- discount rate)
Shares to be granted ²	162,313 shares of common stock

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, 2014. The discount rates are 20%, 30%, 40%, 50% and 100%.

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

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The summary of stock options granted to employees for the year ended December 31, 2014, are as follows:

- The first half 2014

	Details
Date of the first announcement	January 4, 2013
Grant method	Issuance of shares
Exercise period	February 4, 2014 ~ February 10, 2014
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	82,083 shares of common stock

¹ The standard price of common stock is ₩7,130 and the discount rates are 20%, 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 ₩3,565. Vested stock options of 71,083 of common stock and 22,000 of preferred stock were exercised and unexercised options have lapsed.

- The second half 2014

	Details
Date of the first announcement	January 8, 2014
Grant method	Issuance of shares
Exercise period	August 5, 2014 ~ August 13, 2014
Vesting conditions	Options are conditional on the employee completing service between January 1, 2014 and June 30, 2014 and achieving performance goals.
Exercise price ¹	Standard price of common stock × (1- discount rate)
Shares to be granted ²	166,374 shares of common stock

¹ The standard price of common stock is ₩6,510 and the discount rates are 20%, 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 ₩4,180. Vested stock options of 134,167 of common stock and 25,813 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 ₩512 million (2013: ₩210 million). The significant inputs into the model were the weighted average share price of ₩7,040 (2013: ₩7,300), exercise price ₩4,497 (2013: ₩4,716), volatility of 16.6% (2013: 20%) dividend yield of 3.10% (2013: 3.25%), an expected option life of 0.12 years (2013: 0.11 years) and an annual risk-free interest rate of 2.2% (2013: 2.7%).

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Changes in stock options for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
At January 1	210	359
Compensation cost	827	415
Exercise	(525)	(564)
At December 31	512	210

28. Treasury Shares

Changes in treasury shares for the years ended December 31, 2014 and 2013, are as follows:

<i>(shares, in millions of Korean won)</i>	2014		
	Common stock	Preferred stock	Amounts
At January 1	8,071,799	4,446,135	61,013
Acquisition	1,104,969	50,524	7,554
Disposal	(254,228)	(54,473)	(1,621)
At December 31	8,922,540	4,442,186	66,946

<i>(shares, in millions of Korean won)</i>	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

29. Retained Earnings

Details of retained earnings are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Legal reserve ¹	32,300	32,300
Discretionary reserve	452,950	439,505
Unappropriated retained earnings	24,774	18,513
	510,024	490,318

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, 2014, 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 or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

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The changes in retained earnings for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
At January 1	490,318	472,739
Profit attributable to equity holders of the Parent Company	40,426	35,305
Remeasurement of net defined benefit liability	(2,322)	1,337
Changes in scope of consolidation	-	524
Dividend paid	(18,398)	(19,587)
At December 31	510,024	490,318

30. Contingencies and Commitments

As of December 31, 2014, the Group has credit agreements with Woori Bank up to ₩19,000 million in relation to B2B transactions and loan agreements with Woori Bank and Hana Bank up to ₩2,100 and ₩3,000, respectively.

As of December 31, 2014, the Group provides short-term financial instruments as collaterals amounting to ₩1,315 million for certain lessees in connection with the lessees' guarantee deposits. Seoul Guarantee Insurance Co., Ltd. has provided guarantees up to ₩1,176 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 ₩359,795 million (2013: ₩ 361,194 million) in 2014.

As of December 31, 2014, the Group is either a plaintiff in eight legal case or a defendant in seven 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, 2014, the Group has agreements with Korea Exchange Bank up to USD 600 thousands for derivatives transactions.

As of December 31, 2014, 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., Ltd. (Note 19).

