

KGCCI DEinternational Limited

Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)



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Independent Auditors' Report

To the Shareholder and Board of Directors of
KGCCI DEinternational Limited

Opinion

We have audited the accompanying financial statements of KGCCI DEinternational Limited (the "Company"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the statements of income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea.

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, financial performance and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Sunghyun LLC

BDO Sunghyun LLC
Republic of Korea

Engagement Partner : Kyungchul Lee



March 10, 2023

This report is effective as of March 10, 2023, 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 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.

KGCCI DEinternational Limited

Statements of Financial Position

December 31, 2022 and 2021

	Korean Won	
	2022	2021
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (notes 3 and 12)	₩ 1,465,610,308	₩ 1,261,386,790
Accounts receivable, net of allowance for doubtful accounts of ₩ 20,766 thousand and ₩ 22,382 thousand in 2022 and 2021 (notes 12 and 13)	306,961,550	177,967,482
Other accounts receivable (notes 12 and 13)	16,873,321	33,283,693
Prepaid expenses (note 7)	11,709,618	13,945,170
Total current assets	<u>1,801,154,797</u>	<u>1,486,583,135</u>
Non-current assets:		
Leasehold deposits (note 14)	300,060,000	300,060,000
Software (notes 5)	3,000	168,664
Structures and equipment (note 4):		
Structures	46,278,993	46,278,993
Office equipment	96,731,101	95,505,438
Less accumulated depreciation	(121,366,310)	(103,136,627)
Net structures and equipment	<u>21,643,784</u>	<u>38,647,804</u>
Total non-current assets	<u>321,706,784</u>	<u>346,708,993</u>
Total assets	₩ <u>2,122,861,581</u>	₩ <u>1,825,459,603</u>

See accompanying notes to financial statements.

KGCCI DEinternational Limited

Statements of Financial Position, Continued

December 31, 2022 and 2021

	Korean Won	
	2022	2021
<u>Liabilities</u>		
Current liabilities:		
Accounts payable (notes 12 and 13)	₩ 31,928,671	₩ 21,259,746
Income taxes payable (note 10)	37,189,514	8,096,925
Output value added taxes	40,640,403	47,979,215
Other accounts payable (note 13)	78,007,008	104,457,348
Provision for employee's annual leaves	74,672,821	58,400,384
Other current liabilities (note 6)	186,354,434	195,354,682
	<u>448,792,851</u>	<u>435,548,300</u>
Total current liabilities		
	448,792,851	435,548,300
Non-current liabilities:		
Leasehold deposits received (notes 12 and 13)	318,202,510	313,788,387
Reserve for restoration (note 7)	72,141,592	72,141,592
	<u>390,344,102</u>	<u>385,929,979</u>
Total non-current liabilities		
	390,344,102	385,929,979
Total liabilities	<u>839,136,953</u>	<u>821,478,279</u>
	839,136,953	821,478,279
<u>Shareholder's Equity</u>		
Capital (note 1)	150,000,000	150,000,000
Retained earnings (note 15)	1,133,724,628	853,981,324
	<u>1,283,724,628</u>	<u>1,003,981,324</u>
Total shareholder's equity		
	1,283,724,628	1,003,981,324
Total liabilities and shareholder's equity	₩ <u>2,122,861,581</u>	₩ <u>1,825,459,603</u>

See accompanying notes to financial statements.

