

SSANGYONG MOTOR COMPANY

SEPARATE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011,
DECEMBER 31, 2010, AND JANUARY 1, 2010, AND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010,
AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of Ssangyong Motor Company:

We have audited the accompanying separate financial statements of Ssangyong Motor Company (the "Company"). The financial statements consist of the separate statement of financial position as of December 31, 2011 and the related separate statement of comprehensive income, separate statement of changes in stockholders' equity and separate statement of cash flows, all expressed in Korean won, for the years ended December 31, 2011. The Company's management is responsible for the preparation and fair presentation of the separate financial statements and our responsibility is to express an opinion on these separate financial statements based on our audit.

In addition, the separate financial statements of the Company as of and for the year ended December 31, 2010, were audited by other auditors whose report dated February 18, 2011, expressed an unqualified opinion on those statements. Such financial statements do not reflect the transition effects to Korean International Financial Reporting Standards ("K-IFRS") as described in Note 4 in the accompanying financial statements. However, separate financial statements of the Company as of and for the year ended December 31, 2010 presented for comparative purposes, in the accompanying financial statements, reflect such transition effects to K-IFRS.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and the results of its operations and its cash flows for the year ended December 31, 2011, in conformity with K-IFRS.

Our audit also comprehended the translation of Korean Won amounts into Indian - Rupee amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such Indian - Rupee amounts are presented solely for the convenience of readers outside of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying separate financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying separate financial statements are for use by those knowledge about Korean accounting procedures and auditing standards and their application in practice.



March 14, 2012

Notice to Readers

This report is effective as of March 14, 2012, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the financial statements and may result in modifications to the auditor's report.

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SSANGYONG MOTOR COMPANY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND DECEMBER 31, 2010 AND JANUARY 01, 2010

	Korean won			Indian- Rupee		
	December 31 , 2011	December 31, 2010	January 1, 2010	December 31 , 2011	December 31 , 2010	January 1, 2010
	(In thousands)			(In thousands)		
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents (Notes 5, 6 and 36)	₩ 202,509,811	₩ 80,566,165	₩ 14,734,811	Rs. 8,100,392	Rs. 3,222,647	Rs. 589,392
Trade and other receivables, net (Notes 8 and 36)	176,137,063	186,354,055	113,913,876	7,045,483	7,454,162	4,556,555
Inventories, net (Notes 9 and 13)	258,859,471	215,524,140	235,009,275	10,354,379	8,620,966	9,400,371
Other current assets (Note 11)	16,175,012	83,401,025	61,034,097	647,000	3,336,041	2,441,364
Assets held for sale (Notes 12)	-	671,961	103,229,579	-	26,878	4,129,183
Total current assets	<u>653,681,357</u>	<u>566,517,346</u>	<u>527,921,638</u>	<u>26,147,254</u>	<u>22,660,694</u>	<u>21,116,865</u>
NON-CURRENT ASSETS:						
Non-current financial instruments (Notes 6 and 36)	6,000	6,000	6,000	240	240	240
Non-current available-for-sale financial assets (Notes 7 and 36)	560,000	560,000	560,000	22,400	22,400	22,400
Non-current other receivables, net (Note 8 and 36)	37,593,793	37,908,068	33,673,473	1,503,752	1,516,323	1,346,939
Property, plant and equipment, net (Notes 13, 15)	1,038,426,146	1,030,034,942	982,246,216	41,537,046	41,201,398	39,289,849
Intangible assets (Note 14)	64,396,704	89,171,132	105,775,575	2,575,868	3,566,845	4,231,023
Investments in subsidiaries (Note 10)	4,456,554	3,666,291	3,666,291	178,262	146,652	146,652
Other non-current assets (Note 11)	569,242	923,351	8,561,739	22,770	36,934	342,470
Total non-current assets	<u>1,146,008,439</u>	<u>1,162,269,784</u>	<u>1,134,489,294</u>	<u>45,840,338</u>	<u>46,490,792</u>	<u>45,379,573</u>
TOTAL ASSETS	<u><u>1,799,689,796</u></u>	<u><u>1,728,787,130</u></u>	<u><u>1,662,410,932</u></u>	<u><u>71,987,592</u></u>	<u><u>69,151,486</u></u>	<u><u>66,496,438</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Trade and other payables (Notes 17, 21 and 36)	401,121,176	432,752,171	190,417,083	16,044,847	17,310,087	7,616,683
Short-term borrowings (Notes 15, 21 and 36)	40,567,689	-	80,030,473	1,622,708	-	3,201,219
Current portion of long-term borrowings (Notes 15 and 36)	-	356,920,833	-	-	14,276,833	-
Provision for product warranties (Note 18)	47,093,611	34,090,864	37,674,784	1,883,744	1,363,635	1,506,991
Long-term employee benefits obligation	1,052,109	1,054,345	922,728	42,084	42,174	36,909
Other current liabilities (Notes 18, 20 and 36)	27,866,480	81,263,491	26,916,136	1,114,659	3,250,540	1,076,645
Total current liabilities	<u>₩ 517,701,065</u>	<u>₩ 906,081,704</u>	<u>₩ 335,961,204</u>	<u>Rs. 20,708,042</u>	<u>Rs. 36,243,269</u>	<u>Rs. 13,438,447</u>

(Continued)

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2011 AND DECEMBER 31, 2010 AND JANUARY 01, 2010

	Korean won			Indian- Rupee		
	December 31, 2011	December 31, 2010	January 1, 2010	December 31, 2011	December 31 , 2010	January 1, 2010
	(In thousands)			(In thousands)		
NON-CURRENT LIABILITIES:						
Debtentures (Notes 15 and 36)	₩ 95,404,765	₩ -	₩ -	Rs. 3,816,191	Rs. -	Rs. -
Long-term borrowings (Notes 15 and 36)	-	-	363,107,046	-	-	14,524,282
Other non-current payables(Note 17 and 36)	2,142,277	2,247,782	154,326,831	85,691	89,911	6,173,073
Non current liabilities (Notes 19)	8,270	-	-	331	-	-
Retirement benefit obligation (Note 20)	184,985,911	148,678,035	106,934,615	7,399,436	5,947,121	4,277,385
Other long-term employee benefits obligation	11,315,781	9,714,739	8,502,014	452,631	388,590	340,081
Provision for long-term product warranties (Note 18)	74,914,225	43,174,385	26,231,755	2,996,570	1,726,976	1,049,273
Total non-current liabilities	<u>368,771,229</u>	<u>203,814,941</u>	<u>659,102,261</u>	<u>14,750,850</u>	<u>8,152,598</u>	<u>26,364,094</u>
TOTAL LIABILITIES	<u>886,472,294</u>	<u>1,109,896,645</u>	<u>995,063,465</u>	<u>35,458,892</u>	<u>44,395,867</u>	<u>39,802,541</u>
SHAREHOLDERS' EQUITY:						
Capital stock (Note 22)	609,809,205	182,688,005	542,052,155	24,392,368	7,307,520	21,682,086
Other capital surplus (Note 23)	125,496,967	840,231,779	480,750,982	5,019,879	33,609,271	19,230,039
Other capital adjustments(Note 28)	193,310	-	-	7,732	-	-
Retained earnings (accumulated deficit) (Note 24)	<u>177,718,020</u>	<u>(404,029,299)</u>	<u>(355,455,670)</u>	<u>7,108,721</u>	<u>(16,161,172)</u>	<u>(14,218,228)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>913,217,502</u>	<u>618,890,485</u>	<u>667,347,467</u>	<u>36,528,700</u>	<u>24,755,619</u>	<u>26,693,897</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 1,799,689,796</u>	<u>₩ 1,728,787,130</u>	<u>₩ 1,662,410,932</u>	<u>Rs. 71,987,592</u>	<u>Rs. 69,151,486</u>	<u>Rs. 66,496,438</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	Year ended December 31, 2011 (In thousands, except per share amounts)	Year ended December 31, 2010 (In thousands, except per share amounts)	Year ended December 31, 2011 (In thousands, except per share amounts)	Year ended December 31, 2010 (In thousands, except per share amounts)
SALES (Notes 34 and 35)	₩ 2,773,120,073	₩ 2,101,432,434	Rs. 110,924,803	Rs. 84,057,297
COST OF SALES (Note 35)	<u>2,456,694,947</u>	<u>1,803,105,753</u>	<u>98,267,798</u>	<u>72,124,230</u>
GROSS PROFIT	316,425,126	298,326,681	12,657,005	11,933,067
SELLING AND ADMINISTRATIVE EXPENSES (Note 29)	457,663,965	354,621,278	18,306,559	14,184,851
OTHER OPERATING INCOME: (Note 30)	48,909,661	184,215,149	1,956,387	7,368,607
OTHER OPERATING EXPENSES (Note 30)	<u>60,996,381</u>	<u>110,440,313</u>	<u>2,439,855</u>	<u>4,417,613</u>
OPERATING INCOME(LOSS) (Note 26)	(153,325,559)	17,480,239	(6,133,022)	699,210
FINANCIAL INCOME (Note 31)	56,307,534	17,583,366	2,252,301	703,335
FINANCIAL COST (Note 31)	<u>15,420,789</u>	<u>61,291,954</u>	<u>616,832</u>	<u>2,451,679</u>
LOSS BEFORE INCOME TAX	(112,438,814)	(26,228,349)	(4,497,553)	(1,049,134)
INCOME TAX EXPENSE (Note 25)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	(112,438,814)	(26,228,349)	(4,497,553)	(1,049,134)
OTHER COMPREHENSIVE LOSS	<u>(20,320,554)</u>	<u>(22,345,280)</u>	<u>(812,822)</u>	<u>(893,811)</u>
TOTAL COMPREHENSIVE LOSS	<u>₩ (132,759,368)</u>	<u>₩ (48,573,629)</u>	<u>Rs. (5,310,375)</u>	<u>Rs. (1,942,945)</u>
INCOME(LOSS) PER SHARE (Note 32) Basic and diluted loss per share	<u>₩ 1,000</u>	<u>₩ 726</u>	<u>Rs. 40</u>	<u>Rs. 29</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	Korean won							Retained earnings (accumulated deficit)	Total
	Capital stock	Other capital surplus			Debt to be swapped for equity	Other capital adjustments	Paid-in capital in excess of par		
		Gain on capital reduction	Consideration for conversion rights	Paid-in capital in excess of par					
	(In thousands)								
Balance at January 1, 2010	₩ 542,052,155	₩ 2,594	₩ 444,128,160	₩ 29,474,043	₩ 7,146,185	₩ -	₩ (355,455,670)	₩ 667,347,467	
Net loss	-	-	-	-	-	-	(26,228,349)	(26,228,349)	
Actuarial losses	-	-	-	-	-	-	(22,345,280)	(22,345,280)	
Capital decrease without consideration	(361,449,375)	-	361,449,375	-	-	-	-	-	
Conversion of debt to equity	2,085,225	4,170,771	-	-	(6,136,755)	-	-	119,241	
Stock issuance costs	-	(2,594)	-	-	-	-	-	(2,594)	
Balance at December 31, 2010	<u>₩ 182,688,005</u>	<u>₩ 4,170,771</u>	<u>₩ 805,577,535</u>	<u>₩ 29,474,043</u>	<u>₩ 1,009,430</u>	<u>₩ -</u>	<u>₩ (404,029,299)</u>	<u>₩ 618,890,485</u>	
Balance at January 1, 2011	182,688,005	4,170,771	805,577,535	29,474,043	1,009,430	-	(404,029,299)	618,890,485	
Net loss	-	-	-	-	-	-	(112,438,814)	(112,438,814)	
Actuarial losses	-	-	-	-	-	-	(20,513,864)	(20,513,864)	
Capital increase with consideration	427,095,235	-	-	-	-	-	-	427,095,235	
Conversion of debt to equity	25,965	51,957	-	-	(77,922)	-	-	-	
Deficit recovery	-	-	(685,225,954)	(29,474,043)	-	-	714,699,997	-	
Stock issuance costs	-	(8,850)	-	-	-	-	-	(8,850)	
gains on valuation of derivatives	-	-	-	-	-	193,310	-	193,310	
Balance at December 31, 2011,	<u>₩ 609,809,205</u>	<u>₩ 4,213,878</u>	<u>₩ 120,351,581</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ 193,310</u>	<u>₩ 177,718,020</u>	<u>₩ 913,217,502</u>	