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31. Sales

Details of sales for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Sales of goods	742,295	749,871
Sales of services	65,091	78,849
Royalty income	3,171	10,862
	<u>810,557</u>	<u>839,582</u>

32. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Wages and salaries	25,753	25,138
Severance benefits	1,715	1,878
Welfare expense	6,148	6,099
Depreciation	7,292	6,692
Advertising expense	26,318	29,785
Commission expense	27,521	27,016
Amortization	3,670	2,874
Taxes and dues	3,483	3,602
Transportation expense	2,411	2,291
Printing expense	471	945
Rental expense	4,726	4,348
Other	10,697	8,568
	<u>120,205</u>	<u>119,236</u>

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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, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	2014	2013
Changes in inventories	(1,688)	1,012
Purchase of raw materials and merchandise	51,103	64,291
Depreciation, amortization	44,120	48,744
Employee benefit expenses	153,060	153,655
Commission expenses	427,930	437,135
Rental expenses	31,941	29,765
Advertising expenses	25,853	30,418
Other expenses	47,553	42,855
	<u>779,872</u>	<u>807,875</u>

34. Other Income

Other income for the years ended December 31, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	2014	2013
Interest income (lease)	1,858	2,160
Dividend income	2,322	2,891
Gain on disposal of financial assets at fair value through profit or loss	568	5,616
Gain on valuation of financial assets at fair value through profit or loss	1,723	583
Gain on disposal of available-for-sale financial assets	38,179	21,172
Other	2,151	2,134
	<u>46,801</u>	<u>34,556</u>

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35. Other Expenses

Other expenses for the years ended December 31, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	2014	2013
Interest expense (lease)	465	209
Loss on foreign currency transaction	287	239
Loss on foreign currency translation	23	149
Contribution expense	3,280	2,247
Other commission	1,435	1,258
Loss on disposal of financial assets at fair value through profit or loss	970	122
Impairment loss on available-for-sale financial assets	-	993
Impairment loss on property, plant and equipment	-	273
Impairment loss on intangible assets	14,308	2,099
Loss on disposal of available-for-sale financial assets	2,538	1,865
Other	1,761	4,333
	25,067	13,787

36. Financial Income

Financial income for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Interest Income	2,597	2,506
Gain on foreign currency transaction	-	-
Gain on foreign currency translation	229	38
	2,826	2,544

37. Financial Expenses

Financial expenses for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Interest expenses	1,307	823
Loss on foreign currency translation	116	39
	1,423	862

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38. Income Tax Expense

Income tax expense for the years ended December 31, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	2014	2013
Current income taxes:		
Current tax on profit for the year	18,312	18,356
Adjustments in respect of prior years	(238)	12,610
	<u>18,074</u>	<u>30,966</u>
Deferred tax:		
Changes in temporary differences	(2,694)	(8,861)
Other:		
Income tax directly to equity	(51)	(197)
Difference of changes in currency exchange	237	16
	<u>186</u>	<u>(181)</u>
Income tax expense	<u>15,566</u>	<u>21,924</u>

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:

<i>(in millions of Korean won)</i>	2014	2013
Profit before tax	<u>53,791</u>	<u>54,147</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	13,240	12,133
Tax adjustments:		
Income not subject to tax / expenses not deductible for tax purposes	1,574	1,663
Effects of unrecognized deferred income tax at the beginning	2,524	7,057
Changes in deferred tax assets	(1,326)	(13,604)
Adjustments in respect of prior years	(238)	12,610
Others	(208)	2,065
Income tax expense	<u>15,566</u>	<u>21,924</u>
Effective tax rate (Income tax over profit before tax)	<u>28.9%</u>	<u>40.5%</u>

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39. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Group by the weighted average number of shares in issue excluding shares purchased by the Group and held as treasury shares. Preferred shares have rights to participate in the profits of the Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares.

