

# **Greenpeace Foundation**

**FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

**ATTACHMENT : INDEPENDENT AUDITORS' REPORT**

**Greenpeace Foundation**

## Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

The Board of Directors of  
Greenpeace Foundation:

### Report on the Financial Statements

We have audited the accompanying financial statements of Greenpeace Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of comprehensive income, statements of changes in equity and statements of cash flows, for the years ended December 31, 2016 and 2015, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Foundation's management is responsible for the preparation and fair presentation of the financial statements in accordance with Korean International Financial Reporting Standards ("K-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.

### Auditors' Responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audits. We conducted our audits in accordance with Korean Auditing Standards. 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, whether due to fraud or error.

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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015, in accordance with K-IFRS and the Act on the Establishment and Operation of Public-Service Corporations.

*Deloitte Anjin LLC*

February 15, 2017

### Notice to Readers

This report is effective as of February 15, 2017, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

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# **GREENPEACE FOUNDATION**

## **FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

The accompanying financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the management of Greenpeace Foundation.

**Sze Pang Cheung**  
**The President of the Korean Committee for Greenpeace Foundation**

**GREENPEACE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016 AND 2015**

<u>ASSETS</u>	December 31, 2016	December 31, 2015
	(In Korean won)	
<b>Current assets:</b>		
Cash and cash equivalents (Note 4)	₩ 321,888,888	₩ 38,762,984
Short-term financial instruments (Note 5)	500,000,000	500,000,000
Other receivables (Notes 6, 18)	233,377,750	235,603,400
Other current assets (Note 7)	47,426,898	281,589,091
Total Current Assets	1,102,693,536	1,055,955,475
<b>Non-current assets:</b>		
Property and equipment, net (Note 8)	173,489,009	238,813,096
Total Non-Current Assets	173,489,009	238,813,096
Total Assets	₩ 1,276,182,545	₩ 1,294,768,571
 <u>LIABILITIES</u>		
<b>Current liabilities:</b>		
Borrowings (Note 9)	₩ 604,250,000	₩ 2,344,000,000
Accounts payable	206,991,890	520,182,051
Accrued expenses	86,561,266	362,923,121
Withholdings	45,520,051	38,401,841
Total Current Liabilities	943,323,207	3,265,507,013
<b>Non-current liabilities:</b>		
Borrowings (Note 9)	5,196,550,000	3,281,600,000
Accrued expenses	823,093,238	174,188,500
Net defined benefit liability (Note 10)	380,795,650	207,002,604
Total Non-Current Liabilities	6,400,438,888	3,662,791,104
Total Liabilities	7,343,762,095	6,928,298,117
 <u>EQUITY</u>		
Basic fund (Note 11)	500,000,000	500,000,000
Retained earnings (Undisposed deficit) (Note 12)	(6,567,579,550)	(6,133,529,546)
Total Equity	(6,067,579,550)	(5,633,529,546)
Total Liabilities and Equity	₩ 1,276,182,545	₩ 1,294,768,571

See accompanying notes to financial statements.

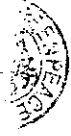
GREENPEACE FOUNDATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	(In Korean won)	
OPERATING REVENUES:		
Donation revenues (Note 13)	₩ 6,678,000,066	₩ 4,472,605,305
Other revenues (Note 14)	9,148,567	75,073,301
Total Revenues	<u>6,687,148,633</u>	<u>4,547,678,606</u>
OPERATING EXPENSES:		
Operating expenses (Note 15)	6,530,337,754	6,561,518,291
Other expenses (Note 16)	517,499,752	799,174,132
Total Expenses	<u>7,047,837,506</u>	<u>7,360,692,423</u>
Net loss for the year	<u>(360,688,873)</u>	<u>(2,813,013,817)</u>
OTHER COMPREHENSIVE LOSS:		
Items that will be subsequently reclassified to profit or loss:		
Remeasurement of net defined benefit liability (Note 10)	(73,361,131)	(125,079,416)
Total comprehensive loss for the year	<u>₩ (433,050,004)</u>	<u>₩ (2,938,093,233)</u>

See accompanying notes to financial statements.