	Indian-Rupee							Retained earnings (accumulated deficit)	Total
	Capital stock	Other capital surplus			Debt to be swapped for equity	Other capital adjustments	Paid-in capital in excess of par		
		Gain on capital reduction	Consideration for conversion rights	Paid-in capital in excess of par					
	(In thousands)								
Balance at January 1, 2010	Rs. 21,682,086	Rs. 104	Rs. 17,765,126	Rs. 1,178,962	Rs. 285,847	Rs. -	Rs. (14,218,228)	Rs. 26,693,897	
Net loss	-	-	-	-	-	-	(1,049,134)	(1,049,134)	
Actuarial losses	-	-	-	-	-	-	(893,810)	(893,810)	
Capital decrease without consideration	(14,457,975)	-	14,457,975	-	-	-	-	-	
Conversion of debt to equity	83,409	166,831	-	-	(245,470)	-	-	4,770	
Stock issuance costs	-	(104)	-	-	-	-	-	(104)	
Balance at December 31, 2010	<u>Rs. 7,307,520</u>	<u>Rs. 166,831</u>	<u>Rs. 32,223,101</u>	<u>Rs. 1,178,962</u>	<u>Rs. 40,377</u>	<u>Rs. -</u>	<u>Rs. (16,161,172)</u>	<u>Rs. 24,755,619</u>	
Balance at January 1, 2011	7,307,520	166,831	32,223,101	1,178,962	40,377	-	(16,161,172)	24,755,619	
Net loss	-	-	-	-	-	-	(4,497,553)	(4,497,553)	
Actuarial losses	-	-	-	-	-	-	(820,554)	(820,554)	
Capital increase with consideration	17,083,809	-	-	-	-	-	-	17,083,809	
Conversion of debt to equity	1,039	2,078	-	-	(3,117)	-	-	-	
Deficit recovery	-	-	(27,409,038)	(1,178,962)	-	-	28,588,000	-	
Stock issuance costs	-	(353)	-	-	-	-	-	(353)	
gains on valuation of derivatives	-	-	-	-	-	7,732	-	7,732	
Balance at December 31, 2011,	<u>Rs. 24,392,368</u>	<u>Rs. 168,556</u>	<u>Rs. 4,814,063</u>	<u>Rs. -</u>	<u>Rs. 37,260</u>	<u>Rs. 7,732</u>	<u>Rs. 7,108,721</u>	<u>Rs. 36,528,700</u>	

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	Korean won		Indian-Rupee	
	Year ended December 31, 2011	Year ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	₩ (112,438,814)	₩ (26,228,349)	Rs. (4,497,553)	Rs. (1,049,134)
Adjustment (Note 33)	125,991,127	54,160,115	5,039,645	2,166,405
Changes in net working capital (Note 33)	186,802,628	(20,350,951)	7,472,105	(814,038)
	200,354,941	7,580,815	8,014,197	303,233
Interests received	4,104,818	733,953	164,193	29,358
Interests paid	(6,985,481)	(4,412,755)	(279,419)	(176,510)
Dividend income received	11,000	135,886	440	5,435
Net cash provided by operating activities	197,485,278	4,037,899	7,899,411	161,516
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in other receivables	2,615,426	4,295,776	104,617	171,831
Disposal of property, plant and equipment	7,189,690	165,817,945	287,588	6,632,718
Disposal of intangible assets	-	490,560	-	19,622
Decrease in other assets	1,223,665	60,147,793	48,947	2,405,912
	11,028,781	230,752,074	441,152	9,230,083
Cash outflows from investing activities:				
Increase in other receivables	870,000	1,819,000	34,800	72,760
Acquisition of property, plant and equipment	103,310,358	113,140,446	4,132,414	4,525,618
Acquisition of intangible assets	8,233,373	25,634,435	329,335	1,025,377
Increase in other assets	4,010,012	-	160,400	-
	(116,423,743)	(140,593,881)	(4,656,949)	(5,623,755)
Net cash provided by(used in) in investing activities	(105,394,962)	90,158,194	(4,215,798)	3,606,328
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	40,932,185	-	1,637,287	-
Issuance of debentures	95,404,765	-	3,816,191	-
Capital increase with consideration	374,763,556	-	14,990,542	-
guarantee deposits received	-	52,331,679	-	2,093,267
	511,100,506	52,331,679	20,444,020	2,093,267

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SSANGYONG MOTOR COMPANY
SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	Korean won		Indian-Rupee	
	Year ended December 31, 2011 (In thousands)	Year ended December 31, 2010 (In thousands)	Year ended December 31, 2011 (In thousands)	Year ended December 31, 2010 (In thousands)
Cash outflows for financing activities:				
Redemption of borrowings	₩ 310,934,562	₩ 80,030,473	Rs. 12,437,382	Rs. 3,201,219
Redemption of current portion of long-term borrowings	-	660,000	-	26,400
Redemption of troubled debts	170,294,152	-	6,811,766	-
Stock issuance cost	8,850	2,620	354	105
	<u>(481,237,564)</u>	<u>(80,693,093)</u>	<u>(19,249,502)</u>	<u>(3,227,724)</u>
Net cash provided by (used in) financing activities	<u>29,862,942</u>	<u>(28,361,414)</u>	<u>1,194,518</u>	<u>(1,134,456)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(9,612)</u>	<u>(3,325)</u>	<u>(385)</u>	<u>(133)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	121,943,646	65,831,354	4,877,746	2,633,254
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>80,566,165</u>	<u>14,734,811</u>	<u>3,222,647</u>	<u>589,392</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>₩ 202,509,811</u>	<u>₩ 80,566,165</u>	<u>Rs. 8,100,393</u>	<u>Rs. 3,222,647</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. GENERAL:

(1) Company overview and recent changes in business environment

Ssangyong Motor Company (“the Company”) was incorporated on December 6, 1962, and listed its stocks on the Korea Stock Exchange in May, 1975. The Company is headquartered in Chilgeo-dong, Pyungtaek and its factories are located in Pyungtaek, Kyeonggi-do and Changwon, Kyeongsangnam-do. The Company manufactures and distributes motor vehicles and parts.

