

Daekyo Co., Ltd. and Subsidiaries

Consolidated Financial Statements

December 31, 2015 and 2014

Daekyo Co., Ltd. and Subsidiaries

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December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matters

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.

A handwritten signature in cursive script that reads "Samul PricewaterhouseCoopers".

Seoul, Korea
March 3, 2016

This audit report is effective as of March 3, 2016, 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, 2015 and 2014

<i>(in Korean won)</i>	Notes	2015	2014
Assets			
Current assets			
Cash and cash equivalents	4,5,7,8	101,204,520,321	107,436,922,494
Financial deposits	4,5,7,8,30	8,742,262,378	4,460,077,102
Trade receivables	5,7,9,42	21,885,581,597	32,354,566,164
Other receivables	5,7,9,42	35,777,649,284	42,077,355,755
Financial assets at fair value through profit or loss	5,7,10	85,405,262,775	61,782,813,425
Derivative financial assets	5,7	261,466,124	-
Available-for-sale financial assets	5,7,11	47,860,777,645	50,822,709,345
Inventories	12	22,532,454,651	24,853,766,537
Other current assets	13	5,062,654,951	3,821,585,076
		<u>328,732,629,726</u>	<u>327,609,795,898</u>
Non-current assets			
Financial deposits	5,7,8,30	300,000,000	49,905,000
Long-term other receivables	5,7,9,42	15,090,649,069	14,140,561,232
Available-for-sale financial assets	5,7,11	150,644,259,894	167,799,548,598
Investments in associates	14	4,694,064,238	2,354,150,553
Property, plant and equipment	15	160,632,518,903	153,237,631,588
Investment property	16	108,884,721,653	115,806,845,658
Intangible assets	17	50,492,704,333	60,720,977,706
Deferred income tax assets	23	819,263,411	-
Other non-current assets	13	352,258,547	457,908,403
		<u>491,910,440,048</u>	<u>514,567,528,738</u>
Total assets		<u>820,643,069,774</u>	<u>842,177,324,636</u>

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2015 and 2014

<i>(in Korean won)</i>	Notes	2015	2014
Liabilities			
Current liabilities			
Trade payables	4,5,7,42	10,258,504,427	11,082,111,382
Other payables	4,5,7,18,42	71,052,705,058	68,624,097,291
Derivative financial liabilities	4,5,7	254,363,946	87,417,822
Borrowings	4,5,7,19	5,100,000,000	35,586,859,814
Income tax payable		5,427,803,522	11,212,686,609
Provisions	20	658,940,506	582,417,205
Other current liabilities	21	53,012,395,870	56,264,257,943
		<u>145,764,713,329</u>	<u>183,439,848,066</u>
Non-current liabilities			
Other payables	4,5,7,18	6,698,083,668	13,857,875,300
Borrowings	4,5,7,19	23,204,076,846	41,818,782
Net defined benefit liability	22	999,401,619	2,411,413,095
Deferred income tax liabilities	23	-	1,598,363,019
		<u>30,901,562,133</u>	<u>17,909,470,196</u>
Total liabilities		<u>176,666,275,462</u>	<u>201,349,318,262</u>
Equity attributable to owners of the Parent			
Capital stock	24	52,064,920,000	52,064,920,000
Capital surplus	25	71,347,042,554	69,921,480,844
Other components of equity	26,27,28	(73,278,036,516)	(66,434,186,074)
Accumulated other comprehensive income	23	51,714,109,601	63,356,763,492
Retained earnings	29	533,460,489,924	510,023,812,830
		<u>635,308,525,563</u>	<u>628,932,791,092</u>
Non-controlling interest			
Non-controlling interest		<u>8,668,268,749</u>	<u>11,895,215,282</u>
Total equity		<u>643,976,794,312</u>	<u>640,828,006,374</u>
Total liabilities and equity		<u>820,643,069,774</u>	<u>842,177,324,636</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, 2015 and 2014

<i>(in Korean won)</i>	Notes	2015	2014
Net Sales	6,31,42	813,207,844,495	810,557,123,560
Cost of sales	33,42	648,794,372,244	659,666,469,231
Gross profit		164,413,472,251	150,890,654,329
Selling and administrative expenses	32,33,42	121,368,935,456	120,205,467,417
Operating income	6	43,044,536,795	30,685,186,912
Other income	34	31,314,580,333	46,800,606,964
Other expenses	35	16,615,067,156	25,066,796,988
Share of profit(loss) of associates	14	335,184,992	(31,304,194)
Financial income	36	3,199,322,538	2,826,199,710
Financial expenses	37	1,221,276,852	1,422,715,186
Profit before income tax		60,057,280,650	53,791,177,218
Income tax expense	38	13,996,998,831	15,566,413,526
Profit for the year		46,060,281,819	38,224,763,692
Profit for the year attributable to:			
Equity holders of the Parent Company		44,798,395,277	40,425,843,515
Non-controlling interests		1,261,886,542	(2,201,079,823)
Basic earnings per share	39		
attributable to the equity holders			
of the Parent Company during the year:			
Basic earnings per share for ordinary shares		492	444
Basic earnings per share for preferred shares		495	445
Diluted earnings per share	39		
attributable to the equity holders			
of the Parent Company during the year:			
Diluted earnings per share for ordinary shares		491	443
Diluted earnings per share for preferred shares		494	444

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, 2015 and 2014

<i>(in Korean won)</i>	Notes	2015	2014
Profit for the year		46,060,281,819	38,224,763,692
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	(251,235,259)	(2,325,454,037)
Items that may be reclassified subsequently to profit or loss			
Gain(loss) on valuation of available-for-sale financial assets	23	(14,127,812,971)	(22,915,042,065)
Currency translation differences		254,842,151	329,927,037
Share of other comprehensive income of associates		1,246,704,349	-
Other comprehensive income (loss) for the year, net of tax		<u>(12,877,501,730)</u>	<u>(24,910,569,065)</u>
Total comprehensive income for the year		<u>33,182,780,089</u>	<u>13,314,194,627</u>
Comprehensive income (loss) for the year attributable to:			
Equity holders of the Parent Company		32,904,760,463	14,195,498,861
Non-controlling interest		278,019,626	(881,304,234)

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, 2015 and 2014

(in Korean won)

(in Korean won)

Attributable to equity holders of the Parent Company								
	Notes	Capital Stock	Capital Surplus	Other components of Equity	Accumulated Other Comprehensive Income(loss)	Retained Earnings	Non-controlling Interest	Total Equity
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		52,064,920,000	69,921,480,844	(66,434,186,074)	63,356,763,492	510,023,812,830	11,895,215,282	640,828,006,374
Balance at January 1, 2015		52,064,920,000	69,921,480,844	(66,434,186,074)	63,356,763,492	510,023,812,830	11,895,215,282	640,828,006,374
Comprehensive income (loss)								
Profit for the year		-	-	-	-	44,798,395,277	1,261,886,542	46,060,281,819
Gain(loss) on valuation of available-for-sale financial assets		-	-	-	(12,969,456,863)	-	(1,158,356,108)	(14,127,812,971)
Currency translation differences		-	-	-	80,098,623	-	174,743,528	254,842,151
Remeasurement of net defined benefit liability		-	-	-	-	(250,980,923)	(254,336)	(251,235,259)
Share of other comprehensive income of associates		-	-	-	1,246,704,349	-	-	1,246,704,349
Transactions with equity holders of the Parent Company:								
Dividends	40	-	-	-	-	(11,949,312,860)	-	(11,949,312,860)
Interim dividends	40	-	-	-	-	(9,161,424,400)	-	(9,161,424,400)
Dividends of subsidiaries		-	(250,491,472)	-	-	-	(5,105,720,747)	(5,356,212,219)
Issuance of stocks of subsidiaries		-	(497,121,904)	-	-	-	1,600,754,588	1,103,632,684
Acquisition of treasury stock		-	-	(15,781,019,830)	-	-	-	(15,781,019,830)
Disposal of treasury stock		-	2,173,175,086	8,562,679,384	-	-	-	10,735,854,470
Stock options		-	-	374,490,004	-	-	-	374,490,004
Balance at December 31, 2015		52,064,920,000	71,347,042,554	(73,278,036,516)	51,714,109,601	533,460,489,924	8,668,268,749	643,976,794,312