GREENPEACE FOUNDATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Basic fund	Retained earnings (Undisposed deficit) (In Korean won)	Total
Balance at January 1, 2015	₩ 500,000,000	₩ (3,195,436,313)	₩ (2,695,436,313)
Remeasurement of the net defined benefit liability	-	(125,079,416)	(125,079,416)
Current-year surplus (deficit)	-	(2,813,013,817)	(2,813,013,817)
Balance at December 31, 2015	<u>₩ 500,000,000</u>	<u>₩ (6,133,529,546)</u>	<u>₩ (5,633,529,546)</u>
Balance at January 1, 2016	₩ 500,000,000	₩ (6,133,529,546)	₩ (5,633,529,546)
Remeasurement of the net defined benefit liability	-	(73,361,131)	(73,361,131)
Current-year surplus (deficit)	-	(360,688,873)	(360,688,873)
Balance at December 31, 2016	<u>₩ 500,000,000</u>	<u>₩ (6,567,579,550)</u>	<u>₩ (6,067,559,550)</u>

See accompanying notes to financial statements.



GREENPEACE FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	(In Korean won)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash generated from operations (Note 19)	₩ 311,290,780	₩ (1,955,337,296)
Interest received	8,795,203	14,455,926
Net cash used in operating activities	<u>320,085,983</u>	<u>(1,940,881,370)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Disposal of property, plant and equipment	-	3,300,000
Acquisition of property, plant and equipment	(36,960,079)	(222,345,900)
Net cash used in investing activities	<u>(36,960,079)</u>	<u>(219,045,900)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase in borrowings	-	2,505,171,000
Decrease in borrowings	-	(573,065,000)
Net cash provided by financing activities	<u>-</u>	<u>1,932,106,000</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>283,125,904</u>	<u>(227,821,270)</u>
<b>CASH AND CASH EQUIVALENTS BEGINNING OF THE YEAR</b>	38,762,984	266,584,168
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH EQUIVALENTS</b>	<u>-</u>	<u>86</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>₩ 321,888,888</u>	<u>₩ 38,762,984</u>

See accompanying notes to financial statements.

# GREENPEACE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 1. GENERAL:

Greenpeace Foundation (the "Foundation") is a not-for-profit organization incorporated in Korea. The address of its headquarters is 6F ChengYong Bldg 257 Gil, HanGangDae-Ro, YongSan-Gu, Seoul, Korea.

The Foundation is principally engaged in promoting, encouraging, further establishing, procuring and achieving the protection of wildlife, with the elimination of threats and damage to the environment. The Foundation was established based on contribution amounting to ₩500,000,000 by Greenpeace East Asia (Hong Kong).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTING FINANCIAL STATEMENTS:

#### (1) Basis of preparation

The Foundation has prepared accompanying financial statements in accordance with the Korean International Financial Reporting Standards ("K-IFRS") for the annual period beginning on October 28, 2013 (date of incorporation), as well as the Act on the Establishment and Operation of Public-Service Corporations.

The accompanying financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given.

The principal accounting policies are set out below.

The Foundation maintains its official accounting records in the Republic of Korean won ("won") and prepares financial statements in accordance with K-IFRS. Accordingly, these financial statements are intended for use by those who are informed about K-IFRS and Korean practices.

#### 1) Amendments to K-IFRS and new interpretations that are mandatorily effective for the current year:

##### Amendments to K-IFRS 1001 – Presentation of Financial Statements

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The application of these amendments has no impact on the disclosure in the Company's financial statements.

##### Amendments to K-IFRS 1016 – Property, Plant and Equipment

The amendments to K-IFRS 1016 prohibit the Company from using a revenue-based depreciation method for items of property, plant and equipment. The application of these amendments has no impact on the disclosure in the Company's financial statements.