Basic earnings per ordinary share for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014	2013
Profit attributable to ordinary shares ¹	33,764	29,386
Weighted average number of ordinary shares in issue ² (Unit: share)	76,050,924	77,103,111
Basic earnings per share (in won)		
Basic earnings per ordinary share	444	381

Basic earnings per preferred share for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014	2013
Profit attributable to preferred shares ¹	6,662	5,919
Weighted average number of preferred shares in issue ² (Unit: share)	14,973,274	15,229,545
Basic earnings per share (in won)		
Basic earnings per preferred share	445	389

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

<i>(in millions of Korean won)</i>	2014	2013
Profit attributable to equity holders of the Parent Company (A)	40,426	35,305
Ordinary shares dividends (B)	15,156	16,153
Preferred shares dividends (C)	3,147	3,332
Undistributed earnings (D=A-B-C)	22,123	15,820
Undistributed earnings available for ordinary shares (E)	18,608	13,233
Undistributed earnings available for preferred shares (F)	3,515	2,587
Profit attributable to ordinary shares (G=B+E)	33,764	29,386
Profit attributable to preferred shares (H=C+F)	6,662	5,919

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² Weighted average numbers of shares are calculated as follows:

<i>(Shares)</i>	2014	2013
Ordinary shares outstanding	84,702,850	84,702,850
Ordinary treasury shares	(8,922,540)	(8,071,799)
Ordinary shares	75,780,310	76,631,051
Weighted average number of ordinary shares outstanding	76,050,924	77,103,111
Preferred shares outstanding	19,426,990	19,426,990
Preferred treasury shares	(4,442,186)	(4,446,135)
Preferred shares	14,984,804	14,980,855
Weighted average number of preferred shares outstanding	14,973,274	15,229,545

Diluted earnings per ordinary share for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014	2013
Profit attributable to ordinary shares	33,764	29,386
Weighted average number of ordinary shares in issue and dilutive potential ordinary shares (Unit: share)	76,196,782	77,168,566
Diluted earnings per share (in won)		
Diluted earnings per ordinary share	443	381

Diluted earnings per preferred share for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014	2013
Profit attributable to preferred shares	6,662	5,919
Weighted average number of preferred shares in issue and dilutive potential preferred shares (Unit: share)	15,000,725	15,241,200
Diluted earnings per share (in won)		
Diluted earnings per preferred share	444	388

40. Dividends

The interim dividends for ordinary shares paid in 2014 and 2013 were ₩7,588 million (₩100 per share, dividend rate: 20%) and ₩8,490 million (₩110 per share, dividend rate: 22%) and the interim dividends for preferred shares were ₩1,496 million (₩100 per share, dividend rate: 20%) and ₩1,681 million (₩110 per share, dividend rate: 22%), respectively.

The dividends for ordinary shares paid in 2014 and 2013 were ₩7,663 million (₩100 per share, dividend rate: 20%) and ₩7,727 million (₩100 per share, dividend rate: 20%) and the dividends

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for preferred shares were ₩1,650 million (₩110 per share, dividend rate: 22%) and ₩1,689 million (₩110 per share, dividend rate: 22%), respectively.

A dividend for ordinary share in respect of the year ended December 31, 2014, of ₩130 per share (dividend rate: 26%), amounting to a total dividend of ₩9,851 million and a dividend for preferred share of ₩140 per share (dividend rate: 28%), amounting to a total dividend of ₩2,098 million, are to be proposed at the annual general meeting on March 20, 2015. These financial statements do not reflect this dividend payable.

41. Cash Generated from Operations

Cash generated from operations for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014	2013
Profit for the year	38,225	32,223
Adjustments :	47,994	61,837
Severance benefits	8,600	9,400
Depreciation and amortization	44,120	48,744
Impairment loss on property, plant and equipment	-	273
Impairment loss on intangible assets	14,308	2,099
Interest income	(4,455)	(4,665)
Gain on disposal of available-for-sale financial assets	(35,641)	(19,307)
Dividend income	(2,322)	(2,891)
Income tax expense	15,566	21,924
Other	7,818	6,260
Changes in operating assets and liabilities:	(42,589)	37,798
Decrease(increase) in financial assets at fair value through gain or loss	(39,000)	42,162
Decrease in trade receivables	3,010	10
Increase in inventories	(1,656)	(1,840)
Decrease(increase) in other assets	(3,814)	1,303
Increase(decrease) in trade payables	1,231	(1,705)
Increase(decrease) in other payables	(2,935)	14,228
Increase in provisions	23	65
Increase(decrease) in other liabilities	8,903	(4,845)
Payment of net defined benefit liability	(968)	(972)
Deposit in plan assets, net	(7,842)	(11,097)
Changes in other assets, liabilities	459	489
Cash generated from operations	43,630	131,858