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, 2015 and 2014

<i>(in Korean won)</i>	Notes	2015	2014
Cash flows from operating activities			
Cash generated from operations	41	67,880,565,714	43,630,021,097
Dividends received		2,834,685,596	2,321,619,228
Interest received		2,561,839,352	2,117,659,062
Interest paid		(1,189,501,827)	(1,307,109,974)
Income tax paid		(19,802,016,610)	(17,790,223,613)
Net cash generated from operating activities		52,285,572,225	28,971,965,800
Cash flows from investing activities			
Decrease in financial deposits		17,873,268,983	11,942,809,569
Proceeds from disposal of available-for-sale financial assets		155,762,012,513	111,098,056,129
Decrease in other receivables		13,170,412,525	17,198,059,532
Proceeds from disposal of property, plant and equipment		166,486,842	241,272,724
Grants from governments		634,473,890	635,596,580
Increase in financial deposits		(20,994,459,528)	(4,628,273,334)
Acquisition of available-for-sale financial assets		(137,225,820,555)	(91,648,658,113)
Increase in other receivables		(12,037,793,370)	(11,850,052,266)
Investments in associates		(360,000,000)	-
Acquisition of property, plant and equipment		(17,349,565,365)	(16,649,167,743)
Acquisition of intangible assets		(16,500,969,768)	(28,799,571,290)
Net cash used in investing activities		(16,861,953,833)	(12,459,928,212)
Cash flows from financing activities			
Disposal of treasury stock		7,937,422,211	1,001,054,341
Issuance of stocks of subsidiaries		1,103,632,684	4,942,947,602
Proceeds from borrowings		13,865,763,034	6,100,241,415
Acquisition of treasury stock		(15,781,019,830)	(7,553,900,825)
Dividends of subsidiaries		(5,356,212,219)	-
Dividends paid		(21,110,737,260)	(18,646,282,735)
Repayments of borrowings		(22,600,729,623)	(14,180,606)
Net cash used in financing activities		(41,941,881,003)	(14,170,120,808)
Net increase(decrease) in cash and cash equivalents		(6,518,262,611)	2,341,916,780
Cash and cash equivalents at the beginning of year		107,436,922,494	104,846,553,211
Exchange gains on cash and cash equivalents		285,860,438	248,452,503
Cash and cash equivalents at the end of year		101,204,520,321	107,436,922,494

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, 2015 and 2014

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, 2015, 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, 2015		December 31, 2014			
		Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest		
Daekyo Edupia Co., Ltd.	Korea	98.64	1.36	97.41	2.59	December	Education
Daekyo Book Center Co., Ltd.	Korea	97.93	2.07	97.93	2.07	December	Book sales
Daekyo Edu camp Co., Ltd.	Korea	99.86	0.14	98.36	1.64	December	Education
Daekyo CSA Co., Ltd.	Korea	70.00	30.00	70.00	30.00	December	Education
Daekyo New Development Investment Association.	Korea	80.00	20.00	80.00	20.00	December	Investment
Daekyo America, Inc.	USA	50.06	49.94	50.06	49.94	December	Education
Daekyo Hong Kong Co., Ltd. ¹	China	47.89	52.11	47.89	52.11	December	Education
Daekyo Malaysia Sdn. Bhd.	Malaysia	100.00	-	100.00	-	December	Education
Beijing Daekyo Co., Ltd.	China	100.00	-	100.00	-	December	Education
Shanghai Daekyo Co., Ltd.	China	100.00	-	100.00	-	December	Education
P.T Daekyo Indonesia	Indonesia	99.83	0.17	99.83	0.17	December	Education
Daekyo Enopi Singapore PTE Ltd.	Singapore	100.00	-	100.00	-	December	Education
Daekyo Vietnam Co., Ltd.	Vietnam	100.00	-	100.00	-	December	Education
EYE LEVEL HUB LLC.	USA	50.06	49.94	50.06	49.94	December	Lease
Daekyo India Private Limited	India	100.00	-	-	-	March	Education
Daekyo UK CO.,LTD.	UK	100.00	-	-	-	December	Education
Heungkuk Altoran Securities Private Investment Trust	Korea	77.69	22.31	71.66	28.34	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	-	December	Investment

¹ Although the Group has less than 50% of the voting power in the investee, it is included in subsidiary as the

Daekyo Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

Group has a right to appoint the majority of its Board of Directors.

1.2 Summary of Financial Information of Consolidated Subsidiaries

Summary of financial position and comprehensive income of consolidated subsidiaries as of and for the years ended December 31, 2015 and 2014, is as follows:

(in millions of Korean won)	December 31, 2015			December 31, 2014		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
Daekyo Edupia Co., Ltd.	5,491	8,796	(3,305)	6,182	17,829	(11,647)
Daekyo Book Center Co., Ltd.	6,013	4,797	1,216	5,820	4,341	1,479
Daekyo Edu camp Co., Ltd.	15,812	5,794	10,018	18,966	19,003	(37)
Daekyo CSA Co., Ltd.	14	-	14	15	-	15
Daekyo New Development Investment Association.	4,422	107	4,315	16,378	46	16,332
Daekyo America, Inc.	6,943	5,963	980	6,901	5,682	1,219
Daekyo Hong Kong Co., Ltd.	6,712	823	5,889	5,628	965	4,663
Daekyo Malaysia Sdn. Bhd.	1,373	942	431	1,740	1,416	324
Beijing Daekyo Co., Ltd.	262	302	(40)	246	63	183
Shanghai Daekyo Co., Ltd.	1,138	424	714	1,391	209	1,182
P.T Daekyo Indonesia	1,407	1,713	(306)	1,451	1,442	9
Daekyo Enopi Singapore PTE Ltd.	792	1,496	(704)	850	890	(40)
Daekyo Vietnam Co., Ltd.	512	292	220	491	1	490
EYE LEVEL HUB LLC	24,087	24,272	(185)	20,779	19,964	815
Daekyo India Private Limited	1,002	9	993	-	-	-
Daekyo UK CO.,LTD.	1,157	-	1,157	-	-	-
Heungkuk Altoran Securities Private Investment Trust	18,271	7	18,264	19,201	7	19,194
Hyundai Advantage Private Equity 5	9,737	194	9,543	9,604	226	9,378
Truston Private Securities Investment Trust 4	5,115	5	5,110	4,592	20	4,572
Hanwha Quant Long-short Private Securities Investment Trust 1	-	-	-	4,922	7	4,915

Daekyo Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

(in millions of Korean won)

	2015			2014		
	Sales	Net income (loss)	Comprehensive income(loss)	Sales	Net income (loss)	Comprehensive income(loss)
Daekyo Edupia Co., Ltd.	13,557	(532)	(537)	15,215	(6,110)	(6,227)
Daekyo Book Center Co., Ltd.	13,100	(272)	(263)	9,751	(167)	(172)
Daekyo Edu camp Co., Ltd.	30,328	390	367	36,915	(1,291)	(1,324)
Daekyo CSA Co., Ltd.	-	(1)	(1)	-	(3)	(3)
Daekyo New Development Investment Association.	-	9,041	3,983	-	1,866	6,924
Daekyo America, Inc.	8,289	(2,006)	(2,023)	7,387	(3,590)	(3,565)
Daekyo Hong Kong Co., Ltd.	6,215	1,090	1,426	5,643	758	953
Daekyo Malaysia Sdn. Bhd.	2,456	158	106	2,421	71	86
Beijing Daekyo Co., Ltd.	125	(226)	(223)	88	(26)	(33)
Shanghai Daekyo Co., Ltd.	398	(488)	(467)	387	(320)	(317)
P.T Daekyo Indonesia	894	(313)	(315)	716	(625)	(614)
Daekyo Enopi Singapore PTE Ltd.	1,063	(660)	(664)	648	(802)	(804)
Daekyo Vietnam Co., Ltd.	140	(836)	(818)	31	(365)	(351)
EYE LEVEL HUB LLC.	2,629	(1,018)	(1,000)	559	(2,006)	(1,931)
Daekyo India Private Limited	-	(153)	(197)	-	-	-
Daekyo UK CO.,LTD.	-	-	(22)	-	-	-
Heungkuk Altoran Securities Private Investment Trust	-	1,451	953	-	(20)	550
Hyundai Advantage Private Equity 5	-	1,306	1,730	-	4	(451)
Truston Private Securities Investment Trust 4	-	819	701	-	154	(91)
Hanwha Quant Long-short Private Securities Investment Trust 1	-	-	-	-	20	(120)

1.3 Change in the Scope of Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2015 are as follows :

<u>Subsidiaries</u>	<u>Reason</u>
Daekyo India Private Limited	Newly acquired
Daekyo UK CO.,LTD.	Newly acquired
Hanwha Quant Long-short Private Securities Investment Trust 1	Disposal of all ownership interests

Daekyo Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

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 periods beginning January 1, 2015, and the application does not have a material impact on the financial statements of the Group.:

- Amendment to Korean IFRS 1019, 'Employee Benefits'
- Annual Improvements to Korean IFRS 2010-2012 Cycle
- Annual Improvements to Korean IFRS 2011-2013 Cycle

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

New standards issued but not effective for the annual periods beginning January 1, 2015, and not early adopted are enumerated below. The Group expects that these standards and amendments

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would not have a material impact on its financial statements.