## Annual Improvements to K-IFRS 2012-2014, Cycle

The annual improvements include amendments to a number of K-IFRS. The amendments introduce specific guidance in K-IFRS 1105 - Non-current Assets Held for Sale and Discontinued Operations when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa); such a change is considered as a continuation of the original plan of disposal, and not as a change to a plan of sale. Other amendments in the annual improvements include K-IFRS 1107 - Financial Instruments: Disclosures, K-IFRS 1019 - Employee Benefits and K-IFRS 1034 - Interim Financial Reporting. The application of these amendments has no impact on the disclosure in the Company's financial statements.

### 2) New and revised K-IFRS issued, but not yet effective

#### Amendments to K-IFRS 1109 – Financial Instruments

The amendments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses and broadened types of instruments that qualify as hedging instruments, the types of risk components of non-financial items that are eligible for hedge accounting and the change in the hedge effectiveness test. The amendments are effective for annual periods beginning on or after January 1, 2018.

#### Amendments to K-IFRS 1115 – Revenue from Contracts with Customers

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduce a five-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract and 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS 1011 - Construction Contracts, K-IFRS 1018 - Revenue, K-IFRS 2113 - Customer Loyalty Programmes, K-IFRS 2115 - Agreements for the Construction of Real Estate, K-IFRS 2118 - Transfers of Assets from Customers and K-IFRS 2031 - Revenue-Barter Transactions Involving Advertising Services. The amendments are effective for annual periods beginning on or after January 1, 2018.

The Company does not anticipate that the amendments referred to above will have a significant effect on the Company's financial statements and disclosures.

### (2) Cash and cash equivalents

Cash and cash equivalents include cash; cash equivalent securities, including cheques issued by others; checking accounts; ordinary deposits; and financial instruments, which can be easily converted into cash and whose value changes due to changes in interest rates are not material, with an original maturity of three months or less from the date of acquisition.

### (3) Financial instruments

All financial instruments are recognized and derecognized on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for the financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets or financial liabilities, except for equity instruments, derivatives and financial instruments at fair value through profit or loss, are measured at amortized cost.

At each reporting date, the Foundation reviews whether events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized when the reliably estimated recoverable amounts are less than the carrying amount and it is not obviously evident that impairment is unnecessary.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss is recorded and the reversal of an impairment loss does not exceed the carrying amount that would have been determined without having recognized an impairment loss in prior years. The reversal is recognized in profit or loss.

(4) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to its purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets acquired through investment in kind or donations are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received, unless the fair value of the asset received is more clearly evident.

Subsequent costs are recognized in carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Foundation and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Foundation does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Type of asset	Life
Structures	5 years
Equipment	3 years

The Foundation reviews the depreciation method, the estimated useful lives and the residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(5) Revenue recognition

When no performance obligation is included, the grants are recognized as income when the proceeds are receivable. However, when future performance conditions are included, only the grants are recognized as income when the performance conditions are met.

(6) Impairment assets

The carrying amounts of the Foundation's non-financial assets are reviewed at each reporting date to determine whether there is any indication that the assets are impaired. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statements of comprehensive income.

The recoverable amount of an asset is the greater of its value in use and its amortized cost less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining amortized cost less costs to sell, an appropriate valuation model is used.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(7) Retirement and severance benefits

For defined benefit pension plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statements of financial position with a charge or credit recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Foundation presents the service cost and net interest expense (income) components in profit or loss and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statements of financial position represents the actual deficit or surplus in the Foundation's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

(8) Foreign currency transactions

Functional and presentation currency

The financial statements of the Foundation are presented in the currency of the primary economic environment in which the Foundation operates. For the purpose of the financial statements, the results and financial position of the Foundation are expressed in Korean won, which is the functional currency of the Foundation and the presentation currency for the financial statements.