KGCCI DEinternational Limited

Statements of Income

Years ended December 31, 2022 and 2021

	Korean Won	
	2022	2021
Revenues (notes 8 and 13)	₩ 2,678,807,009	₩ 2,246,169,199
Cost of revenues and administrative expenses (notes 9 and 13)	(2,352,738,806)	(2,097,134,312)
Operating income	<u>326,068,203</u>	<u>149,034,887</u>
Non-operating income:		
Interest income	617,437	583,621
Gain on foreign exchange transactions	17,170,033	12,025,037
Gain on foreign currency translations	1,915,142	4,401,200
Miscellaneous income	8,421	163,168
	<u>19,711,033</u>	<u>17,173,026</u>
Non-operating expenses:		
Loss on foreign exchange transactions	12,047,931	12,910,627
Loss on foreign currency translations	12,102,446	5,919,224
Miscellaneous expenses	2,031	1
	<u>(24,152,408)</u>	<u>(18,829,852)</u>
Net income before income tax	321,626,828	147,378,061
Income tax expense (note 10)	<u>(41,883,524)</u>	<u>(10,214,395)</u>
Net income	<u>₩ 279,743,304</u>	<u>₩ 137,163,666</u>
Earnings per share (note 11)	<u>₩ 18,649</u>	<u>₩ 9,144</u>

See accompanying notes to financial statements.

KGCCI DEinternational Limited

Statements of Changes in Equity

Years ended December 31, 2022 and 2021

	Korean Won		
	Capital	Retained earnings	Total shareholder's equity
Balance at January 1, 2021	₩ 150,000,000	₩ 716,817,658	₩ 866,817,658
Net income	-	137,163,666	137,163,666
Balance at December 31, 2021	₩ 150,000,000	853,981,324	1,003,981,324
Balance at January 1, 2022	₩ 150,000,000	853,981,324	1,003,981,324
Net income	-	279,743,304	279,743,304
Balance at December 31, 2022	₩ 150,000,000	₩ 1,133,724,628	₩ 1,283,724,628

See accompanying notes to financial statements

KGCCI DEinternational Limited

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	Korean Won	
	2022	2021
Cash flows from operating activities :		
Net income	₩ 279,743,304	₩ 137,163,666
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	18,229,683	21,821,148
Amortization of software	165,664	1,195,713
Loss on foreign currency translation	10,187,304	1,518,023
Bad debt expenses	7,283,359	9,269,399
Changes in assets and liabilities:		
Increase in accounts receivable	(133,406,046)	38,852,793
Collection of written-off receivables	(8,899,960)	-
Decrease (increase) in other accounts receivable	16,410,372	(17,027,078)
Decrease (increase) in prepaid expenses	2,235,552	(9,440,607)
Decrease in current tax assets	-	2,021,070
Decrease in output value added taxes	(7,338,812)	-
Increase (decrease) in accounts payable	(15,781,415)	51,759,874
Increase in provision for annual leaves	16,272,437	7,927,251
Increase (decrease) in other current liabilities	(9,000,248)	32,522,119
Increase in income taxes payable	29,092,589	7,691,268
Net cash provided by operating activities	<u>205,193,783</u>	<u>285,274,639</u>
Cash flows from investing activities:		
Acquisition of office equipment	(1,225,663)	(15,184,336)
Increase in leasehold deposits received	9,259,864	11,985,851
Decrease in leasehold deposits received	(4,869,000)	(7,599,875)
Net cash provided by (used in) investing activities	<u>₩ 3,165,201</u>	<u>₩ (10,798,360)</u>

See accompanying notes to financial statements.

KGCCI DEinternational Limited

Statements of Cash Flows, Continued

Years ended December 31, 2022 and 2021

	Korean Won	
	<u>2022</u>	<u>2021</u>
Cash flows from financing activities:		
Net cash provided by financing activities	₩ -	₩ -
Net increase in cash and cash equivalents	208,358,984	274,476,279
Translation loss on cash and cash equivalents	(4,135,466)	(2,496,946)
Cash and cash equivalents at beginning of year	<u>1,261,386,790</u>	<u>989,407,457</u>
Cash and cash equivalents at end of year	<u>₩ 1,465,610,308</u>	<u>₩ 1,261,386,790</u>

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2022 and 2021

(1) The Company

Korean-German Chamber of Commerce and Industry (“the Chamber”) was founded on June 12, 1981 in the Republic of Korea and registered with the Ministry of Trade, Industry and Energy on September 24, 1997 as a foreign organization to assist foreigners to integrate socially in Korea pursuant to the Social Integration Program in Article 39 of the Immigration Law

The object of the Chamber is to promote economic and commercial relations between the Federal Republic of Germany and the Republic of Korea, represent German companies in Korea and Korean companies in Germany, provide information, advise, market surveys and reports, professional education and training, run trade fairs and conventions as well as promoting tourism. The Chamber also acts as an arbitration Court.