- Amendment to Korean IFRS 1001, '*Presentation of Financial Statements*'
- Korean IFRS 1016, '*Property, plant and equipment*', and Korean IFRS 1041, '*Agriculture and fishing: Productive plants*'
- Korean IFRS 1016, '*Property, plant and equipment*', and Korean IFRS 1038, '*Intangible assets: Amortization based on revenue*'
- Korean IFRS 1110, '*Consolidated Financial Statements*', Korean IFRS 1028, '*Investments in associates and joint ventures*' and Korean IFRS 1112, '*Disclosures of Interests in Other Entities: Exemption for consolidation of investee*'
- Korean IFRS 1111, '*Joint Agreements*'
- Annual Improvements to Korean IFRS 2012-2014 Cycle

Also, amendments issued but not effective for the annual periods beginning January 1, 2015, and not early adopted are enumerated below. The Group expects that these standards and amendments would not have a material impact on its financial statements.

- Korean IFRS 1109, '*Financial Instrument*'
- Korean IFRS 1115, '*Revenue from Contracts with Customers*'

2.2 Consolidation

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

(a) Subsidiaries

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

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

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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

Group's operating segments are disclosed by entities reported to chief operating decision maker, the representative director, disclosures related to segment reporting are disclosed in 'Note 6' in accordance with Korean IFRS 1108, Segment reporting.

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 borrowing costs are recognized as expenses for the period in which they are incurred.

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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;
- There is the ability to use or sell the intangible asset;

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- 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.

	Estimated Useful Lives	Depreciation Method
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 - 4 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 amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair

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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

The Group generally recognizes revenue 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 (Note 38).

If certain portion of the taxable income is not used for investments, increase in wages, or dividends in accordance with the Tax System For Recirculation of Corporate Income, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there exists uncertainty with regard to measuring the final tax effects.

(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.

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(e) Net defined benefit liability

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the pension benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions. Additional information is disclosed in Note 22.

4. Financial Risk Management

4.1 Financial Risk Factors

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

Risk management is carried out 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

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises through floating rate deposits and borrowings. 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.

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As of December 31, 2015 and 2014, if interest rates had changed by 100bp with all other variables held constant, the effects on interest expense are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest expense	231	(231)	279	(279)

ii) Price risk

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

As of December 31, 2015 and 2014, 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:

<i>(in millions of Korean won)</i>	2015		2014	
	5% increase	5% decrease	5% increase	5% decrease
Net income(loss)	3,247	(3,247)	2,338	(2,338)
Comprehensive income(loss)	9,171	(9,171)	8,884	(8,884)

(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, 2015, is ₩ 109,947 million (2014 : ₩ 111,897 million).

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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, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	2015					
	Book value	Cash flow on contract	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Trade payables	10,259	10,259	10,259	-	-	-
Derivative financial liabilities	254	254	254	-	-	-
Other payables (current)	71,053	71,053	71,053	-	-	-
Borrowings (current)	5,100	5,127	5,127	-	-	-
Other payables (non-current)	6,698	6,698	-	6,698	-	-
Borrowings (non-current)	23,204	23,771	451	23,262	55	3

<i>(In millions of Korean won)</i>	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

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, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Total liabilities (A)	176,666	201,349
Total equity (B)	643,977	640,828
Debt-to-equity ratio (A/B)	27%	31%

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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, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Current:				
Cash and cash equivalents	101,205	101,205	107,437	107,437
Financial deposits	8,742	8,742	4,460	4,460
Trade receivables	21,885	21,885	32,355	32,355
Other receivables	35,778	35,778	42,077	42,077
Financial assets at fair value through profit or loss	85,405	85,405	61,783	61,783
Derivative financial assets	261	261	-	-
Available-for-sale financial assets	47,861	47,861	50,823	50,823
	<u>301,138</u>	<u>301,138</u>	<u>298,935</u>	<u>298,935</u>
Non-current:				
Financial deposits	300	300	50	50
Other receivables	15,091	15,210	14,141	14,290
Available-for-sale financial assets	124,273	124,273	151,367	151,367
	<u>139,664</u>	<u>139,783</u>	<u>165,558</u>	<u>165,707</u>
	<u>440,802</u>	<u>440,921</u>	<u>464,493</u>	<u>464,642</u>
Financial liabilities				
Current:				
Trade payables	10,259	10,259	11,082	11,082
Other payables	71,053	71,053	68,624	68,624
Derivative financial liabilities	254	254	87	87
Borrowings	5,100	5,100	35,587	35,587
	<u>86,666</u>	<u>86,666</u>	<u>115,380</u>	<u>115,380</u>
Non-current:				
Other payables	6,698	6,810	13,858	14,112
Borrowings	23,204	23,204	42	42
	<u>29,902</u>	<u>30,014</u>	<u>13,900</u>	<u>14,154</u>
	<u>116,568</u>	<u>116,680</u>	<u>129,280</u>	<u>129,534</u>

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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, 2015, 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 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, 2015 and 2014, are as follows:

(in millions of Korean won)

	December 31, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans	63	63	3	3
Deposits	15,028	15,147	14,138	14,287
	<u>15,091</u>	<u>15,210</u>	<u>14,141</u>	<u>14,290</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, 2015	December 31, 2014
Discount rate	3.75%	4.41%

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(c) Non-current other payables

Carrying amount and fair value of non-current other payables as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term deposits received	6,698	6,810	13,858	14,112

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, 2015	December 31, 2014
Discount rate	2.10%	2.26%

(d) Current financial assets and liabilities

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

5.3 Fair Value Hierarchy

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

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

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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, 2015 and 2014, are as follows:

(in millions of Korean won)

	December 31, 2015			
	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	85,405	-	-	85,405
Derivative financial assets	-	261	-	261
Available-for-sale financial assets	172,134	-	-	172,134
Derivative financial liabilities	-	254	-	254
Non-current other receivables	-	15,210	-	15,210
Non-current other payables	-	6,810	-	6,810
Financial asset/liabilities that are not measured at fair value: N/A				

(in millions of Korean won)

	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
Non-current other receivables	-	14,290	-	14,290
Non-current other payables	-	14,112	-	14,112
Financial asset/liabilities that are not measured at fair value: N/A				

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.

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

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

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

6. Segment Information

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

The segments of the Group are strategic business divisions providing different products and services. They are reported separately because each business division requires different technologies and marketing strategies. The main products and services of each business division for the year ended December 31, 2015, follows:

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

The segment information for sales and operating income for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		2014	
	Segment sales	Operating income (loss)	Segment sales	Operating income (loss)
Noonnoppi business	657,833	44,384	654,780	38,022
Media business	70,559	864	75,993	3,361
Other	32,406	763	29,919	(3,172)
Subsidiaries	79,192	(2,903)	79,760	(7,551)
	<u>839,990</u>	<u>43,108</u>	<u>840,452</u>	<u>30,660</u>
Other segments and inter-segment transactions	(26,782)	(63)	(29,895)	25
	<u>813,208</u>	<u>43,045</u>	<u>810,557</u>	<u>30,685</u>

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Segment information of share of profit from associates, depreciation, amortization and fluctuation of non-current assets for the years ended December 31, 2015 and 2014, follows:

	2015			2014		
	Profit (loss)	Depreciation	Increase (Decrease) of non-current assets ¹	Profit (loss)	Depreciation/ Amortization	Increase (Decrease) of non-current assets ¹
	from associates	/Amortization		from associates		
(in millions of Korean won)						
Noonnoppi business	-	18,665	(20,416)	-	20,082	(966)
Media business	-	5,272	(2,488)	-	6,675	(11,098)
Other	335	8,619	12,473	(31)	7,224	(28,600)
Subsidiaries	-	7,438	(7,644)	-	10,139	10,102
	335	39,994	(18,075)	(31)	44,120	(30,562)

¹ Financial instrument, deferred income tax asset and investment in associates are excluded.

Details of segment information of assets, liabilities and investments in associates for the years ended December 31, 2015 and 2014, are as follows:

	December 31, 2015			December 31, 2014		
	Investments			Investments		
	in			in		
	Assets	associates	Liabilities	Assets	associates	Liabilities
(in millions of Korean won)						
Noonnoppi business	98,683	-	76,394	114,450	-	93,678
Media business	28,963	-	12,993	34,620	-	21,410
Other	598,043	4,694	53,047	599,868	2,354	44,851
Subsidiaries	94,954	-	34,232	93,239	-	41,410
	820,643	4,694	176,666	842,177	2,354	201,349

Sales by geographic areas for the years ended December 31, 2015 and 2014, are as follows:

	2015	2014
(in millions of Korean won)		
Domestic	786,958	789,171
Overseas	26,250	21,386
	813,208	810,557

There is no external customer attributing to more than 10% of total sales for the years ended December 31, 2015 and 2014.