On February 6, 2009, Seoul Central District Court (the “Court”) made a decision on a corporate reorganization for the Company and on December 17, 2009 approved the relevant reorganization plan. Subsequently, in the creditors’ meeting held on January 28, 2011, an amended reorganization plan in accordance with the merger and acquisition (“M&A”) agreement with Mahindra & Mahindra Ltd. executed on November 23, 2010, was passed, and received the formal consent from the Court on January 31, 2011. In accordance with the amended plan, payments for the capital increase through third-party allotment of 427.1 billion won (17.084 billion rupee) and unguaranteed corporate bonds of 95.4 billion won (3.816 billion rupee) were made to the Company on February 8 and February 9, in 2011, respectively.

Furthermore, the Company repaid rehabilitation security rights and bonds upon the approval of the Court and submitted to the Court a request to terminate reorganization proceedings. The Court receivership was terminated as the request for termination of reorganization proceedings was approved on March 14, 2011.

(2) Major shareholders

The Company’s shareholders as of December 31, 2011 are as follows:

Name of shareholder	Number of shares owned	Percentage of ownership (%)
Mahindra & Mahindra Ltd.	85,419,047	70.04
Others	36,542,794	29.96
	121,961,841	100.00

In accordance with the M&A agreement, Mahindra & Mahindra Ltd. acquired the Company’s shares issued through third-party allotment and became largest shareholder of the Company.

2. SIGNIFICANT ACCCOUNTING POLICIES:

The Company maintains its official accounting records in Republic of Korean won (“Won”) and prepares separate financial statements in conformity with [Optional: Korean statutory requirements and] Korean International Reporting Standards (“K-IFRS”), in the Korean language (Hangul). Accordingly, these separate financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying separate financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company’s financial position, comprehensive income, changes in stockholders’ equity or cash flows, is not presented in the accompanying separate financial statements.

(1) Basis of preparation

The Company has adopted the Korean International Financial Reporting Standards (“K-IFRS”) for the annual period beginning on January 1, 2011. In accordance with K-IFRS 1101 *First-time adoption of International Financial Reporting Standards*, the transition date to K-IFRS is January 1, 2010. The significant accounting policies under K-IFRS followed by the Company in the preparation of its separate financial statements are summarized in Note [2]. The accompanying separate financial statements have been prepared on the historical cost basis except for certain [properties / 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 in exchange for assets.

Currently, enactments and amendments of the K-IFRSs are in progress, and the financial information presented in the financial statements may change accordingly in the future. The Company has not applied the following new and revised K-IFRSs that have been issued but are not yet effective:

K-IFRS 1107 Financial Instruments: Disclosures – Transfers of Financial Assets

The amendments to K-IFRS 1107 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. K-IFRS 1107 is effective for annual periods beginning on or after July 1, 2011.

Amendments to K-IFRS 1012 Deferred Tax – Recovery of Underlying Assets

The amendments to K-IFRS 1012 provide an exception to the general principles in K-IFRS 1012 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Investment property measured using the revaluation model under K-IFRS 1040 Investment Property or a non-depreciable asset measured using the revaluation model in K-IFRS 1016 Property, Plant and Equipment, are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments to K-IFRS 1012 are effective for annual periods beginning on or after January 1, 2012.

K-IFRS 1019 (as revised in 2011) Employee Benefits

The amendments to K-IFRS 1019 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of K-IFRS 1019 and accelerate the recognition of past service costs. The amendments to K-IFRS 1019 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions.

K-IFRS 1113 Fair Value Measurement

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. K-IFRS 1113 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

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

Major accounting policies used for the preparation of the separate financial statements are stated below. Unless stated otherwise, these accounting policies have been applied consistently to the financial statements for the current period and accompanying comparative period.

The Indian-Rupee amounts presented in these financial statements were computed by translating the Korean Won into Indian-Rupees based on the Bank of Korea Basic Rate (₩ 25.00 to Rs. 1.00 at December 31, 2011), solely for

the convenience of the reader. These convenience translations into Indian-Rupees should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

(2) Basis of Consolidation

The separate financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Income and expenses of subsidiaries acquired or disposed of during the year are included in the separate statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1039 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity

(3) Foreign currencies

The individual financial statements of each Company entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the separate financial statements, the results and financial position of each Company entity are expressed in Currency Units (CU), which is the functional currency of the Company and the presentation currency for the separate financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (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 except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 2 (25) below for hedging accounting policies); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting separate financial statements, the assets and liabilities of the Company's foreign operations are expressed in Currency Units using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests in equity and are not recognized in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(4) Statement of cash flow

The Company prepares its statement of cash flow using the indirect method and translates the cash flows denominated in foreign currency using the average exchange rate of the respective accounting period.

(5) Cash and cash equivalents

Cash and cash equivalents includes cash, savings and checking accounts, and short-term investment highly liquidated (maturities of three months or less from acquisition). Bank overdrafts are accounted for as short-term borrowings.

(6) Financial assets

All financial assets are recognized and derecognized on trade date where 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 those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss', (FVTPL), 'held-to-maturity investments', 'available-for-sale financial assets' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1) Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

2) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item in the Statement of Comprehensive Income.

3) Held-to-maturity investments

Non-derivatives financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

4) Financial assets available-for-sale (AFS)

Non-derivatives financial assets that are not classified as at held-to-maturity; held-for-trading; designated as at fair value through profit or loss; or loans and receivables are classified as at financial assets AFS. Financial assets can be designated as ale on initial recognition. Financial assets AFS are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

5) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active

market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

6) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of the company, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

7) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(7) Financial liabilities and equity instruments issued by the Company

1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the [statement of comprehensive income/income statement].

5) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

6) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(8) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in such case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either as hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the [statement of comprehensive income/income statement] as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss.

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(9) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories, except for those in in-transit, are measured [under the weighted average method / on a first-in-first-out basis] and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The carrying amount of inventories sold in the period and the amount of any write-down of inventories to net realizable value and all losses of inventories in the period; less the amount of any reversal in the period of any write-down of the inventories, arising from an increase in net realizable value, is recognized as expense during the period.

(10) 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 includes expenditure that is directly attributable to the acquisition of the item, and subsequent costs are included in carrying amount of an asset or as a

separate asset if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

The Company depreciates its property, plant and equipment using the straight-line method over the estimated useful lives. Land is not depreciated, and the cost for the acquisition of a long-term construction asset including capitalized interest cost is depreciated over the estimated useful life of the relevant asset.

The estimated useful lives of the Company's assets as follows:

	<u>Estimated useful lives (years)</u>
Buildings	24~50
Structures	13~30
Machinery	10
Vehicles	6~10
Other	6~10

The assets' 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 operating income (expenses) in the statement of comprehensive income.

(11) Intangible assets

Capitalized development cost

Expenditures on development activities are capitalized only when the result of a development plan is aimed at a development of a new product or for enhancement of capacity, there is high technical and commercial feasibility and the resources attributable to the development can be reliably measured. Capitalized expenditures on development activities include costs of raw materials, direct labor and overhead that were reasonably allocated. Capitalized development-related expenditures are recognized net of accumulated amortization and impairment losses. Development cost is amortized over the estimated useful life using the straight-line method and the amortization expense is recognized in profit or loss. Expenditures related to development that do not satisfy the aforementioned criteria are recognized as an expense when occurred.

Membership

The Company does not amortize its membership as the useful life is estimated to be indefinite.

Other intangible assets

Patents, trademark rights and software for internal use are recognized at cost and amortized over the useful lives of 3 to 15 years using the straight-line method. When there is an indication of impairment, the Company assesses a carrying value of the asset, and in case the assessed value exceeds the recoverable amount, it reduces the carrying value of the asset to the recoverable amount.

(12) Impairment of non-financial assets

At the end of the reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount for an individual asset cannot be estimated, recoverable amount is determined for the cash-generating units (CGU). Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise, they are allocated to the smallest CGU for which a reasonable and consistent allocation basis can be identified.

(13) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its

present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(14) Borrowing costs

Borrowings are initially recognized at fair value net of transaction costs and subsequently recognized at amortized cost. The difference between the amount of borrowings net of transaction costs and the repaid amount is amortized over the borrowing period using the straight-line method and the amortization expense is recognized in profit or loss. Moreover, if the Company has an unconditional right to defer repayment of borrowings for more than 12 months subsequent to the reporting period, it classifies the borrowings as non-current liabilities; otherwise, they are classified as current liabilities.

(15) Defined benefit obligation

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. For defined benefit retirement benefit 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. The present value of defined benefit obligations is expressed in a currency in which retirement benefits will be paid and is calculated by discounting expected future cash outflows with the interest rate of high quality corporate bonds which maturity is similar to the payment date of retirement benefit obligations. Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions and are recognized in other comprehensive income (loss) in the statements of comprehensive income in the period in which they occur. Actuarial gains and losses recognized in other comprehensive income (loss) are immediately recognized in retained earnings and not reclassified to profit or loss in a subsequent period. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

(16) Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The Company discloses contingent liabilities in the notes to the financial statements in any of the following cases;

- a) A possible obligation arises from past events but its existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company
- b) A present obligation arises from past events but is not recognized because:
 - i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - ii) the amount of the obligation cannot be measured with sufficient reliability.