Foreign currency transactions

Transactions in currencies other than the Foundation's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

### **3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:**

In the application of the Foundation's accounting policies, which are described in Note 2, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **(1) Defined benefit plan**

The Foundation's defined benefit obligation is determined based on the actuarial valuation carried out at the end of each annual reporting period. Actuarial assumptions are the Foundation's best estimates of the variables in determining the cost of providing postretirement benefits, such as discount rates, rates of expected future salary increases and mortality rates. Significant estimation uncertainty is likely to persist in making such assumptions due to the long-term nature of postretirement benefit plan.

### **4 CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents as of December 31, 2016 and 2015, are summarized as follows (Unit: Korean won in thousands):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Demand deposits	₩ 303,052	₩ 38,756
Foreign currencies	18,836	7
Total	<u>₩ 321,888</u>	<u>₩ 38,763</u>

### **5 SHORT-TERM INVESTMENTS:**

Short-term financial instruments as of December 31, 2016 and 2015, are summarized as follows (Unit: Korean won in thousands):

<u>Accounts</u>	<u>Financial institution</u>	<u>Interest rates</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Fixed deposits	Korea Exchange Bank	1.29%	₩ 500,000	₩ 500,000

### **6 OTHER RECEIVABLES:**

Other receivables as of December 31, 2016 and 2015, consist of the following (Unit: Korean won in thousands):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other current receivables:		
Rental and other deposits	₩ 223,880	₩ 223,880
Receivable: FR INC	5,808	6,856
Receivable: Other INC	3,690	4,867
	<u>₩ 233,378</u>	<u>₩ 235,603</u>

**7. OTHER ASSETS:**

Other assets as of December 31, 2016 and 2015, are as follows (Unit: Korean won in thousands):

	December 31, 2016	December 31, 2015
Other current assets:		
Advance payments	₩ -	₩ 1,440
Prepaid expenses	47,427	280,149
	<u>₩ 47,427</u>	<u>₩ 281,589</u>

**8. PROPERTY AND EQUIPMENT:**

(1) Details of property and equipment as of December 31, 2016 and 2015, are as follows (Unit: Korean won in thousands):

	December 31, 2016		
	Structures in leased office	Equipment	Total
Acquisition cost	₩ 104,802	₩ 267,624	₩ 372,426
Accumulated depreciation	(36,094)	(162,843)	(198,937)
Net carrying value	<u>₩ 68,708</u>	<u>₩ 104,781</u>	<u>₩ 173,489</u>
	December 31, 2015		
	Structures in leased office	Equipment	Total
Acquisition cost	₩ 104,802	₩ 230,664	₩ 335,466
Accumulated depreciation	(15,703)	(80,950)	(96,653)
Net carrying value	<u>₩ 89,099</u>	<u>₩ 149,714</u>	<u>₩ 238,813</u>

(2) Changes in property and equipment for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in thousands):

	Book value as of January 1, 2016	Acquisitions	Disposals	Depreciation	Book value as of December 31, 2016
Structures in leased office	₩ 89,099	₩ -	₩ -	₩ (20,391)	₩ 68,708
Equipment	149,714	36,960	-	(81,893)	104,781
	<u>₩ 238,813</u>	<u>₩ 36,960</u>	<u>₩ -</u>	<u>₩ (102,284)</u>	<u>₩ 173,489</u>
	Book value as of January 1, 2015	Acquisitions	Disposals	Depreciation	Book value as of December 31, 2015
Structures in leased office	₩ 46,136	₩ 99,920	₩ (23,211)	₩ (33,746)	₩ 89,099
Equipment	91,213	122,426	(6,975)	(56,950)	149,714
	<u>₩ 137,349</u>	<u>₩ 222,346</u>	<u>₩ (30,186)</u>	<u>₩ (90,696)</u>	<u>₩ 238,813</u>

**9 BORROWINGS:**

- (1) Borrowings as of December 31, 2016 and 2015, consist of the following (Unit: Korean won in thousands):

	December 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Long-term borrowings	₩ 604,250	₩ 5,196,550	₩ 2,344,000	₩ 3,281,600

- (2) Long-term borrowings as of December 31, 2016 and 2015, consist of the following (Unit: Korean won in thousands):