The significant non-cash transactions for the years ended December 31, 2014 and 2013, are as follows:

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<i>(in millions of Korean won)</i>	2014	2013
Valuation of available-for-sale financial assets	22,915	(10,620)
Exercise of stock options	525	564
Reclassification of investment property	(6,436)	36,542
Decrease(increase) in other payables in relation to property, plant and equipment	(1,277)	2,885
Decrease in other payables in relation to intangible assets	425	279

42. Related Party Transactions

As of December 31, 2014 and 2013, 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, 2014 and 2013, are as follows:

	December 31, 2014	December 31, 2013	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.	Although it was subsidiary of Parent Company in prior year, it merged with Daekyo D&S Co., Ltd.
	Daekyo Culture foundation	Daekyo Culture foundation	Key management performs the important duty
	World Youth and Culture foundation	World Youth and Culture foundation	Key management performs the important duty
	BongAm Institute	BongAm Institute	Key management performs the important duty
	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
	Crystal One Co., Ltd. (formerly, Twohands media Co., Ltd.)	Crystal One Co., Ltd. (formerly, Twohands media Co., Ltd.)	Relatives of key managements is the entity's CEO, and it changed its company name in 2014.
	Crystal Wine Club Co., Ltd.	Crystal Wine Club Co., Ltd.	Relatives of key managements is the entity's CEO
	Crystal Wine Collection Co., Ltd.	Crystal Wine Collection Co., Ltd.	Relatives of key managements is the entity's CEO
	Deakyo Investment Co., Ltd.	Deakyo Investment Co., Ltd.	Key management performs the important duty

Significant transactions for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014				
	Sales		Purchases		
	Sales ¹	Others	Purchases ²	Acquisition of non-current assets	Selling and administrative expenses Others
Parent Company					
Daekyo Holdings Co., Ltd.	71	698	1	-	2,812 529
Other related parties					

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Daekyo D&S Co., Ltd.	83	44	1,353	3,699	4,885	34
Daekyo CNS Co., Ltd.	285	39	-	698	16,201	-
Gangwon Deep Sea Water Co., Ltd.	112	9	-	-	958	-
Daekyo Culture foundation	668	222	-	-	4	290
World Youth & Culture Foundation	42	-	-	-	2	-
BongAm Institute	-	-	-	-	-	542
Crystal One Co., Ltd.(formerly, Twohands media Co., Ltd.)	157	7	-	-	2,274	2
Crystal Wine Collection Co., Ltd.	7	1	-	-	-	-
Crystal Wine Club Co., Ltd.	6	1	-	-	41	-
Deakyo Investment Co., Ltd.	35	1	-	-	364	-
Tara Graphics Co., Ltd.	1	-	-	-	258	-
Tara Distribution Co., Ltd.	-	-	8,134	-	455	-
Tara TPS Co., Ltd.	313	-	27,241	-	1,142	-
Crystal aviation Co., Ltd.	-	-	-	-	1	-
	<u>1,780</u>	<u>1,022</u>	<u>36,729</u>	<u>4,397</u>	<u>29,397</u>	<u>1,397</u>

(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
Crystal One Co., Ltd.(formerly, Twohands media Co., Ltd.)	1	-	-	-	839	-
Crystal Wine Club Co., Ltd	-	-	-	-	7	-
Deakyo Investment Co., Ltd	15	-	-	-	425	-
World Youth & Culture Foundation	1	-	-	-	256	-
Tara Distribution Co., Ltd.	-	-	9,184	-	440	-
Tara TPS Co., Ltd.	294	-	28,073	-	876	-
	<u>994</u>	<u>254</u>	<u>37,257</u>	<u>2,919</u>	<u>23,178</u>	<u>999</u>

¹ Sale of goods and rendering of services are included.