(17) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The financial charge, except for the case that it is capitalized as part of the cost of that asset according to the Company's accounting for borrowing costs, is immediately expensed in the period in which it is incurred. Contingent rents are charged as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(18) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the Company's normal course of business, net of discounts, customer returns, rebates, related taxes and intercompany transactions.

The Company recognizes revenue when 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 and when the following criteria that are specific to each type of the Company's revenue are met. The Company estimates the amount of revenue based on the historical data including the type of its customers and transactions and individual transaction terms.

1) Sale of goods

The Company recognizes revenue from the sale of goods when the significant risks and rewards of ownership of the goods are transferred to the buyer. The revenue is recognized at an amount net of discounts and customer returns estimated based on historical experiences at a point of sale.

2) Interest income

Interest income is recognized using the effective interest rate method. In case impairment of receivables occurs, the Company reduces the book value of the receivables to the recoverable amount (present value of the estimated future cash flows discounted using the original effective interest rate) and recognizes the part increased due to the passage of time as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(19) Government Subsidies

Government subsidies are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the subsidies will be received.

Subsidies related to income are deferred and recognized in the statement of income in the period in which they may correspond to income or expenses that are related to the purpose of grant. Monetary government subsidies related to purchase of assets are presented as deferred income and the deferred income is recognized as income on a systematic basis over the useful life of the asset.

(20) Income tax expense and deferred income tax

The tax expense for the period comprises current and deferred tax.

1) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period

2) Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when they relate to income tax levied by the same taxation authority and the Company intends to settle its current income tax assets and liabilities on a net basis.

3) Current and deferred income tax for the year

Current and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognized in other comprehensive income or directly in equity respectively. Where current income tax or deferred income tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(21) Earnings per share

Earnings per share is net income per share of common stock and is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding.

(22) Segment information

Segment information is presented in the same format as the reporting material presented to the Company's management. The Company's management is liable for the assessment of the resources to be allocated to the business segments and the performance results of the business segments.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The Company uses estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and various other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Actual results may differ from these estimates, and the following estimates and assumptions have an inherent significant risk of potentially causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

(1) Provision for product warranties

The Company provides warranties for its products at recognition of sale and establishes a provision for product warranties at the end of each reporting period based on the best estimate of the expenses necessary to provide present and future warranty obligations.

(2) Retirement benefit obligation

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. For defined benefit retirement benefit 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. The present value of defined benefit obligations is expressed in a currency in which retirement benefits will be paid and is calculated by discounting expected future cash outflows with the interest rate of high quality corporate bonds which maturity is similar to the payment date of retirement benefit obligations. Other significant assumptions related to defined benefit obligation are partly based on the current market situation.

4. TRANSITION TO K-IFRS:

The Company has adopted K-IFRS from the annual reporting period starting after January 1, 2011, and as part of the first K-IFRS financial statements for the fiscal year 2011, the financial statements as of and for the nine months ended September 30, 2011 are prepared in accordance with IAS 34 “*Interim Financial Reporting*”. The Company’s past financial statements were prepared in accordance with generally accepted accounting standards in the Republic of Korea (“K-GAAP”), but the Company’s separate financial statements for the fiscal year 2011 were prepared in accordance with K-IFRS. Therefore, the financial statements for the prior year that are comparatively presented are restated based on K-IFRS 1101 “*First-time adoption of International Financial Reporting Standard*”, with a K-IFRS transition date set to January 1, 2010.

(1) Major differences in accounting policies

Major differences between the accounting policies that the Company has chosen to apply under K-IFRS and the policies under the previous accounting standards are as follows.

1) First-time adoption of K-IFRS

The Company has taken the following exemptions from full requirements of K-IFRS.

- a) Fair value as deemed cost: the Company revalued its land at fair value at the date of transition to K-IFRS and used it as a deemed cost, and the measurement of the fair value was performed by a third party independent valuation firm based on the recent market transactions.
- b) Cumulative translation differences: Cumulative translation differences for all foreign operations at the date of transition are deemed to be zero.
- c) The Company has applied carrying amounts in accordance with K-GAAP at the date of transition to K-IFRS as deemed costs for investments in subsidiaries, affiliates and joint ventures.

2) Debt adjustment

If there is a material change in the Company’s debt terms irrespective of the Company’s financial situation, the Company eliminates the existing debt and recognizes a new debt using the effective interest rate at the point of the change in terms. In case terms of an existing financial liability (or part of an existing financial liability) substantially changes (due to a debtor’s financial difficulty or other reasons), the Company derecognizes the original financial liability and recognizes a new financial liability. The difference between the carrying amount of (part of) the financial liability extinguished or transferred to a third party and the consideration given (non-cash assets or liabilities) is recognized in profit or loss. If the difference between the present value of the cash flows under the new terms and the present value of the remaining cash flows of the original financial liability exceeds 10%, the terms are regarded to have changed substantially. In that case, the amount of a net fee (fee paid less fee received) is included in the cash flows under the new terms, and an original effective interest rate is used to discount the cash flows. If an exchange of or a change in the terms of a debt instrument is not accounted for as an extinguishment of a financial liability, relevant cost or fees occurred is adjusted in the carrying amount of the financial liability and are amortized over the remaining maturity of the adjusted liability.

3) Assets held for sale

The Company classifies its non-current assets as “non-current assets held for sale” (or “disposable group”) if

their carrying amounts will be recovered principally through sale transactions and it is highly probable that they will be sold. If a carrying amount of a non-current asset is recovered principally through a sale transaction rather than through continuing use, the asset is measured at lower of its carrying value or fair value less costs to sell.

4) Employee benefits

Under the previous GAAP, the Company recognized accrued severance indemnities in the amount payable assuming all employees with more than one year of service were to resign at the end of a reporting period. Under K-IFRS, the Company recognizes defined benefit obligation based on actuarial methods of calculation.

(2) Changes in scope of consolidation

Changes in the Company's subsidiaries that are subject to consolidation as a result of K-IFRS adoption are as follows:

Classification	Detail	Names of Subsidiaries
Increase in consolidation scope	Corporations with the total asset of less than 10 billion won (0.4 billion rupee) at the end of the prior fiscal year were excluded from consolidation in accordance with the Act on External Audit of Stock Companies. Under K-IFRS, they are subject to consolidation.	Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd., Ssangyong Motor (Shanghai) Co., Ltd., Ssangyong European Parts Center B.V

(3) Transition effects on the Company's financial position, result of operation and cash flows

1) Adjustments to the Company's financial position as of January 1, 2010 (date of transition) (Unit: Korean Won in millions)

Classification	Assets	Liabilities	Shareholders' Equity
Accounting standards prior to K-IFRS	₩ 1,388,474	₩ 1,087,853	₩ 300,621
Adjustments:			
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	261,695	-	261,695
Fair value of liabilities for debt adjustment	-	(74,494)	74,494
Classification and measurement of non-current assets held for sale	(1,945)	-	(1,945)
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(5,696)	5,696
Adjustment on valuation of provision for product warranties	-	(4,362)	4,362
Others	14,187	(8,237)	22,424
	<u>273,937</u>	<u>(92,789)</u>	<u>366,726</u>
K-IFRS	₩ 1,662,411	₩ 995,064	₩ 667,347

(Unit: Indian-Rupee in millions)

Classification	Assets	Liabilities	Shareholders' Equity
Accounting standards prior to K-IFRS	Rs. 55,539	Rs. 43,514	Rs. 12,025
Adjustments:			
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	10,468	-	10,468
Fair value of liabilities for debt adjustment	-	(2,980)	2,980
Classification and measurement of non-current assets held for sale	(78)	-	(78)
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	(228)	228

Classification	Assets	Liabilities	Shareholders' Equity
Adjustment on valuation of provision for product warranties	-	(174)	174
Others	567	(330)	897
	10,957	(3,712)	14,669
K-IFRS	Rs. 66,496	Rs. 39,802	Rs. 26,694

2) Adjustments to financial position as of and interim result of operation for the period ended December 31, 2010
(Unit: Korean Won in millions)

Classification	Assets	Liabilities	Shareholders' Equity	Net income(loss)	Total comprehensive income(loss)
Accounting standards prior to K-IFRS	₩ 1,475,260	₩ 1,166,374	₩ 308,886	₩ 8,115	₩ 8,148
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	261,695	-	261,695	-	-
Fair value of liabilities for debt adjustment	-	(63,089)	63,089	(11,405)	(11,405)
Classification and measurement of non-current assets held for sale	11	-	11	1,956	1,956
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	10,804	(10,804)	5,804	(16,541)
Adjustment on valuation of provision for product warranties	-	4,125	(4,125)	(8,486)	(8,486)
Others	(8,179)	(8,317)	138	(22,212)	(22,245)
	253,527	(56,477)	310,004	(34,343)	(56,721)
K-IFRS	₩ 1,728,787	₩ 1,109,897	₩ 618,890	₩ (26,228)	₩ (48,573)