In 2013 the Board of the Chamber decided to separate the operations of the Chamber that could be considered as for-profit business from its non-for profit business. At the Board meeting on November 14, 2013, it was resolved that activities of the Chamber that resulted in taxable income should be transferred to KGCCI DEinternational Limited, a wholly owned limited company (Yuhan Hoesa) to be established at the end of December 2013.

KGCCI DEinternational Limited (the “Company”) was incorporated on December 30, 2013 as a wholly owned subsidiary of the Chamber to provide income producing services that were performed by the Chamber in prior years.

As of December 31, 2022, the Company’s capital is ₩ 150 million which was paid in by the Chamber.

(2) Significant Accounting Policies and Basis of Financial Statements Presentation

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

(a) Basis of Financial Statements Presentation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended solely for use by only those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company’s financial position or results of operations, is not presented in the accompanying financial statements.

Notes to Financial Statements

December 31, 2022 and 2021

(2) Significant Accounting Policies and Basis of Financial Statements Presentation, Continued**(b) Adoption of Accounting Standards for Non-public Entities**

The Korean Accounting Standards Board (“KASB”) published the Accounting Standards for Non-Public Entities, which was effective from January 1, 2012. The Company prepared its financial statements as of and for the years ended December 31, 2022 and 2021 in accordance with the Accounting Standards for Non-Public Entities.

(c) Revenue Recognition

Services rendered are recorded as revenue when the Company’s revenue-earning activities have been substantially completed, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Company.

(d) Allowance for Doubtful Accounts

Allowance for doubtful accounts is estimated based on analysis of the collectability of individual accounts and past experience of collection.

(e) Tangible Assets

Tangible assets are stated at cost. Assets acquired through investment in kind or donation is 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.

Depreciation is computed by the straight-line method using rates based on useful lives of the respective assets as follows:

	<u>Useful lives (years)</u>
Structures	4
Office equipment	4

Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or extend the useful life of the related assets are capitalized.

The Company reviews the structures and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the estimated undiscounted future net cash flows from the use of the asset and its eventual disposal are less than its carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Notes to Financial Statements

December 31, 2022 and 2021

(2) Significant Accounting Policies and Basis of Financial Statements Presentation, Continued**(f) Retirement and Severance Benefits**

According to the Employee Retirement Benefit Security Act of Korea, the Company is required to adopt one of three plans; a defined benefit retirement pension plan, a retirement contribution pension plan and a retirement pay system under Article 8 of the Act.

The Company sponsors a defined contribution plan in which contributions in the amount of around 1/12 of employee's annual salary is made by the Company. The amount of benefit payments depends on the performance of the plan assets and is not guaranteed. The Company has no further payment obligations once the contributions have been paid. Contributions to the plan are expensed as retirement and severance benefits when remitted to the plan. Contributions paid into the plan amounted to ₩ 92,472 thousand and ₩ 80,175 thousand for the year ended December 31, 2022 and 2021, respectively.

(g) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet date, with the resulting gains and losses recognized in current results of operations. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩ 1,351.20 and ₩ 1,342.34 to EUR 1, the rate of exchange on December 31, 2022 and 2021 that is permitted by the Financial Accounting Standards. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate ruling at the date of the transaction.

(h) Corporate Income Taxes

The provision for income tax for a period is the amount currently payable for that period. In conformity with Accounting Standards for Non-Public Entities No.31, Exceptions to Accounting for Small- and Medium-Sized Entities, the Company does not recognize deferred income taxes arising from temporary differences between amounts reported for financial accounting and income tax purposes.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences.