	December 31, 2016			
	Borrower	Annual interest rate (%)	Current	Non-current
Long-term borrowings	GPEA office	4.6	₩ 604,250	₩ 5,196,550

	December 31, 2015			
	Borrower	Annual interest rate (%)	Current	Non-current
Long-term borrowings	GPEA office	6.9	₩ 2,344,000	₩ 3,281,600

- (3) Aging analysis of the Foundation's long-term borrowings as of December 31, 2016, is as follows (Unit: Korean won in thousands):

	Amount
Within one year	₩ 604,250
More than one year	₩ 5,196,550
Total	₩ 5,800,800

**10 NET DEFINED BENEFIT LIABILITY:**

- (1) As of December 31, 2016 and 2015, amounts recognized in the statements of financial position in relation to retirement benefit obligation are as follows (Unit: Korean won in thousands):

	December 31, 2016	December 31, 2015
Present value of defined benefit obligation	₩ 380,796	₩ 207,003
Fair value of plan assets	-	-
Retirement benefit obligation (net)	₩ 380,796	₩ 207,003

- (2) Changes in the present value of defined benefit obligation for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in thousands):

	December 31, 2016		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 207,003	₩ -	₩ 207,003
Defined benefit costs recognized in profit or loss:			
Current service cost	158,682	-	158,682
Interest expense (income)	3,728	-	3,728
Subtotal	162,410	-	162,410
Defined benefit costs recognized in other comprehensive income	7,542	-	7,542
Actuarial loss from financial assumptions	(2,564)	-	(2,564)
Actuarial loss from experience adjustments	68,383	-	68,383
Subtotal	73,361	-	73,361
Contributions	-	-	-
Benefits paid	-	-	-
Other increase	(61,978)	-	(61,978)
Ending balance	₩ 380,796	₩ -	₩ 380,796
	December 31, 2015		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 109,054	₩ -	₩ 109,054
Defined benefit costs recognized in profit or loss:			
Current service cost	81,626	-	81,626
Interest expense (income)	2,115	-	2,115
Subtotal	83,741	-	83,741
Defined benefit costs recognized in other comprehensive income	1,273	-	1,273
Actuarial loss from financial assumptions	26,570	-	26,570
Actuarial loss from experience adjustments	97,236	-	97,236
Subtotal	125,079	-	125,079
Contributions	-	-	-
Benefits paid	(110,871)	-	(110,871)
Other increase	-	-	-
Ending balance	₩ 207,003	₩ -	₩ 207,003

- (3) Key actuarial assumptions used as of December 31, 2016 and 2015, are as follows (Unit: Rate (%)):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Discount rate	2.43	2.34
Expected rate of wage increase	5.08	3.82

- (4) The sensitivity analysis of actuarial assumptions used in defined benefit obligations is as follows (Unit: Korean won in thousands):

		<u>Defined benefit obligation December 31, 2016</u>	<u>Defined benefit obligation December 31, 2015</u>
Discount rate	Increase by 1% point	₩ 27,096	₩ 13,697
	Decrease by 1% point	(31,705)	(16,056)
Expected rate of wage increase	Increase by 1% point	(31,549)	(15,971)
	Decrease by 1% point	27,474	13,884

The sensitivity analysis indicates the change in the amounts of defined benefit obligation when each assumption changes without change in the remaining assumptions and is constant. The sensitivity of defined benefit obligations is determined by the same method as the projected unit credit method used in calculating net defined benefit liability and recognized in the separate statements of financial position.

## 11. BASIC FUND:

The Foundation presents contribution on establishment as a basic fund.