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

Daekyo Co., Ltd. and Subsidiaries
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The balances of significant transactions are as follows:

(in millions of Korean won)

	December 31, 2014				
	Receivables			Payables	
	Trade receivables	Other receivables	Others	Trade payables	Other payables
Parent Company					
Daekyo Holdings Co., Ltd.	83	459	-	-	9,697
Other related parties					
Daekyo D&S Co., Ltd.	-	18	7,560	-	2,232
Daekyo CNS Co., Ltd.	-	6	-	-	5,189
Gangwon Deep Sea Water Co., Ltd.	1	13	-	-	481
Daekyo Culture foundation	65	-	-	-	35
World Youth&Culture Foundation	-	-	-	-	34
Crystal One Co., Ltd.(formerly, Twohands media Co., Ltd.)	12	1	-	-	321
Crystal Wine Collection Co., Ltd	-	-	-	-	-
Crystalwine Club Co., Ltd	-	-	-	-	2
Deakyo Investment Co., Ltd	-	1	-	-	578
Tara Graphics Co., Ltd.	-	-	-	-	24
Tara Distribution Co., Ltd.	-	-	-	1,688	-
Tara TPS Co., Ltd.	-	-	-	4,674	20
	<u>161</u>	<u>498</u>	<u>7,560</u>	<u>6,362</u>	<u>18,613</u>

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(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					
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
Crystal One Co., Ltd.(formerly, Twohands media 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
	<u>24</u>	<u>145</u>	<u>4,560</u>	<u>6,639</u>	<u>13,516</u>

Daekyo Co., Ltd. and Subsidiaries

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Fund transactions with related parties for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014					
	Dividend paid	Dividend received	Equity contributions (reduction) in cash	Loan transactions		Borrowing transactions
				Lending	Recover	Borrowings Repayments
Parent Company						
Daekyo Holdings Co., Ltd.	9,355	-	-	-	-	1,600 -
Other related parties						
Daekyo Culture foundation	600	-	-	-	-	- -
World Youth&Culture Foundation	195	-	-	-	-	- -
BongAm Institute	25	-	-	-	-	- -
Crystal One Co., Ltd.(formerly, Twohandsmedia Co., Ltd.)	393	-	-	-	-	- -
	<u>10,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600 -</u>

(in millions of Korean won)

	2013					
	Dividend paid	Dividend received	Equity contributions (reduction) in cash	Loan transactions		Borrowing transactions
				Lending	Recover	Borrowings Repayments
Parent Company						
Daekyo Holdings Co., Ltd.	9,696	-	-	-	-	3,850 500
Other related parties						
Daekyo Culture foundation	625	-	-	-	-	- -
World Youth&Culture Foundation	205	-	-	-	-	- -
BongAm Institute	26	-	-	-	-	- -
Crystal One Co., Ltd.(formerly, Twohandsmedia Co., Ltd.)	412	-	-	-	-	- -
	<u>10,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,850 500</u>

Key management compensation of the Group for the years ended December 31, 2014 and 2013, consists of:

(in millions of Korean won)

	2014	2013
Short-term employee benefit	3,692	3,694
Severance benefits	538	329
	<u>4,230</u>	<u>4,023</u>

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

Daekyo Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

As of December 31, 2014, 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, 2014 financial statements of the Group was approved by the Board of Directors on March 3, 2015, which is subject to change with the approval of the shareholders at their annual shareholders' meeting.

44. Events After the Reporting Period

The Company participated in capital increase of Daekyo Edupia Co., Ltd. (common stock: 1,800,000, per share: ₩5,000) amounting to ₩9,000 million on January 20, 2015 and Daekyo Edu camp Co., Ltd. (common stock: 1,240,985, per share: ₩7,880) amounting to ₩9,779 million on February 24, 2015 with the Board of Directors' approval on December 22, 2014.