Notes to Financial Statements

December 31, 2022 and 2021

(2) Significant Accounting Policies and Basis of Financial Statements Presentation, Continued**(i) Provisions, Contingent Assets and Contingent Liabilities**

Provisions are recognized when all of the following conditions are met: (1) an entity has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The expense relating to a provision is presented net of the amount recognized for a reimbursement.

Contingent liabilities, a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably, are not recognized in balance sheets but are disclosed in notes to the financial statements.

Contingent assets are disclosed where an inflow of economic benefits is probable.

(j) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from those estimates.

(k) Leases

A lease is accounted for as either a capital lease or an operating lease. A lease is recognized as a capital lease if it transfers substantially to the Company all the risks and rewards incidental to ownership of the leased asset.

An asset acquired by way of a capital lease arrangement is stated in the statement of financial position at the lower of the fair value or the present value of minimum lease payments at the inception of the lease. The corresponding liability is included in the statement of financial position as a capital lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalized lease assets are depreciated in the same manner as other depreciable property, plant and equipment.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Notes to Financial Statements

December 31, 2022 and 2021

(3) Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2022 and 2021 are summarized as follows:

		Korean Won	
		2022	2021
Foreign currency deposits	₩	892,968,949	₩ 535,539,376
Won currency deposits		572,641,359	725,847,414
	₩	<u>1,465,610,308</u>	<u>₩ 1,261,386,790</u>

(4) Structures and Equipment

The changes in net book value of structures and equipment for the years ended December 31, 2022 and 2021 are as follows:

		Korean Won			
		2022			
		Beginning balance	Acquisition	Depreciation	Ending balance
Structures	₩	2,401,834	-	(1,250,000)	1,151,834
Office equipment		36,245,970	1,225,663	(16,979,683)	20,491,950
	₩	<u>38,647,804</u>	<u>1,225,663</u>	<u>(18,229,683)</u>	<u>21,643,784</u>

		Korean Won			
		2021			
		Beginning balance	Acquisition	Depreciation	Ending balance
Structures	₩	5,562,846	-	(3,161,012)	2,401,834
Office equipment		39,721,770	15,184,336	(18,660,136)	36,245,970
	₩	<u>45,284,616</u>	<u>15,184,336</u>	<u>(21,821,148)</u>	<u>38,647,804</u>

Notes to Financial Statements

December 31, 2022 and 2021

(5) Software

The changes in net book value of software for the years ended December 31, 2022 and 2021 are as follows:

		Korean Won			
		Beginning balance	Acquisition	Amortization	Ending balance
2022	₩	168,664	-	(165,664)	3,000
2021	₩	1,364,377	-	(1,195,713)	168,664

(6) Other Current Liabilities

Other current liabilities as of December 31, 2022 and 2021 are summarized as follows:

		Korean Won	
		2022	2021
Unearned revenues	₩	161,782,004	₩ 174,197,152
Withholdings		24,572,430	21,157,530
	₩	186,354,434	₩ 195,354,682

The Company received advances amounting to ₩ 531 million and ₩ 518 million for the period ended December 31, 2022 and 2021 respectively from several car dealers such as Mercedes-Benz Korea Ltd., BMW Korea Co., Ltd., Audi Volkswagen Korea Ltd., MAN Truck & Bus Korea Ltd. and Daimler Trucks Korea Ltd. for providing automobile vocational training under a consignment agreement with each car dealer. The Company recognizes the income based on related expenses incurred and includes the income as fees earned for HR services. The unearned revenues of ₩ 161 million and ₩ 174 million as of December 31, 2022 and 2021 are recorded as other current liabilities.

(7) Reserve for Restoration

As the Company is responsible for restoration of leased premises when the contract terminates in March 2024, the Company recognized a reserve for restoration amounting to ₩ 72,141,592 with a matching entry to prepaid expenses. Amortization of prepaid expenses was completed in 2018.