## 12. DEFICITS:

- (1) Changes in deficits for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in thousands):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Beginning balance	₩ (6,133,529)	₩ (3,195,436)
Net loss for the year	(360,689)	(2,813,014)
Actuarial gains (losses) recognized in retained earnings	(73,361)	(125,079)
Ending balance	<u>₩ (6,567,579)</u>	<u>₩ (6,133,529)</u>

- (2) Statement of disposition of deficit for the years ended December 31, 2016 and 2015, is as follows (Unit: Korean won):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Undisposed accumulated deficit:		
Beginning of the year	₩ (6,133,529,546)	₩ (3,195,436,313)
Net loss for the year	(360,688,873)	(2,813,013,817)
Actuarial gains (losses)	(73,361,131)	(125,079,416)
End of the year	<u>(6,567,579,550)</u>	<u>(6,133,529,546)</u>
Disposal	<u>-</u>	<u>-</u>
Undisposed accumulated deficit to be carried forward to next year	<u>₩ (6,567,579,550)</u>	<u>₩ (6,133,529,546)</u>



**13 DONATION REVENUES:**

Donation revenues for the years ended December 31, 2016 and 2015, are summarized as follows (Unit: Korean won in thousands):

	2016		2015
Fund-raising income	₩ 4,239,976	₩	2,659,277
Contribution from GPEA	2,438,024		1,813,328
	<u>₩ 6,678,000</u>	₩	<u>4,472,605</u>

**14 OTHER REVENUES:**

Other revenues for the years ended December 31, 2016 and 2015, are summarized as follows (Unit: Korean won in thousands):

	2016		2015
Interest income	₩ 7,618	₩	12,082
Foreign currency translation gain	1,531		1
Foreign currency exchange gain	-		62,990
Gain on disposal of property and equipment	-		-
	<u>₩ 9,149</u>	₩	<u>75,073</u>

**15 OPERATING EXPENSES:**

Operating expenses for the years ended December 31, 2016 and 2015, are summarized as follows (Unit: Korean won in thousands):

	2016		2015
Staff costs – Payroll related	₩ 3,026,495	₩	2,473,080
Staff costs – Non-payroll related	137,558		81,010
External services	879,636		1,974,979
Professional and consultancy	397,901		292,979
Travel, accommodation and meeting	279,921		210,373
Telecommunications	41,708		20,552
Information	26,508		9,489
Equipment purchase (Non-capitalized items) and operating costs	130,544		141,578
Photo and video	19,549		22,459
Postage and courier	64,822		33,559
Publishing	175,809		372,105
Data management fees	3,868		38,766
Media	693,332		377,646
Tax, permits and fees	179,248		13,675
Bank and credit card charges	64,574		41,575
Overhead	408,865		457,693
	<u>₩ 6,530,338</u>	₩	<u>6,561,518</u>

**16 OTHER EXPENSES:**

Other expenses for the years ended December 31, 2016 and 2015, are summarized as follows (Unit: Korean won in thousands):

	2016	2015
Loss on disposal of property and equipment	₩ -	₩ 26,886
Interest expense	315,563	353,403
Foreign currency translation loss	201,471	395,420
Foreign currency exchange loss	466	23,465
	₩ 517,500	₩ 799,174

**17. TAXATION:**

No provision for income tax has been made for the Foundation as the Foundation is not for business operation.

**18 COMMITMENTS AND CONTINGENCIES:**

(1) Acceptances and guarantees

As of December 31, 2016 and 2015, the Foundation was provided with performance guarantees of ₩225 million and ₩116 million, respectively, from Seoul Guarantee Insurance.

(2) Lease

As of December 31, 2016 and 2015, the Foundation had outstanding commitment under non-cancelable operating leases for use of land and buildings, which fall due as follows (Unit: Korean won in thousands):

	December 31, 2016	December 31, 2015
Within one year	₩ 81,280	₩ 61,280
More than one year	142,600	162,600
Total	₩ 223,880	₩ 223,880

**19. STATEMENTS OF CASH FLOWS:**

(1) Cash flows from operating activities

Details of cash flows from operating activities for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won):