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7. Financial Instruments by Category

Categorizations of financial instruments are as follows:

(in millions of Korean won)

		December 31, 2015		
	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	-	101,205	-	101,205
Financial deposits	-	8,742	-	8,742
Trade receivables	-	21,886	-	21,886
Other receivables	-	35,778	-	35,778
Financial assets at fair value through profit or loss	85,405	-	-	85,405
Derivative financial assets	261	-	-	261
Available-for-sale financial assets	-	-	47,861	47,861
	85,666	167,611	47,861	301,138
Non-current				
Financial deposits	-	300	-	300
Other receivables	-	15,091	-	15,091
Available-for-sale financial assets	-	-	150,644	150,644
	-	15,391	150,644	166,035
	85,666	183,002	198,505	467,173

(in millions of Korean won)

		December 31, 2015	
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Total
Financial liabilities			
Current			
Trade payables	-	10,259	10,259
Other payables	-	71,053	71,053
Derivative financial liabilities	254	-	254
Borrowings	-	5,100	5,100
	254	86,412	86,666
Non-current			
Other payables	-	6,698	6,698
Borrowings	-	23,204	23,204
	-	29,902	29,902
	254	116,314	116,568

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(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
	-	14,191	167,800	181,991
	<u>61,783</u>	<u>200,520</u>	<u>218,623</u>	<u>480,926</u>

(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
	<u>87</u>	<u>115,293</u>	<u>115,380</u>
Non-current			
Other payables	-	13,858	13,858
Borrowings	-	42	42
	-	13,900	13,900
	<u>87</u>	<u>129,193</u>	<u>129,280</u>

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Income and loss of financial instruments by category for the years ended December 31, 2015 and 2014, are as follows:

	2015					
	Financial	Loans and	Available-for-	Financial	Financial	Total
	assets at fair value through profit or loss			liabilities at fair value through profit or loss	liabilities carried at amortized cost	
<i>(in millions of Korean won)</i>	profit or loss	Receivables	sale financial assets	profit or loss	amortized cost	
Dividend income	-	-	2,835	-	-	2,835
Gain (loss) on foreign currency translation	-	897	(25)	-	(6)	866
Gain (loss) on foreign currency transactions	-	(55)	-	-	(25)	(80)
Interest income (expenses)	-	2,443	564	-	(462)	2,545
Bad debt expenses	-	(1,290)	-	-	-	(1,290)
Gain (loss) on valuation of financial assets ^{1,2}	3,109	-	(14,128)	-	-	(11,019)
Gain (loss) on disposal of financial assets	570	-	15,267	-	-	15,837
Gain (loss) on valuation of derivatives	261	-	-	(257)	-	4
Gain (loss) on transaction of derivatives	-	-	-	45	-	45

	2014					
	Financial	Loans and	Available-for-	Financial	Financial	Total
	assets at fair value through profit or loss			liabilities at fair value through profit or loss	liabilities carried at amortized cost	
<i>(in millions of Korean won)</i>	profit or loss	Receivables	sale financial assets	profit or loss	amortized cost	
Dividend income	-	-	2,322	-	-	2,322
Gain (loss) on foreign currency translation	-	756	(9)	-	(109)	638
Gain (loss) on foreign currency transactions	-	(214)	-	-	-	(214)
Interest income (expenses)	-	2,092	190	-	401	2,683
Bad debt expenses	-	(699)	-	-	-	(699)
Gain (loss) on valuation of financial assets ^{1,2}	753	-	(22,915)	-	-	(22,162)
Gain (loss) on disposal of financial assets	568	-	35,641	-	-	36,209
Gain (loss) on valuation of derivatives	-	-	-	(87)	-	(87)

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 ₩12,969 million (2014: ₩22,659 million).

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8. Cash and Cash Equivalents, and Financial Deposits

Details of cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Ordinary deposits	38,487	33,022
Short-term bank deposits	62,718	74,415
	<u>101,205</u>	<u>107,437</u>

The financial deposits restricted in use are as follows:

<i>(in millions of Korean won)</i>	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Reason</u>
Financial deposits	1,315	1,315	Security deposits and others

9. Trade Receivables and Other Receivables

Details of trade receivables and other receivables are as follows:

<i>(in millions of Korean won)</i>	<u>December 31, 2015</u>		
	<u>Original amount</u>	<u>Less : allowance for doubtful accounts</u>	<u>Carrying amount</u>
Current			
Trade receivables	28,404	(6,519)	21,885
Non-trade receivables	8,007	(5,565)	2,442
Accrued income	41	-	41
Loans	10	-	10
Deposits	33,284	-	33,284
	<u>69,746</u>	<u>(12,084)</u>	<u>57,662</u>
Non-current			
Loans	63	-	63
Deposits	15,028	-	15,028
	<u>15,091</u>	<u>-</u>	<u>15,091</u>
	<u>84,837</u>	<u>(12,084)</u>	<u>72,753</u>

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<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>

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

December 31, 2015							
<i>(in millions of Korean won)</i>	Current	Past due but not impaired				Impaired¹	Total
		Up to 3 months	3 to 6 months	6 to 12 months	Over one year		
Current							
Trade receivables	17,253	2,594	810	1,146	552	6,049	28,404
Non-trade receivables	1,730	677	35	-	-	5,565	8,007
Accrued income	41	-	-	-	-	-	41
Loans	10	-	-	-	-	-	10
Deposits	33,284	-	-	-	-	-	33,284
	<u>52,318</u>	<u>3,271</u>	<u>845</u>	<u>1,146</u>	<u>552</u>	<u>11,614</u>	<u>69,746</u>
Non-current							
Loans	63	-	-	-	-	-	63
Deposits	14,971	57	-	-	-	-	15,028
	<u>15,034</u>	<u>57</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,091</u>
	<u>67,352</u>	<u>3,328</u>	<u>845</u>	<u>1,146</u>	<u>552</u>	<u>11,614</u>	<u>84,837</u>

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December 31, 2014							
(in millions of Korean won)	Current	Past due but not impaired				Impaired ¹	Total
		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>

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.

The changes in bad debts allowance for the years ended December 31, 2015 and 2014, are as follows:

2015					
(in millions of Korean won)	At January 1	Addition	Write-off	Exchange differences	At December 31
Trade receivables	6,410	472	(373)	10	6,519
Non-trade receivables	4,702	818	-	45	5,565
Accrued income	-	-	-	-	-
	<u>11,112</u>	<u>1,290</u>	<u>(373)</u>	<u>55</u>	<u>12,084</u>
2014					
(in millions of Korean won)	At January 1	Addition	Write-off	Exchange differences	At December 31
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>

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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, 2015</u>	<u>December 31, 2014</u>
Equity-linked securities	85,405	61,783

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

11. Available-for-sale Financial Assets

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

<i>(in millions of Korean won)</i>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current		
Beneficiary certificate	47,861	50,823
	47,861	50,823
Non-Current		
Beneficiary certificate	38	6,441
Marketable equity securities	108,405	129,176
Non-marketable equity securities	26,371	16,433
Debt securities	15,830	15,750
	150,644	167,800
	198,505	218,623

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:

	<u>December 31, 2015</u>		
<i>(in millions of Korean won)</i>	<u>Acquisition cost</u>	<u>Fair value</u>	<u>Carrying value</u>
Shinhan Financial Group Co., Ltd.	31,940	99,212	99,212
Inzi Controls Co., Ltd.	68	34	34
Others	8,900	9,159	9,159
	40,908	108,405	108,405

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

Changes in available-for-sale financial assets for the years ended December 31, 2015 and 2014, are as follows:

	2015					
<i>(in millions of Korean won)</i>	Beginning balance	Acquisition	Disposal	Valuation	Exchange differences	Ending balance
Beneficiary certificate	57,264	39,233	(49,257)	658	1	47,899
Marketable equity securities	129,176	62,268	(70,889)	(12,150)	-	108,405
Non-marketable equity securities	16,433	16,811	(6,930)	-	57	26,371
Debt securities	15,750	18,913	(18,826)	(7)	-	15,830
	<u>218,623</u>	<u>137,225</u>	<u>(145,902)</u>	<u>(11,499)</u>	<u>58</u>	<u>198,505</u>

	2014					
<i>(in millions of Korean won)</i>	Beginning balance	Acquisition	Disposal	Valuation	Impairment	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>

12. Inventories

Details of inventories are as follows:

<i>(In millions of Korean won)</i>	December 31, 2015	December 31, 2014
Merchandise	7,225	6,439
Finished goods	12,938	15,684
Stored goods	1,923	2,463
Raw materials	1,188	824
	<u>23,274</u>	<u>25,410</u>
Allowance for losses on valuation of inventories	(742)	(556)
	<u>22,532</u>	<u>24,854</u>

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The cost of inventories recognized as expense and included in 'Cost of sales' amounts to ₩47,123 million (2014: ₩49,415 million) including 'Losses on valuation of inventories' of ₩186 million (2014: nil). No reversal of allowance for 'Losses on valuation of inventories' was recognized (2014: ₩498 million).