(Unit: Indian-Rupee in millions)

Classification	Assets	Liabilities	Shareholders' Equity	Net income(loss)	Total comprehensive Income(loss)
Accounting standards prior to K-IFRS	Rs. 59,010	Rs. 46,554	Rs. 12355	Rs. 325	Rs. 326
Adjustments:					
Use of deemed cost of property, plant and equipment in accordance with first-time adoption	10,468	-	10,468	-	-
Fair value of liabilities for debt adjustment	-	(2,524)	2,524	(456)	(456)
Classification and measurement of non-current assets held for sale	2	-	-	78	78
Actuarial valuation of defined benefit obligation and accumulated compensated absences	-	433	(432)	231	(662)
Adjustment on valuation of provision for product warranties	-	165	(165)	(339)	(339)
Others	(327)	(333)	6	(888)	(890)
	10,070	(2,259)	12,400	(1,374)	(2,269)
K-IFRS	Rs. 69,151	Rs. 44,396	Rs. 24,756	Rs. (1,049)	Rs. (1,943)

3) Adjustments to cash flows for the year ended December 31, 2010

Interest income, interest expense, dividend income and income tax expense that were not separately presented in accordance with K-GAAP have been presented as separate items in the statement of cash flows in accordance with K-IFRS, and the cash flows for the relevant income (expense) and assets (liabilities) have been adjusted accordingly. There are no material differences between the statements of cash flows under K-GAAP and K-IFRS other than the aforementioned differences.

5. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include cash on hand and in banks and highly liquid short-term financial instruments that may be easily converted into cash and whose risk of value fluctuation is not material.

6. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

	<u>Financial institution</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>	<u>Notes</u>
Cash and cash equivalents	National Federation of Fisheries Cooperatives Korea	₩ -	₩ 260,000	₩ 260,000	Corporate card limit
	Development Bank	-	52,306,433	-	M&A performance deposit
	Shinhan Bank and others	1,249,811	832,324	1,715,620	Government subsidies and others
	Woori Bank and others	14,415,666	-	-	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	6,000	6,000	6,000	Overdraft deposit
		<u>₩ 15,671,477</u>	<u>₩ 53,404,757</u>	<u>₩ 1,981,620</u>	

(Unit: Indian-Rupee in thousands):

	<u>Financial institution</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>	<u>Notes</u>
Cash and cash equivalents	National Federation of Fisheries Cooperatives Korea	Rs. -	Rs. 10,400	Rs. 10,400	Corporate card limit
	Development Bank	-	2,092,257	-	M&A performance deposit
	Shinhan Bank and others	49,992	33,293	68,624	Government subsidies and others
	Woori Bank and others	576,627	-	-	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	240	240	240	Overdraft deposit
		<u>Rs. 626,859</u>	<u>Rs. 2,136,190</u>	<u>Rs. 79,264</u>	

7. LONG-TERM AVAILABLE-FOR-SALE FINANCIAL ASSETS:

The Company's long-term available-for-sale financial assets as of December 31, 2011 and 2010 and January 1, 2010 are as follows

(Unit: Korean Won in thousands):

Classification	December 31, 2011			December 31, 2010	January 1, 2010
	Ownership (%)	Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	₩ 500,000	₩ 672,338	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50	60,000	291,946	60,000	60,000
		<u>₩ 560,000</u>	<u>₩ 964,284</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Indian-Rupee in thousands):

Classification	December 31, 2011			December 31, 2010	January 1, 2010
	Ownership (%)	Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72	Rs. 20,000	Rs 26,894	Rs. 20,000	Rs. 20,000
Korea Management Consultants Association (*)	1.50	2,400	11,678	Rs. 2,400	Rs. 2,400
		<u>Rs. 22,400</u>	<u>Rs. 38,572</u>	<u>Rs. 22,400</u>	<u>Rs. 22,400</u>

(*) Because the market prices from an active market are not available and the fair values cannot be reliably measured, AFS financial assets are measured at their acquisition costs.

8. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from December 31, 2011 and because the present value discount effect is not material, the fair value of the aforementioned receivables is equal to the book value.

(1) Details of current portion of trade and other receivables as of December 31, 2011 and 2010 and January 1, 2010 are as follows (Unit: Korean Won in thousands):

Financial liabilities	December 31, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 135,269,027	₩ 27,087,061	₩ 2,834,566	₩ 37,996,784
Receivables due from affiliated parties	9,390,769	4,770,122	-	232
Less: Allowance for doubtful accounts	(1,193,267)	(2,019,821)	(1,394)	(403,223)
	<u>₩ 143,466,529</u>	<u>₩ 29,837,362</u>	<u>₩ 2,833,172</u>	<u>₩ 37,593,793</u>

Financial liabilities	December 31, 2010			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 155,347,828	₩ 19,000,379	₩ 2,231,590	₩ 37,997,386
Receivables due from affiliated parties	14,194,364	-	-	-
Less: Allowance for doubtful accounts	(2,348,682)	(2,057,840)	(13,584)	(89,318)
	<u>₩ 167,193,510</u>	<u>₩ 16,942,539</u>	<u>₩ 2,218,006</u>	<u>₩ 37,908,068</u>

Financial liabilities	January 1, 2010			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₹ 78,545,836	₹ 14,579,908	₹ 2,346,513	₹ 33,777,171
Receivables due from affiliated parties	12,283,765	10,612,096	-	-
Less: Allowance for doubtful accounts	(1,595,796)	(2,837,658)	(20,788)	(103,698)
	<u>₹ 89,233,805</u>	<u>₹ 22,354,346</u>	<u>₹ 2,325,725</u>	<u>₹ 33,673,473</u>

(Unit: Indian-Rupee in thousands):

Financial liabilities	December 31, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 5,410,761	Rs. 1,083,482	Rs. 113,383	Rs. 1,519,871
Receivables due from affiliated parties	375,632	190,805	-	9
Less: Allowance for doubtful accounts	(47,731)	(80,793)	(56)	(16,128)
	<u>Rs. 5,738,662</u>	<u>Rs. 1,193,494</u>	<u>Rs. 113,327</u>	<u>Rs. 1,503,752</u>

Financial liabilities	December 31, 2010			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 6,213,913	Rs. 760,015	Rs. 89,263	Rs. 1,519,896
Receivables due from affiliated parties	567,775	-	-	-
Less: Allowance for doubtful accounts	(93,947)	(82,314)	(543)	(3,573)
	<u>Rs. 6,687,741</u>	<u>Rs. 677,701</u>	<u>Rs. 88,720</u>	<u>Rs. 1,516,323</u>

Financial liabilities	January 1, 2010			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 3,141,833	Rs. 583,196	Rs. 93,861	Rs. 1,351,087
Receivables due from affiliated parties	491,351	424,484	-	-
Less: Allowance for doubtful accounts	(63,832)	(113,506)	(832)	(4,148)
	<u>Rs. 3,569,352</u>	<u>Rs. 894,174</u>	<u>Rs. 93,029</u>	<u>Rs. 1,346,939</u>

(2) Credit risk and allowance for doubtful accounts

The above trade and non-trade receivables and other receivables are classified as loans and receivables and measured at amortized cost.

If a credit risk occurs with respect to a dealership sale, which is a major type of the Company's sales, the respective dealership bears all of the risk; the Company manages credit risk on product sales using two management indexes, agreed liability rate and agreed excess rate, and when the management index exceeds the agreed rate, it imposes a release restriction on the respective dealership and transfers a credit risk arising from product sales.

The Company's trade receivables are usually collected within 30 days but some of the notes receivable are collected within 90 days. Based on the past experience, receivables that are overdue for more than 1 year are usually not collected, and the Company reserves the full amount of those receivables as an allowance for doubtful accounts. The Company estimates an allowance for the receivables that are overdue for more than 90 days but less than 1 year through an individual analysis based on each transacting party; for receivables that are not subject to individual analysis, the Company estimates an allowance based on the historical loss rates.

Some of the trade receivables that are overdue for more than 90 days are not included in the above trade receivables (refer to the aging analysis below); the Company did not reserve an allowance for the aforementioned receivables since their credit ratings did not change materially and they are expected to be collected. The Company has no collaterals pledged or credit enforcement provided for the aforementioned receivables and does not have a legal right to offset those receivables with the debt of the transacting parties.