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the year	₩ (360,688,873)	₩ (2,813,013,817)
Adjustments:		
Depreciation of property, plant and equipment	102,284,166	90,695,855
Loss on disposal of property, plant and equipment	-	26,885,600
Gain on disposal of property, plant and equipment	-	-
Severance benefits	162,409,728	83,740,740
Interest expenses	315,562,865	353,403,446
Loss on translation of foreign currency	201,471,018	395,420,086
Loss on exchange of foreign currency	-	23,465,000
Gain on translation of foreign currency	-	(86)
Interest income	(7,617,614)	(12,082,439)
	<u>774,110,163</u>	<u>961,528,202</u>
Change in working capital:		
Decrease(increase) in other receivables	1,048,061	(48,023,388)
Decrease(increase) in other current assets	234,162,193	(273,484,586)
Increase(decrease) in accounts payable	(313,190,161)	307,824,659
Increase(decrease) in accrued expenses	30,709,000	(1,107,109)
Increase in withholdings	7,118,210	11,670,771
Benefits paid	-	(29,337,505)
Increase in defined benefit liability	(61,977,813)	(71,394,523)
	<u>(102,130,510)</u>	<u>(103,851,681)</u>
Total	<u>₩ 311,290,780</u>	<u>₩ (1,955,337,296)</u>

The cash and cash equivalents in the statements of cash flows are the same as the cash and cash equivalents in the statements of financial position.

**20. RELATED-PARTY TRANSACTIONS:**

- (1) Related parties of the Foundation as of December 31, 2016 and 2015, are as follows:

<u>Description</u>	<u>Name of the company</u>
Other related parties	GPEA HK office

- (2) Transactions with the related parties for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in thousands):

	<u>Name of the company</u>	<u>Contribution</u>		<u>Other expenses</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Other related parties	GPEA HK office	<u>₩ 2,438,024</u>	<u>₩ 1,813,328</u>	<u>₩ 315,563</u>	<u>₩ 353,403</u>

- (3) Receivables from and payables to the related parties as of December 31, 2016, and 2015, are as follows (Unit: Korean won in thousands):

	<u>Name of the company</u>	<u>December 31, 2016</u>	
		<u>Receivable</u>	<u>Payable</u>
Other related parties	GPEA HK office	<u>₩ -</u>	<u>₩ 6,623,893</u>

	<u>Name of the company</u>	<u>December 31, 2015</u>	
		<u>Receivable</u>	<u>Payable</u>
Other related parties	GPEA HK office	<u>₩ -</u>	<u>₩ 6,106,859</u>

**21. RISK MANAGEMENT:**

- (1) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Foundation by failing to discharge an obligation.

The Foundation's cash and cash equivalents are placed with major financial institutions located in Korea with high-credit quality, and the credit risk is considered as insignificant. The Board of Directors is satisfied with the credit quality of financial assets.

Carrying amounts of financial assets as of December 31, 2016 and 2015, which represented the amounts of maximum exposure to credit risk, are as follows (Unit: Korean won in thousands):

	<u>2016</u>		<u>2015</u>	
Cash and cash equivalents	₩	321,889	₩	38,763
Short-term financial instruments		500,000		500,000
Other receivables		233,378		235,603
Total	₩	<u>1,055,267</u>	₩	<u>774,366</u>

(2) Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation manages liquidity risks by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of Foundation to meet its financial obligations. Maturities of the non-derivative financial liabilities as of December 31, 2016 and 2015, are as follows (Unit: Korean won in thousands):

	2016		2015
Borrowings	₩ 5,800,800	₩	5,625,600
Accounts payable	206,992		520,182
Accrued expenses	909,655		537,112
Due for payment	6,917,447		6,682,894
Within one year or on demand	₩ 811,242	₩	3,227,105

(3) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation's income and operating cash flows are substantially independent of changes in market interest rates, and the Foundation has no significant interest-bearing assets. The Foundation has not used any interest rate swaps to hedge its exposure to interest rate risk. As of December 31, 2016 and 2015, loans from GPEA HK office bearing fixed-rate interests are not affected by market interest rates.

(4) Fair value estimate

All of the carrying amounts of the Foundation's financial assets and liabilities approximate their fair values due to the short-term maturity of these instruments.