13. Other Assets

Details of other assets are as follows:

<i>(In millions of Korean won)</i>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current		
Advances	1,554	800
Prepaid expenses	3,509	3,022
	<u>5,063</u>	<u>3,822</u>
Non-current		
Prepaid expenses	352	458
	<u>352</u>	<u>458</u>
	<u>5,415</u>	<u>4,280</u>

14. Investments in Associates

Details of investments in associates are as follows:

		Percentage of ownership (%)			
<i>(in millions of Korean won)</i>	Country	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
DKI Growing Star 1 Investment partnership	Korea	24.00	24.00	4,337	2,354
With the Green CO., Ltd.	Korea	45.00	-	357	-
Daekyo Bertelsmann Educational Service Limited	China	50.00	50.00	-	-
				<u>4,694</u>	<u>2,354</u>

Changes in investments in associates for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Beginning balance	2,354	2,385
Acquisition	360	-
Share of profit(loss)	335	(31)
Share of other comprehensive income(loss)	1,645	-
Ending balance	<u>4,694</u>	<u>2,354</u>

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Summarized financial information of associates for the year ended December 31, 2015, is as follows:

<i>(in millions of Korean won)</i>	Assets	Liabilities	Net sales	Loss for the year
DKI Growing Star 1 Investment partnership	18,072	-	-	1,410
With the Green CO., Ltd.	8,296	7,503	-	(7)
Daekyo Bertelsmann Educational Service Limited	-	-	-	-

15. Property, Plant and Equipment

Details of property, plant and equipment are as follows:

December 31, 2015											
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Vehicles	Tools	Supplies	Equipment	Standing timber	Construction- in-progress	Total
Acquisition cost	50,897	101,955	3,442	468	2,186	112	83,305	2,324	528	4,175	249,122
Accumulated depreciation	-	(24,892)	(1,133)	(468)	(1,477)	(84)	(58,535)	(1,900)	-	-	(88,489)
Accumulated impairment loss	-	-	-	-	-	-	-	-	-	-	-
Net book amount	<u>50,897</u>	<u>77,063</u>	<u>2,309</u>	<u>-</u>	<u>709</u>	<u>28</u>	<u>24,500</u>	<u>424</u>	<u>528</u>	<u>4,175</u>	<u>160,633</u>

December 31, 2014											
<i>(in millions of Korean won)</i>	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	<u>49,263</u>	<u>72,530</u>	<u>2,339</u>	<u>-</u>	<u>865</u>	<u>34</u>	<u>24,664</u>	<u>402</u>	<u>528</u>	<u>2,613</u>	<u>153,238</u>

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Changes in property, plant and equipment for the years ended December 31, 2015 and 2014, are as follows:

2015									
<i>(in millions of Korean won)</i>								Standing	Construction
	Land	Buildings	Structures	Vehicles	Tools	Supplies	Equipment	timber	-in-progress
At January 1	49,263	72,530	2,339	865	34	24,664	402	528	2,613
Acquisitions	1	705	56	413	-	12,000	228	-	3,721
Disposal/disuse	(1)	-	-	(187)	-	(31)	(72)	-	-
Impairment	-	-	-	-	-	(886)	-	-	-
Depreciation	-	(2,324)	(86)	(377)	(7)	(11,284)	(134)	-	-
Reclassification to investment property	423	3,842	-	-	-	-	-	-	-
Transfer-in(out)	1,211	948	-	-	-	-	-	-	(2,159)
Exchange differences	-	1,362	-	(5)	1	37	-	-	-
At December 31	50,897	77,063	2,309	709	28	24,500	424	528	4,175

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

Depreciation for the years ended December 31, 2015 and 2014, is charged as follows:

<i>(In millions of Korean won)</i>	2015	2014
Cost of sales	7,071	5,907
Selling and administrative expenses	7,141	7,292
	14,212	13,199

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16. Investment Property

Details of investment property are as follows:

December 31, 2015			
<i>(in millions of Korean won)</i>	Acquisition cost	Accumulated	Carrying amount
		depreciation	
Land	21,298	-	21,298
Buildings	119,699	(32,112)	87,587
	<u>140,997</u>	<u>(32,112)</u>	<u>108,885</u>

December 31, 2014			
<i>(in millions of Korean won)</i>	Acquisition cost	Accumulated	Carrying amount
		depreciation	
Land	21,720	-	21,720
Buildings	124,817	(30,730)	94,087
	<u>146,537</u>	<u>(30,730)</u>	<u>115,807</u>

Changes in carrying amounts of investment property for the years ended December 31, 2015 and 2014, are as follows:

2015			
<i>(in millions of Korean won)</i>	Land	Buildings	Total
At January 1	21,720	94,087	115,807
Depreciation	-	(2,657)	(2,657)
Transfer	(422)	(3,843)	(4,265)
At December 31	<u>21,298</u>	<u>87,587</u>	<u>108,885</u>

2014			
<i>(in millions of Korean won)</i>	Land	Buildings	Total
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>

Fair value of investment property as of December 31, 2015, is ₩238,254 million (2014: ₩208,092 million).

Rent income from investment property during the year ended December 31, 2015, is ₩10,557 million (2014: ₩8,242 million), and operating expenses (including repairs and maintenance) directly related to those investment property is ₩6,794 million (2014: ₩6,428 million).

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17. Intangible Assets

Details of intangible assets are as follows:

December 31, 2015								
		Membership	Development	Industrial		Other	Right to use	
	Goodwill	rights	costs	property	Software	intangible	donated	Total
(in millions of Korean won)				rights		assets	assets	
Acquisition cost	3,825	8,924	145,612	2,471	40,463	17,073	153,516	371,884
Accumulated amortization	-	-	(98,266)	(1,832)	(29,755)	(14,029)	(145,187)	(289,069)
Accumulated impairments loss	(3,252)	-	(27,528)	(3)	(401)	(24)	-	(31,208)
Government grants	-	-	-	-	(7)	(1,107)	-	(1,114)
Net book amounts	573	8,924	19,818	636	10,300	1,913	8,329	50,493

December 31, 2014								
		Membership	Development	Industrial		Other	Right to use	
	Goodwill	rights	costs	property	Software	intangible	donated	Total
(in millions of Korean won)				rights		assets	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

Changes in intangible assets for the years ended December 31, 2015 and 2014, are as follows:

2015								
		Membership	Development	Industrial		Other	Right to use	
	Goodwill	rights	costs	property	Software	intangible	donated	Total
(in millions of Korean won)				rights		assets	assets	
At January 1	480	8,924	25,340	754	13,248	2,789	9,186	60,721
Acquisitions	92	-	5	53	2,443	1,046	4,496	8,135
Acquisitions by internal development	-	-	8,317	-	-	-	-	8,317
Amortization (including government grants)	-	-	(10,864)	(171)	(5,645)	(1,092)	(5,353)	(23,125)
Impairments	-	-	(2,726)	-	-	-	-	(2,726)
Transfer-in (out)	-	-	(254)	-	254	(200)	-	(200)
Grants from governments	-	-	-	-	-	(634)	-	(634)
Exchange differences	1	-	-	-	-	4	-	5
At December 31	573	8,924	19,818	636	10,300	1,913	8,329	50,493

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(in millions of Korean won)	2014							Total
	Goodwill	Membership	Development	Industrial	Software	Other	Right to use	
		rights	costs	property		intangible	donated	
				rights		assets	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

Amortization for the years ended December 31, 2015 and 2014, is charged as follows:

(In millions of Korean won)	2015	2014
Cost of sales	19,551	24,492
Selling and administrative expenses	3,574	3,670
	<u>23,125</u>	<u>28,162</u>

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, 2015	December 31, 2014
CHAIHONG division	480	480
P.T Daekyo Indonesia	58	-
Daekyo Enopi Singapore PTE Ltd.	35	-
	<u>573</u>	<u>480</u>

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 and others are 24.03% and 4.31%.