Notes to Financial Statements

December 31, 2022 and 2021

(8) Revenues

Revenues for the years ended December 31, 2022 and 2021 are summarized as follows:

	Korean Won	
	2022	2021
Fees earned for basic services	₩ 147,173,168	₩ 199,887,359
Fees earned for HR services	773,962,197	613,906,132
Income from publications	104,950,001	130,427,545
Rental income	240,839,900	160,102,014
Events	202,679,891	141,878,819
Subsidized projects	411,078,845	309,494,916
Income from trade fairs	314,940,813	41,334,310
Income from other general services	483,182,194	649,138,104
	<u>₩ 2,678,807,009</u>	<u>₩ 2,246,169,199</u>

(9) Cost of Revenues and Administrative Expenses

Cost of revenues and administrative expenses for the years ended December 31, 2022 and 2021 are summarized as follows:

	Korean Won	
	2022	2021
Salaries	₩ 1,075,563,668	₩ 1,013,057,733
Contribution to retirement pension plan	89,072,082	76,407,298
Employee benefits	105,601,718	101,337,401
Depreciation	17,028,183	20,581,146
Amortization of software	165,664	1,195,713
Service fees	41,233,140	43,700,578
Rental expenses	148,280,294	144,370,379
Office maintenance	107,206,656	94,780,313
Trade fair expenses	17,426,874	3,780,595
HR service expenses	370,164,311	237,152,476
Other general services	117,575,033	130,997,499
Printing costs	22,950,348	39,264,057
Event expenses	126,899,053	93,080,804
Communication	5,222,288	4,851,351
Other administrative expenses	97,188,975	81,567,570
PR Expense	3,877,160	1,740,000
Bad debt expenses	7,283,359	9,269,399
	<u>₩ 2,352,738,806</u>	<u>2,097,134,312</u>

(*1) Certain amount of payroll expenses and depreciation are classified into project expenses such as HR service and events expenses based upon their natures.

Notes to Financial Statements

December 31, 2022 and 2021

(10) Income Tax Expenses

(a) Income tax expenses for the years ended December 31, 2022 and 2021 are summarized as follows:

	Korean Won	
	2022	2021
Corporate income taxes	₩ 38,075,931	₩ 9,285,814
Resident surtax	3,807,593	928,581
	<u>₩ 41,883,524</u>	<u>₩ 10,214,395</u>

The applicable statutory income tax rates are 11% including resident surtax for taxable income up to ₩ 200 million and 22% for taxable income in excess of ₩ 200 million in 2022 and 2021.

(b) Reconciliation between profit before income tax and taxable income for the years ended December 31, 2022 and 2021, is as follows:

	Korean Won	
	2022	2021
Earnings before income taxes	₩ 321,626,828	₩ 147,378,061
Timing differences	(47,430,492)	(72,518,213)
Permanent differences	16,183,319	17,998,301
Taxable income	₩ 290,379,655	₩ 92,858,149
Tax rates	11%, 22%	11%, 22%
Actual income taxes	<u>₩ 41,883,524</u>	<u>₩ 10,214,396</u>

(c) Details of the additions and deductions to accounting income for the years ended December 31, 2022 and 2021 to compute taxable income are as follows:

	Korean Won	
	2022	2021
Profit before income tax	₩ 321,626,828	₩ 147,378,061
Timing differences:		
Interior cost	(69,320,000)	(69,320,000)
Loss on foreign currency translation	6,183,222	(2,056,503)
Gain on foreign currency translation	2,486,058	(717,947)
Bad debt allowance in excess of tax limits	(3,052,209)	(8,351,014)
Provision for annual leave	16,272,437	7,927,251
Permanent differences:		
Bad debt	16,183,319	17,998,301
	<u>₩ 290,379,655</u>	<u>₩ 92,858,149</u>

Notes to Financial Statements

December 31, 2022 and 2021

(11) Earnings per Share

Earnings per share for the years ended December 31, 2022 and 2021 are calculated as follows:

	2022		2021	
Net income in Korean Won	₩	279,743,304	₩	137,163,666
Weighted-average number of shares		15,000		15,000
Earnings per share in Korean Won	₩	18,649	₩	9,144

(12) Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in Euro as of December 31, 2022 and 2021 are as follows:

	2022				2021			
		Foreign currency	₩	Won equivalent		Foreign currency	₩	Won equivalent
Assets:								
Cash and cash equivalents	EUR	660,871	₩	892,968,949	EUR	398,960	₩	535,539,376
Accounts receivable	EUR	211,544		285,838,456	EUR	108,683		145,889,511
	EUR	872,415	₩	1,178,807,405	EUR	507,643	₩	681,428,887
Liabilities:								
Accounts payable	EUR		₩		EUR	7,457	₩	10,010,393
Leasehold deposits received	EUR	2,625		3,547,170	EUR	2,625		3,523,911
	EUR	2,625	₩	3,547,170	EUR	10,082	₩	13,534,304

Notes to Financial Statements

December 31, 2022 and 2021

(13) Transactions with Related Parties

Significant transactions and related balances with the shareholder as of and for the years ended December 31, 2022 and 2021 are summarized as follows:

Transactions	Korean Won			
		2022		2021
Revenue from general services	₩	144,339,199	₩	144,599,728
Expense for allocation of overheads		(15,880,025)		(18,279,397)
Revenue from allocation of overheads		185,211,289		198,724,895
Revenues	₩	329,550,488	₩	343,324,623
Expenses	₩	(15,880,025)	₩	(18,279,397)

Balances	Korean Won			
		2022		2021
Accounts receivable	₩	17,710,743	₩	25,205,424
Other accounts receivable		16,706,251		33,138,223
Other accounts payable		(2,834,265)		(4,039,399)
Leasehold deposits received		(300,000,000)		(300,000,000)
Receivables	₩	34,416,994	₩	58,343,647
Payables	₩	(302,834,265)	₩	(304,039,399)

Notes to Financial Statements

December 31, 2022 and 2021

(14) Leases

- (a) The Company, as a lessee, has a non-cancelable office lease contract with a landlord. The future minimum lease payments under commitments in relation to non-cancellable operating leases contracted for at the reporting date, but not recognized as liabilities, are as follows:

	Korean Won	
Rent payable	2022	2021
Within one year	₩ 212,132,784	₩ 212,132,784
Between two to five years	59,220,402	35,355,464
	₩ 271,353,186	₩ 247,488,248

Apart from the rent the Company has deposited refundable rental deposit of ₩ 300 million with the landlord.

- (b) The Company leases out office premise space to KGCCI and non-related parties under non-cancellable operating leases. The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognized as receivables, are as follows:

	Korean Won	
Rent receivable	2022	2021
Not later than one year	₩ 69,778,332	₩ 69,006,795
Between two to five years	19,479,784	11,501,132
	₩ 89,258,116	₩ 80,507,927

(15) Statements of Appropriation of Retained Earnings

Statements of appropriation of retained earnings for the years ended December 31, 2022 and 2021 are as follows:

	Korean Won	
	2022	2021
Unappropriated retained earnings:		
Balance at beginning of year	₩ 853,981,324	716,817,658
Net income	279,743,304	137,163,666
	1,133,724,628	853,981,324
Appropriation	-	-
Unappropriated retained earnings to be carried over to subsequent year	₩ 1,133,724,628	₩ 853,981,324

Notes to Financial Statements

December 31, 2022 and 2021

(16) Insurance

Insurance coverages as of December 31, 2022 are summarized as follows:

Type of insurance	Insurance coverage (In million Korean Won)	Insured by
Staff's compensation Insurance	300	ACE American Insurance
Commercial general liability insurance	100	AIG Insurance
Fire insurance	2,359	DB Insurance

In addition, the Company obtained guarantees from Seoul Guarantee Insurance Company for performance obligation of contracts up to KRW 30 million as of December 31, 2022.