Aging analysis of the trade and non-trade receivables that are overdue but are not impaired as of December 31, 2011 and 2010 and January 1, 2010 are as follows (Unit: Korean Won in thousands):

December 31, 2011				
Classification	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 2,568,793	₩ 4,444,478	₩ 20,660	₩ 7,033,931
Non-trade receivables	218,450	22,279	4,535,946	4,776,675
	₩ 2,787,243	₩ 4,466,757	₩ 4,556,606	₩ 11,810,606

December 31, 2010				
Classification	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 6,900	₩ 8,156,817	₩ -	₩ 8,163,717
Non-trade receivables	573,948	155,400	181,069	910,417
	₩ 580,848	₩ 8,312,217	₩ 181,069	₩ 9,074,134

January 1, 2010				
Classification	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 63,583	₩ 418,924	₩ 11,957,202	₩ 12,439,709
Non-trade receivables	786,916	523,927	8,903,510	10,214,353
	₩ 850,499	₩ 942,851	₩ 20,860,712	₩ 22,654,062

(Unit: Indian-Rupee in thousands):

December 31, 2011				
Classification	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 102,752	Rs. 177,779	Rs. 826	Rs. 281,357
Non-trade receivables	8,738	891	181,438	191,067
	Rs. 111,490	Rs. 178,670	Rs. 182,264	Rs. 472,424

December 31, 2010				
Classification	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 276	Rs. 326,273	Rs. -	Rs. 326,549
Non-trade receivables	22,958	6,216	7,243	36,417
	Rs. 23,234	Rs. 332,489	Rs. 7,243	Rs. 362,966

January 1, 2010				
Classification	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 2,543	Rs. 16,757	Rs. 478,288	Rs. 497,588
Non-trade receivables	31,477	20,957	356,140	408,574
	Rs. 34,020	Rs. 37,714	Rs. 834,428	Rs. 906,162

Aging analysis of the trade and non-trade receivables that are overdue but are impaired as of December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

December 31, 2011				
Classification	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ -	₩ -	₩ 12,293	₩ 12,293
Non-trade receivables	-	-	2,011,543	2,011,543
	₩ -	₩ -	₩ 2,023,836	₩ 2,023,836

December 31, 2010				
Classification	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ -	₩ -	₩ 74,707	₩ 74,707
Non-trade receivables	-	-	2,009,352	2,009,352
	₩ -	₩ -	₩ 2,084,059	₩ 2,084,059

Classification	January 1, 2010			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₹ -	₹ -	₹ 10,897	₹ 10,897
Non-trade receivables	-	-	2,679,224	2,679,224
	<u>₹ -</u>	<u>₹ -</u>	<u>₹ 2,690,121</u>	<u>₹ 2,690,121</u>

(Unit: Indian-Rupee in thousands):

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₹ -	₹ -	₹ 492	₹ 492
Non-trade receivables	-	-	80,462	80,462
	<u>₹ -</u>	<u>₹ -</u>	<u>₹ 80,954</u>	<u>₹ 80,954</u>

Classification	December 31, 2010			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₹ -	₹ -	₹ 2,988	₹ 2,988
Non-trade receivables	-	-	80,374	80,374
	<u>₹ -</u>	<u>₹ -</u>	<u>₹ 83,362</u>	<u>₹ 83,362</u>

Classification	January 1, 2010			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₹ -	₹ -	₹ 436	₹ 436
Non-trade receivables	-	-	107,169	107,169
	<u>₹ -</u>	<u>₹ -</u>	<u>₹ 107,605</u>	<u>₹ 107,605</u>

(3) Changes in allowance for trade and other receivables for the years ended December 31, 2011 and 2010 is as follows (Unit: Korean won in thousands):

Classification	Year ended December 31, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₹ 2,348,682	₹ 2,057,840	₹ 13,584	₹ 89,318
Bad debt expense	-	3,059	470	398,681
Write-offs	-	(3,059)	-	(583)
Reversal of allowance (*)	(1,155,415)	(38,019)	(12,660)	(84,193)
Ending balance	<u>₹ 1,193,267</u>	<u>₹ 2,019,821</u>	<u>₹ 1,394</u>	<u>₹ 403,223</u>

(*) Difference due to the reversal of allowance for advance payments in the statement of income.

Classification	Year ended December 31, 2010			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₹ 1,595,796	₹ 2,837,658	₹ 20,788	₹ 103,698
Bad debt expense	752,886	691,180	-	66,298
Write-offs	-	-	-	-
Reversal of allowance	-	(1,470,998)	(7,204)	(80,678)
Ending balance	<u>₹ 2,348,682</u>	<u>₹ 2,057,840</u>	<u>₹ 13,584</u>	<u>₹ 89,318</u>

(Unit: Indian-Rupee in thousands):

Classification	Year ended December 31, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₹ 93,947	₹ 82,314	₹ 543	₹ 3,573
Bad debt expense	-	122	19	15,947
Write-offs	-	(122)	-	(23)
Reversal of allowance (*)	(46,216)	(1,521)	(506)	(3,368)
Ending balance	<u>₹ 47,731</u>	<u>₹ 80,793</u>	<u>₹ 56</u>	<u>₹ 16,129</u>

(*) Difference due to the reversal of allowance for advance payments in the statement of income.

Classification	Year ended December 31, 2010			
	Trad receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 63,832	Rs. 113,506	Rs. 832	Rs. 4,148
Bad debt expense	30,115	27,647	-	2,652
Write-offs	-	-	-	-
Reversal of allowance	-	(58,839)	(289)	(3,227)
Ending balance	Rs. 93,947	Rs. 82,314	Rs. 543	Rs. 3,573

The Company estimates allowances for doubtful accounts through individual analysis, and an allowance for the receivables that are not subject to separate individual analysis is estimated based on the historical collection rates. For troubled receivables (default, liquidation, bankruptcy, court receivership, workout, disappearance, full-scale capital erosion, etc.), the Company assesses collectability of each receivable through an individual analysis and reserves 100% allowance. For the receivables that are not subject to individual analysis, the allowance is estimated by applying the average loss rate for the past 3 years to the remaining balance of the receivables at the end of a reporting period; the 3-year average loss rate is calculated by dividing the amount of actual loss occurred in the past 3 years by the average balance of the receivables.

9. INVENTORIES:

Details of the inventories as of December 31, 2011 and 2010 and January 1, 2010 are as follows (Unit: Korean won in thousands):

	December 31, 2011			December 31, 2010		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	₩ 47,095,880	₩ (1,635,191)	₩ 45,460,689	₩ 53,416,906	₩ (4,541,155)	₩ 48,875,751
Finished goods	40,715,388	(2,519,949)	38,195,439	21,257,058	(408,446)	20,848,612
Work-in-process	27,910,491	(1,411,191)	26,499,300	25,046,329	(487,031)	24,559,298
Raw materials	73,442,261	(6,769,758)	66,672,503	69,967,784	(5,213,293)	64,754,491
Sub-materials	7,253,748	-	7,253,748	4,574,168	-	4,574,168
Supplies	4,609,418	(2,212)	4,607,206	4,715,649	-	4,715,649
Goods in transit	70,170,587	-	70,170,586	47,196,171	-	47,196,171
Total	₩ 271,197,773	₩ (12,338,301)	₩ 258,859,471	₩ 226,174,065	₩ (10,649,925)	₩ 215,524,140

	January 1, 2010		
	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	₩ 70,377,410	₩ (13,555,707)	₩ 56,821,703
Finished goods	25,419,123	(4,499,137)	20,919,986
Work-in-process	34,026,958	(5,870,885)	28,156,073
Raw materials	106,413,028	(7,947,554)	98,465,474
Sub-materials	3,442,490	-	3,442,490
Supplies	4,833,549	-	4,833,549
Goods in transit	22,370,000	-	22,370,000
Total	₩ 266,882,558	₩ (31,873,283)	₩ 235,009,275

(Unit: Indian-Rupee in thousands):

	December 31, 2011			December 31, 2010		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 1,883,835	Rs. (65,408)	Rs. 1,818,428	Rs. 2,136,676	Rs. (181,646)	Rs. 1,955,030
Finished goods	1,628,616	(100,798)	1,527,818	850,282	(16,338)	833,944
Work-in-process	1,116,420	(56,448)	1,059,972	1,001,853	(19,481)	982,372
Raw materials	2,937,690	(270,790)	2,666,900	2,798,712	(208,532)	2,590,180
Sub-materials	290,150	-	290,150	182,967	-	182,967
Supplies	184,377	(88)	184,288	188,626	-	188,626
Goods in transit	2,806,823	-	2,806,823	1,887,847	-	1,887,847
Total	Rs. 10,847,911	Rs. (493,532)	Rs. 10,354,379	Rs. 9,046,963	Rs. (425,997)	Rs. 8,620,966

	January 1, 2010		
	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 70,377,410	Rs. (13,555,707)	Rs. 56,821,703
Finished goods	25,419,123	(4,499,137)	20,919,986
Work-in-process	34,026,958	(5,870,885)	28,156,073
Raw materials	106,413,028	(7,947,554)	98,465,474
Sub-materials	3,442,490	-	3,442,490
Supplies	4,833,549	-	4,833,549
Goods in transit	22,370,000	-	22,370,000
Total	Rs. 266,882,558	Rs. (31,873,283)	Rs. 235,009,275

	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 2,815,096	Rs. (542,228)	Rs. 2,272,868
Finished goods	1,016,765	(179,965)	836,799
Work-in-process	1,361,078	(234,835)	1,126,243
Raw materials	4,256,521	(317,903)	3,938,619
Sub-materials	137,700	-	137,700
Supplies	193,342	-	193,342
Goods in transit	894,800	-	894,800
Total	Rs. 10,675,302	Rs. (1,274,931)	Rs. 9,400,371

The company is using the “lower of cost or market method” on the balance sheet in the case of inventories’ market value decrease under the acquisition cost. On the other hand, losses on valuation of inventories which was added to “cost of sales” on current period due to the application of “lower of cost or market method”, is ₩1,688,376 thousands(Rs 67,535 thousands).