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18. Other Payables

Details of other payables are as follows:

<i>(in millions of Korean won)</i>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current		
Non-trade payables	16,868	18,445
Accrued expenses	41,180	43,150
Short-term deposits received for guarantee	41	-
Deposits received	12,964	7,029
	<u>71,053</u>	<u>68,624</u>
Non-current		
Deposits received	6,698	13,858
	<u>6,698</u>	<u>13,858</u>
	<u>77,751</u>	<u>82,482</u>

19. Borrowings

Details of borrowings are as follows:

<i>(in millions of Korean won)</i>		Latest maturity date	Annual interest rate (%) at Dec 31, 2015	December 31, 2015	December 31, 2014
	Details				
Current					
Daekyo Holdings Co., Ltd.	Borrowings from related party	2016-02-26	3.33	5,100	7,700
KEB Hana Bank	General loans in foreign currency	2015-11-23	LIBOR 1M+145BP	-	2,638
Woori Bank	Operating loans	2015-11-23	3M CD+293BP	-	600
Woori Bank	Operating loans	2015-11-23	3M CD+293BP	-	500
Woori Bank	Operating loans	2015-11-23	3M CD+282BP	-	1,000
KEB Hana Bank	Operating loans	2015-06-08	FTP+206BP	-	3,000
KEB Hana Bank	Facility loans	2015-02-12	LIBOR 3M+150BP	-	627
KIA Motors Finance	General loans	2015-10-11	3.97	-	22
KEB Hana Bank	Facility loans	2015-03-02	LIBOR 3M+150BP	-	6,298
KEB Hana Bank	Facility loans	2015-03-02	LIBOR 3M+150BP	-	13,190
Hong Leong Bank Berhad	General loans	2015-01-03	2.69	-	12
				<u>5,100</u>	<u>35,587</u>
Non-Current					
KEB Hana Bank	Facility loans	2017-02-22	LIBOR 3M+140BP	14,064	-
Shinhan Bank	Facility loans	2017-06-22	LIBOR 3M+140BP	9,060	-
KIA Motors Finance	General loans	2017-10-01	3.97	9	-
KIA Motors Finance	General loans	2017-10-01	3.97	6	-
Hyundai Motors Finance	General loans	2021-09-30	3.97	19	-

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Hong Leong Bank Berhad	General loans	2018-03-01	2.70	7	-
Public Bank Berhad	General loans	2019-07-19	3.33	18	21
Maybank Islamic Berhad	General loans	2020-05-25	2.45	16	16
Hitachi Capital Singapore Pte. Ltd	General loans	2018-02-12	3.00	5	5
				<u>23,204</u>	<u>42</u>
				<u>28,304</u>	<u>35,629</u>

20. Provisions

Changes in provisions for sales return for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
At January 1	582	559
Addition	198	209
Utilization	(121)	(186)
At December 31	<u>659</u>	<u>582</u>

21. Other Liabilities

Details of other liabilities are as follows:

<i>(in millions of Korean won)</i>	December 31, 2015	December 31, 2014
Current		
Withholding	5,054	6,343
Advances from customer	46,764	48,262
Unearned income	1,194	1,659
	<u>53,012</u>	<u>56,264</u>

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, 2015	December 31, 2014
Present value of funded defined benefit obligations	53,015	50,677
Present value of unfunded defined benefit obligations	716	650
Fair value of plan assets	(52,731)	(48,916)
Liability on the statement of financial position	<u>1,000</u>	<u>2,411</u>

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The amounts recognized in the consolidated statements of income for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Current service cost	8,475	8,626
Net interest cost	24	(7)
Past service cost and gains and losses arising from settlements	-	(19)
Total expenses	8,499	8,600

Cumulative actuarial losses recognized in the consolidated statements of comprehensive income as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Remeasurement of net defined benefit liability before tax	(8,592)	(8,502)
Tax effect	1,911	1,837
Remeasurement of net defined benefit liability after tax	(6,681)	(6,665)

Total expenses for the years ended December 31, 2015 and 2014, are charged as follows:

<i>(in millions of Korean won)</i>	2015	2014
Cost of sales	6,862	6,885
Selling and administrative expenses	1,637	1,715
	8,499	8,600

Changes in the carrying amount of defined benefit liability for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
At January 1	51,327	46,475
Current service cost	8,475	8,626
Interest expense	1,207	1,611
Past service cost and gains and losses arising from settlements	-	(19)
Remeasurements:		
- Actuarial gains and losses arising from changes in financial assumptions	(451)	2,009
- Actuarial gains and losses arising from changes in demographic assumptions	(138)	(80)
- Actuarial gains and losses arising from experience adjustments	745	819
Benefit payments	(7,434)	(8,114)
At December 31	53,731	51,327

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Changes in the fair value of plan assets for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
At January 1	48,916	46,871
Expected return on plan assets	1,183	1,618
Remeasurements:		
- Return on plan assets	(171)	(269)
Contributions of employers	10,053	7,842
Benefit payments	(7,250)	(7,146)
At December 31	52,731	48,916

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

<i>(%)</i>	December 31, 2015	December 31, 2014
Discount rate	2.14~2.62	2.35~2.98
Future salary increases	2.18~4.13	2.62~3.86

Plan assets consist of as follows:

<i>(in millions of Korean won)</i>	December 31, 2015	December 31, 2014
Time deposits	8,345	7,797
Equity-linked Securities	13,493	12,150
Derivative linked securities	30,893	28,969
(Principal and interest assured) and others	52,731	48,916

Expected future contribution of defined benefit plans by employer is best estimated to be ₩9,716 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	2.78% decrease / 2.94% increase
Salary growth rate	0.5% increase/decrease	2.99% increase / 2.85% 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

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method applied when calculating the defined benefit obligations recognized on the statement of financial position.

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

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

Expected maturity analysis of undiscounted pension benefits as of December 31, 2015, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	More than 10 years	Total
Pension benefits	7,934	18,564	23,050	25,260	54,397	129,205

The weighted average duration of the defined benefit obligations is 6.06 years.

22.2 Defined Contribution Plan

Recognized expense related to the defined contribution plan for the year ended December 31, 2015, is ₩559 million (2014: ₩457 million).

23. Deferred Income Tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

<i>(in millions of Korean won)</i>	December 31, 2015	December 31, 2014
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	14,559	14,700
Deferred tax asset to be recovered after more than 12 months	15,911	15,098
Deferred tax assets before offsetting	30,470	29,798
Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	1,108	713
Deferred tax liability to be recovered after more than 12 months	28,543	30,683
Deferred tax liabilities before offsetting	29,651	31,396
Deferred tax assets (liabilities) ,net	819	(1,598)

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The changes in the deferred income tax assets and liabilities for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
At January 1	(1,598)	(13,829)
Charged to the statement of income	49	2,694
Charged(credited) to other comprehensive income	2,368	9,537
At December 31	819	(1,598)

The changes in deferred income tax assets and liabilities for the years ended December 31, 2015 and 2014, without offsetting balances within the same tax jurisdiction, are as follows:

<i>(in millions of Korean won)</i>	2015			
	Increase (decrease)			
	Beginning balance	Profit or loss	Other comprehensive income (loss)	Ending balance
Deferred tax assets				
Net defined benefit liability	8,948	1,516	-	10,464
Allowance for doubtful accounts	1,106	297	-	1,403
Accrued expenses	2,040	(274)	-	1,766
Loss on valuation of available-for-sale financial assets	10,357	(9)	(386)	9,962
Remeasurement of net defined benefit liability	1,855	-	33	1,888
Impairment loss on intangible assets	2,366	(590)	-	1,776
Amortization	459	-	-	459
Guarantee deposits	380	(29)	-	351
Depreciation	1,114	206	-	1,320
Other	1,173	(92)	-	1,081
	<u>29,798</u>	<u>(1,025)</u>	<u>(353)</u>	<u>30,470</u>
Deferred tax liabilities				
Available-for-sale financial assets	(1,036)	16	-	(1,020)
Plan assets	(9,782)	(649)	41	(10,390)
Gain on valuation of available-for-sale financial assets	(19,581)	380	2,680	(16,521)
Other	(997)	(723)	-	(1,720)
	<u>(31,396)</u>	<u>(976)</u>	<u>2,721</u>	<u>(29,651)</u>
	<u>(1,598)</u>	<u>49</u>	<u>2,368</u>	<u>819</u>

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	2014			
	Increase (decrease)			Ending balance
	Beginning 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
	30,369	(1,212)	641	29,798
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)
	(44,198)	3,906	8,896	(31,396)
	(13,829)	2,694	9,537	(1,598)

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

(in millions of Korean won)	December 31, 2015		
	Before Tax	Tax effects	After Tax
Gain(loss) on valuation of available-for-sale financial assets	67,072	(16,232)	50,841
Remeasurement of net defined benefit liability	(7,897)	1,911	(5,986)
Currency translation differences	(301)	-	(301)

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

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

<i>(in millions of Korean won)</i>	December 31, 2015	December 31, 2014
Investments in subsidiaries and others	82,285	64,440

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, 2015, 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 2015 and 2014.

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, 2015	December 31, 2014
Share premium	46,797	46,797
Other capital surplus	24,550	23,124
	71,347	69,921

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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>	December 31, 2015	December 31, 2014
Stock options	886	512
Treasury shares	(74,164)	(66,946)
	<u>(73,278)</u>	<u>(66,434)</u>

27. Share-Based Payments

As of December 31, 2015, the summary of stock options to be granted to employees is as follows:

	Details
Date of the first announcement	August 10, 2015
Grant method	Issuance of shares
Exercise period	February 1, 2016 ~ February 11, 2016
Vesting conditions	Options are conditional on the employee completing service between July 1, 2015 and December 31, 2015 and achieving performance goals.
Exercise price ¹	Standard price of common stock × (1- discount rate)
Shares to be granted ²	161,242 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, 2015. The discount rates are 30%, 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, 2015, are as follows:

- The first half of 2015

	Details
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 ₩7,160 and the discount rates are 30%, 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 ₩4,250. Vested stock options of 131,616 of common stock and 51,715 of preferred stock were exercised and unexercised options have lapsed.

- The second half of 2015

	Details
Date of the first announcement	March 2, 2015
Grant method	Issuance of shares
Exercise period	August 10, 2015 ~ August 17, 2015
Vesting conditions	Options are conditional on the employee completing service between January 1, 2015 and June 30, 2015 and achieving performance goals.
Exercise price ¹	Standard price of common stock × (1- discount rate)
Shares to be granted ²	143,655 shares of common stock

¹ The standard price of common stock is ₩7,630 and the discount rates are 30%, 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 ₩4,890. Vested stock options of 131,701 of common stock and 18,652 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 ₩886 million (2014: ₩512 million). The significant inputs into the model were the weighted average share price of ₩8,742 (2014: ₩7,040), exercise price ₩3,699 (2014: ₩4,497), volatility of 26.2% (2014: 16.6%) dividend yield of 3.3% (2014: 3.10%), an expected option life of 0.54 years (2014: 0.12 years) and an annual risk-free interest rate of 1.63% (2014: 2.2%).

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Changes in stock options for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
At January 1	512	210
Compensation cost	1,401	827
Exercise	(1,027)	(525)
At December 31	886	512

28. Treasury Shares

Changes in treasury shares for the years ended December 31, 2015 and 2014, are as follows:

<i>(shares, in millions of Korean won)</i>	2015		
	Common stock	Preferred stock	Amounts
At January 1	8,922,540	4,442,186	66,946
Acquisition	1,879,550	23,632	15,781
Disposal	(1,284,492)	(77,426)	(8,563)
At December 31	9,517,598	4,388,392	74,164

<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

29. Retained Earnings

Details of retained earnings are as follows:

<i>(in millions of Korean won)</i>	December 31, 2015	December 31, 2014
Legal reserve ¹	32,300	32,300
Discretionary reserve	474,899	452,950
Unappropriated retained earnings	26,261	24,774
	533,460	510,024

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, 2015, 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, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
At January 1	510,024	490,318
Profit attributable to equity holders of the Parent Company	44,798	40,426
Remeasurement of net defined benefit liability	(251)	(2,322)
Dividend paid	(21,111)	(18,398)
At December 31	533,460	510,024

30. Contingencies and Commitments

As of December 31, 2015, the Group has credit agreements with Woori Bank up to ₩15,000 million in relation to B2B transactions and loan agreements with related party, Daekyo Holdings Co., Ltd. up to ₩5,100 million.

As of December 31, 2015, 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 ₩2,202 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 ₩362,116 million (2014: ₩359,795 million) in 2015.

As of December 31, 2015, the Group is either a plaintiff in seven legal case or a defendant in nine 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, 2015, the Group has agreements with KEB Hana Bank up to USD 1,402 thousands for derivatives transactions.

As of December 31, 2015, the Group has been provided with payment guarantees of USD 7,930 thousands from the Parent Company, Daekyo Holdings Co., Ltd., in relation to borrowings of EYE LEVEL HUB LLC.

As of December 31, 2015, the Group's leasehold deposits ₩2,605 million are pledged as collateral for borrowings from Daekyo Holdings Co., Ltd.

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31. Sales

Details of sales for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Sales of goods	724,088	722,352
Sales of services	70,718	72,529
Royalty income	18,402	15,676
	<u>813,208</u>	<u>810,557</u>

32. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Wages and salaries	26,153	25,753
Severance benefits	1,637	1,715
Welfare expense	6,291	6,148
Depreciation	7,141	7,292
Advertising expense	25,341	26,318
Commission expense	28,768	27,521
Amortization	3,574	3,670
Taxes and dues	3,423	3,483
Transportation expense	2,441	2,411
Printing expense	205	471
Rental expense	6,023	4,726
Other	10,372	10,697
	<u>121,369</u>	<u>120,205</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, 2015 and 2014, consist of:

<i>(in millions of Korean won)</i>	2015	2014
Changes in inventories	2,296	(1,688)
Purchase of raw materials and merchandise	44,827	51,103
Depreciation, amortization	39,994	44,120
Employee benefit expenses	151,018	153,060
Commission expenses	430,289	427,930
Rental expenses	35,231	31,941
Advertising expenses	25,471	25,853
Other expenses	41,037	47,553
	770,163	779,872

34. Other Income

Other income for the years ended December 31, 2015 and 2014, consist of:

<i>(in millions of Korean won)</i>	2015	2014
Interest income (lease)	1,416	1,858
Dividend income	2,835	2,322
Gain on disposal of financial assets at fair value through profit or loss	570	568
Gain on valuation of financial assets at fair value through profit or loss	4,110	1,723
Gain on disposal of available-for-sale financial assets	19,203	38,179
Gain on valuation of derivatives	261	-
Gain on transaction of derivatives	45	-
Other	2,875	2,151
	31,315	46,801

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35. Other Expenses

Other expenses for the years ended December 31, 2015 and 2014, consist of:

<i>(in millions of Korean won)</i>	2015	2014
Interest expense (lease)	500	465
Loss on foreign currency transaction	243	287
Loss on foreign currency translation	5	23
Contribution expense	3,970	3,280
Other commission	1,423	1,435
Loss on disposal of financial assets at fair value through profit or loss	1,001	970
Impairment loss on intangible assets	2,726	14,308
Loss on disposal of available-for-sale financial assets	3,936	2,538
Loss on valuation of derivatives	257	87
Other	2,554	1,674
	16,615	25,067

36. Financial Income

Financial income for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Interest Income	2,818	2,597
Gain on foreign currency translation	382	229
	3,200	2,826

37. Financial Expenses

Financial expenses for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Interest expenses	1,189	1,307
Loss on foreign currency translation	7	116
Loss on foreign currency transaction	25	-
	1,221	1,423

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38. Income Tax Expense

Income tax expense for the years ended December 31, 2015 and 2014, consists of:

<i>(in millions of Korean won)</i>	2015	2014
Current tax on profit for the year	13,681	18,074
Changes in total deferred tax	(2,417)	(12,231)
Deferred tax directly to equity	2,368	9,537
Difference of changes in currency exchange	366	176
Income tax expense	<u>13,997</u>	<u>15,566</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>	2015	2014
Profit before tax	<u>60,057</u>	<u>53,791</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	12,839	13,240
Tax adjustments:		
Income not subject to tax / expenses not deductible for tax purposes	704	1,574
Effects of unrecognized deferred income tax at the beginning	1,673	2,524
Changes in deferred tax assets	(964)	(1,326)
Adjustments in respect of prior years	(424)	(238)
Others	169	(208)
Income tax expense	<u>13,997</u>	<u>15,566</u>
Effective tax rate (Income tax over profit before tax)	<u>23.31%</u>	<u>28.90%</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, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Profit attributable to ordinary shares ¹	37,363	33,764
Weighted average number of ordinary shares in issue ² (Unit: share)	75,900,197	76,050,924
Basic earnings per share (in won)		
Basic earnings per ordinary share	492	444

Basic earnings per preferred share for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Profit attributable to preferred shares ¹	7,435	6,662
Weighted average number of preferred shares in issue ² (Unit: share)	15,033,807	14,973,274
Basic earnings per share (in won)		
Basic earnings per preferred share	495	445

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

<i>(in millions of Korean won)</i>	2015	2014
Profit attributable to equity holders of the Parent Company (A)	44,798	40,426
Ordinary shares dividends (B)	17,293	15,156
Preferred shares dividends (C)	3,609	3,147
Undistributed earnings (D=A-B-C)	23,896	22,123
Undistributed earnings available for ordinary shares (E)	20,070	18,608
Undistributed earnings available for preferred shares(F)	3,826	3,515
Profit attributable to ordinary shares (G=B+E)	37,363	33,764
Profit attributable to preferred shares (H=C+F)	7,435	6,662

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² Weighted average numbers of shares are calculated as follows:

<i>(Shares)</i>	2015	2014
Ordinary shares outstanding	84,702,850	84,702,850
Ordinary treasury shares	(9,517,598)	(8,922,540)
Ordinary shares	75,185,252	75,780,310
Weighted average number of ordinary shares outstanding	75,900,197	76,050,924
Preferred shares outstanding	19,426,990	19,426,990
Preferred treasury shares	(4,388,392)	(4,442,186)
Preferred shares	15,038,598	14,984,804
Weighted average number of preferred shares outstanding	15,033,807	14,973,274

Diluted earnings per ordinary share for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Profit attributable to ordinary shares	37,363	33,764
Weighted average number of ordinary shares in issue and dilutive potential ordinary shares (Unit: share)	76,035,191	76,196,782
Diluted earnings per share (in won)		
Diluted earnings per ordinary share	491	443

Diluted earnings per preferred share for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Profit attributable to preferred shares	7,435	6,662
Weighted average number of preferred shares in issue and dilutive potential preferred shares (Unit: share)	15,066,240	15,000,725
Diluted earnings per share (in won)		
Diluted earnings per preferred share	494	444

40. Dividends

The interim dividends for ordinary shares paid in 2015 and 2014 were ₩7,658 million (₩100 per share, dividend rate: 20%) and ₩7,589 million (₩100 per share, dividend rate: 20%) and the interim dividends for preferred shares were ₩1,503 million (₩100 per share, dividend rate: 20%) and ₩1,496 million (₩100 per share, dividend rate: 20%), respectively.