10. INVESTMENTS IN SUBSIDIARIES:

(1) Details of investments in subsidiaries

Details of investment in subsidiaries accounted for using equity method as of December 31, 2011 are as follows (Unit: Korean won in thousands)

Name of subsidiary	Location	Ownership %	December 31, 2011	
			Acquisition cost	Book value (*1)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100.00	₩ 1,618,803	₩ 2,854,568
Ssangyong Motor (Shanghai) Co., Ltd. (*2)	China	86.57	1,025,962	1,601,986
Ssangyong European Parts Center B.V.	Netherland	100.00	835,695	-
			₩ 3,480,460	₩ 4,456,554

(Unit: Indian-Rupee in thousands)

Name of subsidiary	Location	Ownership %	December 31, 2011	
			Acquisition cost	Book value (*1)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100.00	Rs. 64,752	Rs. 114,183
Ssangyong Motor (Shanghai) Co., Ltd. (*2)	China	86.57	41,038	64,079
Ssangyong European Parts Center B.V.	Netherland	100.00	33,428	-
			Rs. 139,218	Rs. 178,262

(*1) Book value accounted for under K-GAAP was used as a deemed cost at the date of transition.

(*2) The Company and Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd. participated in paid-in capital increase of Ssangyong Motor (Shanghai) Co., Ltd., as a result, the Company’s shareholding ratio has been decreased from 100% to 86.57%.

Due to accumulated loss, the Company discontinued applying the equity method on Ssangyong European Parts Center B.V. whose book value was zero, and the unrecognized accumulated change in equity in the amount of ₩ 8,056,858 thousand (Rs. 322,274 thousand).

(2) Summarized financial information of subsidiaries

The summarized financial information of the Company’s subsidiaries as of and for the year ended December 31, 2011 is as follows (Unit: Korean won in thousands):

Companies	Assets	Liabilities	Operating revenues	Net income(loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 2,957,343	₩ 520,602	₩ 3,293,506	₩ 86,794
Ssangyong Motor (Shanghai) Co., Ltd	3,782,667	663,745	5,305,986	1,284,616

Companies	Assets	Liabilities	Operating revenues	Net income(loss)
Ssangyong European Parts Center B.V.	9,098,490	13,917,146	17,038,452	377,825

(Unit: Indian-Rupee in thousands):

Companies	Assets	Liabilities	Operating revenues	Net income(loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. 118,294	Rs. 20,824	Rs. 131,740	Rs. 3,245
Ssangyong Motor (Shanghai) Co., Ltd	151,307	26,550	212,239	51,385
Ssangyong European Parts Center B.V.	363,940	556,686	681,538	15,113

(3) Summarized statements of financial position with the application of equity method as of December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

Account	Korean Won in thousands		Indian-Rupee in thousands	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Current assets	₩ 653,681,356	₩ 566,517,346	Rs. 26,147,254	Rs. 22,660,694
Non-current assets	1,146,910,433	1,162,269,785	45,876,417	46,490,791
Total assets	<u>1,800,591,789</u>	<u>1,728,787,131</u>	<u>72,023,672</u>	<u>69,151,485</u>
Current liabilities	517,701,065	906,081,705	20,708,043	36,243,268
Non-current liabilities	368,771,229	203,814,941	14,750,849	8,152,598
Total liabilities	<u>886,472,294</u>	<u>1,109,896,646</u>	<u>35,458,892</u>	<u>44,395,866</u>
Total shareholders' equity	<u>914,119,495</u>	<u>618,890,485</u>	<u>36,564,780</u>	<u>24,755,619</u>
Total liabilities and shareholders' equity	<u>₩ 1,800,591,789</u>	<u>₩ 1,728,787,131</u>	<u>Rs. 72,023,762</u>	<u>Rs. 69,151,485</u>

(4) Summarized statements of comprehensive loss with application of equity method for the year ended December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

Account	Korean Won in thousands		Indian-Rupee in thousands	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Operating income(loss)	₩ (153,325,559)	₩ 17,480,239	Rs. (6,133,022)	Rs. 699,210
Financial income	55,367,169	17,583,366	2,214,687	703,335
Financial cost	15,420,789	61,291,954	616,832	2,451,678
Loss on valuation of investment using the equity method of accounting	<u>1,377,031</u>	<u>138,417</u>	<u>55,081</u>	<u>5,537</u>
Loss before income tax	<u>(112,002,148)</u>	<u>(26,089,932)</u>	<u>(4,480,086)</u>	<u>(1,043,597)</u>
Income taxes	-	-	-	-
Net loss	<u>(112,002,148)</u>	<u>(26,089,932)</u>	<u>(4,480,086)</u>	<u>(1,043,597)</u>
Other comprehensive loss	<u>(20,186,955)</u>	<u>(22,597,169)</u>	<u>(807,478)</u>	<u>(903,887)</u>
Total other comprehensive loss	<u>₩ (132,189,103)</u>	<u>₩ (48,687,101)</u>	<u>Rs. (5,287,564)</u>	<u>Rs. (1,947,484)</u>

11. OTHER ASSETS:

The carrying values of the Company's other assets as of December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

Account	December 31, 2011	December 31, 2010	January 1, 2010
Other current assets			
Advance payments	₩ 12,946,343	₩ 81,047,681	₩ 58,687,006
Less: Allowance for doubtful accounts	(72,869)	(727,690)	(537,851)
Prepaid expenses	2,748,375	3,022,480	2,745,365
Income tax refundable	<u>553,163</u>	<u>58,554</u>	<u>139,577</u>

Account	December 31, 2011	December 31, 2010	January 1, 2010
	<u>16,175,012</u>	<u>83,401,025</u>	<u>61,034,097</u>
Other non-current assets			
Long-term prepaid expenses	207,628	519,072	-
Other non-current assets	<u>361,614</u>	<u>404,279</u>	<u>8,561,739</u>
	<u>569,242</u>	<u>923,351</u>	<u>8,561,739</u>

(Unit: Indian-Rupee in thousands):

Account	December 31, 2011	December 31, 2010	January 1, 2010
Other current assets			
Advance payments	Rs. 517,854	Rs. 3,241,907	Rs. 2,347,480
Less: Allowance for doubtful accounts	(2,916)	(29,108)	(21,514)
Prepaid expenses	109,935	120,900	109,815
Other current assets	<u>22,127</u>	<u>2,342</u>	<u>5,583</u>
	<u>647,000</u>	<u>3,336,041</u>	<u>2,441,364</u>
Other non-current assets			
Long-term prepaid expenses	8,305	20,763	-
Other non-current assets	<u>14,465</u>	<u>16,171</u>	<u>342,470</u>
	<u>22,770</u>	<u>36,934</u>	<u>342,470</u>

12. ASSETS HELD FOR SALE:

The Assets held for sale as of December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

	December 31, 2011	December 31, 2010	January 1, 2010
Land held for sale	₩ -	₩ 468,532	₩ 75,862,839
Buildings held for sale	-	203,429	27,366,740
	<u>₩ -</u>	<u>₩ 671,961</u>	<u>₩ 103,229,579</u>

(Unit: Indian-Rupee in thousands):

	December 31, 2011	December 31, 2010	January 1, 2010
Land held for sale	Rs. -	Rs. 18,741	Rs. 3,034,513
Buildings held for sale	-	8,137	1,094,670
	<u>Rs. -</u>	<u>Rs. 26,878</u>	<u>Rs. 4,129,183</u>

All held-for-sale assets were replaced to tangible assets (holding for the purpose of use) at the end of current period.

13. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts of property, plant and equipment as of December 31, 2011 and 2010 and January 1, 2010 are as follows (Unit: Korean won in thousands):

	December 31, 2011				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	506,326,230	1,828,072	158,258,412	148,713,692	197,526,054
Structures	105,540,140	215,212	58,002,840	29,850,469	17,471,619
Machinery	1,210,350,462	1,127,864	981,024,607	100,089,697	128,108,294
Vehicles	11,389,549	3	7,315,731	1,581,432	2,492,383
Tools and molds	742,363,803	85,803	397,546,437	164,184,360	180,547,203
Equipment	49,653,310	46,417	33,027,963	5,779,001	10,799,929
Construction in progress	31,748,336	-	-	-	31,748,336
Machinery in transit	<u>87,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,626</u>
	<u>₩ 3,127,104,158</u>	<u>₩ 3,303,371</u>	<u>₩ 1,635,175,990</u>	<u>₩ 450,198,651</u>	<u>₩ 1,038,426,146</u>

December 31, 2010					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₹ 472,348,135	₹ -	₹ -	₹ -	₹ 472,348,135
Buildings	519,340,266	1,876,262	159,139,342	158,362,289	199,962,373
Structures	105,444,400	235,189	57,048,578	29,935,519	18,225,114
Machinery	1,202,644,051	1,255,959	959,555,703	100,224,599	141,607,790
Vehicles	11,192,675	962	7,956,951	1,799,442	1,435,320
Tools and molds	690,788,668	111,214	352,710,189	164,424,847	173,542,418
Equipment	52,078,370	208,758	39,119,171	6,250,604	6,499,837
Construction in progress	16,413,955	-	-	-	16,413,955
	<u>₹3,070,250,520</u>	<u>₹ 3,688,344</u>	<u>₹ 1,575,529,934</u>	<u>₹ 460,997,300</u>	<u>₹ 1,030,034,942</u>