The dividends for ordinary shares paid in 2015 and 2014 were ₩9,851 million (₩130 per share,

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dividend rate: 26%) and ₩7,663 million (₩100 per share, dividend rate: 20%) and the dividends for preferred shares were ₩2,098 million (₩140 per share, dividend rate: 28%) and ₩1,650 million (₩110 per share, dividend rate: 22%), respectively.

A dividend for ordinary share in respect of the year ended December 31, 2015, of ₩140 per share (dividend rate: 28%), amounting to a total dividend of ₩10,526 million and a dividend for preferred share of ₩150 per share (dividend rate: 30%), amounting to a total dividend of ₩2,256 million, are to be proposed at the annual general meeting on March 11, 2016. These financial statements do not reflect this dividend payable.

41. Cash Generated from Operations

Cash generated from operations for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Profit for the year	46,060	38,225
Adjustments :	53,105	47,994
Severance benefits	8,499	8,600
Depreciation and amortization	39,994	44,120
Impairment loss on property, plant and equipment	886	-
Impairment loss on intangible assets	2,726	14,308
Interest income	(4,234)	(4,455)
Gain on disposal of available-for-sale financial assets	(15,267)	(35,641)
Dividend income	(2,835)	(2,322)
Income tax expense	13,997	15,566
Other	9,339	7,818
Changes in operating assets and liabilities:	(31,284)	(42,589)
Increase in financial assets at fair value through gain or loss	(19,943)	(39,000)
Decrease in trade receivables	4,647	3,010
Decrease in other receivables	2,788	-
Increase in inventories	(571)	(1,656)
Increase in other assets	(4,373)	(3,814)
Increase(decrease) in trade payables	(879)	1,231
Decrease in other payables	(3,599)	(2,935)
Increase in provisions	77	23
Increase in other liabilities	806	8,903
Payment of net defined benefit liability	(184)	(968)
Deposit in plan assets, net	(10,053)	(7,842)
Changes in other assets, liabilities	-	459
Cash generated from operations	67,881	43,630

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The significant non-cash transactions for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Valuation of available-for-sale financial assets	(12,969)	22,915
Exercise of stock options	1,027	525
Reclassification of investment property	(4,265)	(6,436)
Increase(decrease) in other payables in relation to property, plant and equipment	(225)	1,277
Increase(decrease) in other payables in relation to intangible assets	(48)	425

42. Related Party Transactions

As of December 31, 2015 and 2014, 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, 2015 and 2014, are as follows:

	December 31, 2015	December 31, 2014	Relationship
Other related parties	Daekyo D&S Co., Ltd.	Daekyo D&S Co., Ltd.	A subsidiary of Parent Company
	Daekyo CNS Co., Ltd.	Daekyo CNS Co., Ltd.	A subsidiary of Parent Company
	Gangwon Deep Sea Water Co., Ltd.	Gangwon Deep Sea Water Co., Ltd.	A subsidiary of Parent Company
	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
	Deakyo Investment Co., Ltd.	Deakyo Investment Co., Ltd.	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 hold the entity
	Crystal One Co., Ltd.	Crystal One Co., Ltd.	Relatives of key managements is the entity's CEO
	Crystal Wine Club Co., Ltd.	Crystal Wine Club Co., Ltd.	Relatives of key managements hold the entity
	-	Crystal Wine Collection Co., Ltd.	Relatives of key managements is the entity's CEO
	With the Green Co., Ltd.	-	An associate

Daekyo Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Significant transactions for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015					
	Sales		Purchases			
	Sales ¹	Others	Purchases ²	Acquisition of	Selling and	Others
				non-current assets	administrative expenses	
Parent Company						
Daekyo Holdings Co., Ltd.	64	515	121	-	2,577	152
Other related parties						
Daekyo D&S Co., Ltd.	99	41	1,430	-	5,364	-
Daekyo CNS Co., Ltd.	207	18	-	2,858	13,065	-
Gangwon Deep Sea Water Co., Ltd.	121	9	1	-	1,193	-
Daekyo Culture foundation	298	100	-	-	-	648
World Youth & Culture Foundation	55	-	-	-	-	39
BongAm Institute	37	-	-	-	-	576
Crystal One Co., Ltd.	220	-	1	-	2,116	-
Crystal Wine Club Co., Ltd.	-	-	-	-	54	-
Deakyo Investment Co., Ltd.	35	2	-	-	108	-
Tara Graphics Co., Ltd.	-	-	24	-	309	-
Tara Distribution Co., Ltd.	-	-	7,728	-	477	-
Tara TPS Co., Ltd.	313	-	26,014	-	837	-
	<u>1,449</u>	<u>685</u>	<u>35,319</u>	<u>2,858</u>	<u>26,100</u>	<u>1,415</u>

(in millions of Korean won)

	2014					
	Sales		Purchases			
	Sales ¹	Others	Purchases ²	Acquisition of	Selling and	Others
				non-current assets	administrative expenses	
Parent Company						
Daekyo Holdings Co., Ltd.	71	698	1	-	2,812	529
Other related parties						
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.	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	-

Daekyo Co., Ltd. and Subsidiaries
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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>

¹ Sale of goods and rendering of services are included.

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

The balances of significant transactions are as follows:

(in millions of Korean won)

	December 31, 2015				
	Receivables			Payables	
	Trade receivables	Other receivables	Others	Trade payables	Other payables
Parent Company					
Daekyo Holdings Co., Ltd.	35	217	18	-	1,878
Other related parties					
Daekyo D&S Co., Ltd.	-	19	7,560	-	1,917
Daekyo CNS Co., Ltd.	-	6	-	-	4,692
Gangwon Deep Sea Water Co., Ltd.	-	35	-	-	725
Daekyo Culture foundation	57	-	-	-	36
World Youth&Culture Foundation	-	-	-	-	35
Crystal One Co., Ltd.	-	1	-	-	206
Crystal wine Club Co., Ltd	-	-	-	-	2
Daekyo Investment Co., Ltd	-	1	-	-	666
Tara Graphics Co., Ltd.	-	-	-	-	32
Tara Distribution Co., Ltd.	-	-	-	1,794	-
Tara TPS Co., Ltd.	28	1	-	4,424	41
	<u>120</u>	<u>280</u>	<u>7,578</u>	<u>6,218</u>	<u>10,230</u>

(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

Daekyo Co., Ltd. and Subsidiaries
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Crystal One Co., Ltd.	12	1	-	-	321
Crystal wine 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>

Fund transactions with related parties for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015					
	Equity contributions		Loan transactions		Borrowing transactions	
	Dividend (reduction)					
	Dividend paid	received	in cash	Lending	Recover	Borrowings Repayments
Parent Company						
Daekyo Holdings Co., Ltd.	10,619	-	-	-	-	5,100 7,700
Other related parties						
Daekyo Culture foundation	685	-	-	-	-	- -
World Youth&Culture Foundation	223	-	-	-	-	- -
BongAm Institute	29	-	-	-	-	- -
Crystal One Co., Ltd.	449	-	-	-	-	- -
With the Green Co., Ltd.	-	-	360	-	-	- -
	<u>12,005</u>	<u>-</u>	<u>360</u>	<u>-</u>	<u>-</u>	<u>5,100 7,700</u>

(in millions of Korean won)

	2014					
	Equity contributions		Loan transactions		Borrowing transactions	
	Dividend (reduction)					
	Dividend paid	received	in cash	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.	393	-	-	-	-	- -
	<u>10,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600 -</u>

Daekyo Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
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Key management compensation of the Group for the years ended December 31, 2015 and 2014, consists of:

<i>(in millions of Korean won)</i>	2015	2014
Short-term employee benefit	3,497	3,692
Severance benefits	449	538
	<u>3,946</u>	<u>4,230</u>

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

As of December 31, 2015, 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 consolidated financial statements as of December 31, 2015 was approved by the Board of Directors on February 25, 2016, which is subject to change with the approval of the shareholders at their annual shareholders' meeting.