January 1, 2010					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₹ 461,677,086	₹ -	₹ -	₹ -	₹ 461,677,086
Buildings	497,123,451	1,893,449	151,959,048	161,038,017	182,232,937
Structures	104,090,105	255,166	55,548,270	29,799,315	18,487,354
Machinery	1,152,508,446	1,329,892	946,006,801	102,888,856	102,282,897
Vehicles	11,956,213	15,491	8,586,123	1,931,650	1,422,949
Tools and molds	584,467,310	83,870	321,029,244	164,520,913	98,833,283
Equipment	52,106,728	404,728	39,769,671	6,596,147	5,336,182
Construction in progress	111,973,335	-	-	-	111,973,335
Machinery in transit	193	-	-	-	193
	<u>₹2,975,902,867</u>	<u>₹ 3,982,596</u>	<u>₹ 1,522,899,157</u>	<u>₹ 466,774,898</u>	<u>₹ 982,246,216</u>

(Unit: Indian-Rupee in thousands):

December 31, 2011					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 18,785,788	Rs. -	Rs. -	Rs. -	Rs. 18,785,788
Buildings	20,253,049	73,123	6,330,336	5,948,548	7,901,042
Structures	4,221,606	8,608	2,320,114	1,194,019	698,865
Machinery	48,414,018	45,115	39,240,984	4,003,588	5,124,332
Vehicles	455,582	-	292,629	63,257	99,695
Tools and molds	29,694,552	3,432	15,901,857	6,567,374	7,221,888
Equipment	1,986,132	1,857	1,321,119	231,160	431,997
Construction in progress	1,269,934	-	-	-	1,269,934
Machinery in transit	3,505	-	-	-	3,505
	<u>Rs. 125,084,166</u>	<u>Rs. 132,135</u>	<u>Rs. 65,407,040</u>	<u>Rs. 18,007,946</u>	<u>Rs. 41,537,046</u>

December 31, 2010					
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	Rs. 18,893,925	Rs. -	Rs. -	Rs. -	Rs. 18,893,925
Buildings	20,773,611	75,050	6,365,574	6,334,492	7,998,495
Structures	4,217,776	9,408	2,281,942	1,197,421	729,005
Machinery	48,105,762	50,238	38,382,228	4,008,984	5,664,312
Vehicles	447,707	38	318,278	71,978	57,413
Tools and molds	27,631,547	4,450	14,108,407	6,576,993	6,941,697
Equipment	2,083,135	8,350	1,564,768	250,024	259,993
Construction in progress	656,558	-	-	-	656,558
	<u>Rs. 122,810,021</u>	<u>Rs. 147,534</u>	<u>Rs. 63,021,197</u>	<u>Rs. 18,439,892</u>	<u>Rs. 41,201,398</u>

January 1, 2010						
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	18,467,083	-	-	-	-	18,467,083
Buildings	19,884,938	75,738	6,078,362	6,441,521		7,289,317
Structures	4,163,604	10,207	2,221,930	1,191,973		739,494
Machinery	46,100,338	53,196	37,840,272	4,115,554		4,091,316
Vehicles	478,249	620	343,445	77,266		56,918
Tools and molds	23,378,692	3,355	12,841,169	6,580,837		3,953,331
Equipment	2,084,269	16,189	1,590,787	263,846		213,447
Construction in progress	4,789,935	-	-	-		4,478,935
Machinery in transit	8	-	-	-		8
	<u>Rs. 119,036,117</u>	<u>Rs. 159,305</u>	<u>Rs. 60,915,966</u>	<u>Rs. 18,670,997</u>		<u>Rs. 39,289,849</u>

(2) Changes in the carrying amounts of property, plant and equipment for the year ended December 31, 2011 and for the year ended December 31, 2010 are as follows (Unit: Korean won in thousands):

Year ended December 31, 2011						
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
	₩	₩	₩	₩	₩	₩
Land	472,348,135	-	3,171,965	468,532	-	469,644,702
Buildings	199,962,373	4,013,950	900,380	2,985,266	8,535,155	197,526,054
Structures	18,225,114	1,275,549	439,326	(130,213)	1,459,505	17,471,619
Machinery	141,607,790	7,698,000	16,222	10,245,421	31,426,697	128,108,292
Vehicles	1,435,320	1,718,505	29,811	(1,948)	629,683	2,492,383
Tools and molds	173,542,418	24,482,892	43,463	28,945,198	46,379,840	180,547,205
Equipment	6,499,837	6,451,490	80,864	(3,814)	2,066,720	10,799,929
Construction in progress	16,413,955	54,098,401	188,733	(38,575,287)	-	31,748,336
Machinery in transit	-	3,571,571	-	(3,483,945)	-	87,626
	<u>₩ 1,030,034,942</u>	<u>₩ 103,310,358</u>	<u>₩ 4,870,764</u>	<u>₩ 449,210</u>	<u>₩ 90,497,600</u>	<u>₩ 1,038,426,146</u>

(*) Depreciation cost of suspended assets amount of ₩ 19,223 in thousands is excluded from the depreciation cost in Statement of Cash flow.

Year ended December 31, 2010						
	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
	₩	₩	₩	₩	₩	₩
Land	461,677,086	-	55,591,801	66,262,850	-	472,348,135
Buildings	182,232,937	6,437,416	15,746,439	34,855,466	7,817,007	199,962,373
Structures	18,487,354	583,405	914,611	1,550,469	1,481,503	18,225,114
Machinery	102,282,897	11,917,195	738,030	55,432,180	27,486,452	141,607,790
Vehicles	1,422,949	429,382	45,838	136,973	508,146	1,435,320
Tools and molds	98,833,283	30,081,849	61,501	77,979,025	33,290,238	173,542,418
Equipment	5,336,181	2,866,074	33,404	75,433	1,744,448	6,499,837
Construction in progress	111,973,335	60,825,125	-	(156,384,505)	-	16,413,955
Machinery in transit	193	-	-	(193)	-	-
	<u>₩ 982,246,216</u>	<u>₩ 113,140,446</u>	<u>₩ 73,131,624</u>	<u>₩ 79,907,698</u>	<u>₩ 72,127,794</u>	<u>₩ 1,030,034,942</u>

(*) Depreciation cost of suspended assets amount of ₩ 22,934 in thousands is excluded from the depreciation cost in Statement of Cash flow.

(Unit: Indian-Rupee in thousands):

Year ended December 31, 2011						
	Beginning balance	Acquisition	Disposal	Other	Depreciation (*)	Ending balance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	18,893,925	-	126,878	18,741	-	18,785,788
Buildings	7,998,495	160,558	36,015	119,411	341,406	7,901,042
Structures	729,005	51,022	17,573	(5,209)	58,380	698,865
Machinery	5,664,312	307,920	649	409,817	1,257,068	5,124,332
Vehicles	57,413	68,740	1,192	(79)	25,187	99,695
Tools and molds	6,941,697	979,316	1,739	1,157,808	1,855,194	7,221,888
Equipment	259,993	258,060	3,235	(152)	82,669	431,997

	Year ended December 31, 2011					
	Beginning balance	Acquisition	Disposal	Other	Depreciation (*)	Ending balance
Construction in progress	656,558	2,163,936	7,549	(1,543,012)	-	1,269,933
Machinery in transit	-	142,863	-	(139,358)	-	3,505
	<u>Rs. 41,201,398</u>	<u>Rs. 4,132,415</u>	<u>Rs. 194,830</u>	<u>Rs. 17,967</u>	<u>Rs. 3,619,904</u>	<u>Rs. 41,537,046</u>

(*) Depreciation cost of suspended assets amounts Rs 769 in thousand is excluded from the depreciation cost in Statement of Cash flow.

	Year ended December 31, 2010					
	Beginning balance	Acquisition	Disposal	Other	Depreciation	Ending balance
Land	Rs. 18,467,083	Rs. -	Rs. 2,223,672	Rs. 2,650,514	Rs. -	Rs. 18,893,925
Buildings	7,289,317	257,497	629,858	1,394,219	312,680	7,998,495
Structures	739,494	23,336	36,584	62,019	59,260	729,005
Machinery	4,091,316	476,688	29,521	2,217,287	1,099,458	5,664,312
Vehicles	56,918	17,175	1,834	5,479	20,326	57,413
Tools and molds	3,953,331	1,203,274	2,460	3,119,161	1,331,610	6,941,697
Equipment	213,447	114,643	1,336	3,017	69,778	259,993
Construction in progress	4,478,933	2,433,005	-	(6,255,380)	-	656,558
Machinery in transit	8	-	-	(8)	-	-
	<u>Rs. 39,289,849</u>	<u>Rs. 4,525,618</u>	<u>Rs. 2,925,265</u>	<u>Rs. 3,196,308</u>	<u>Rs. 2,885,112</u>	<u>Rs. 41,201,398</u>

(*) Depreciation cost of suspended assets amounts Rs 918 in thousand is excluded from the depreciation cost in Statement of Cash flow.

(3) Insured assets

The Company's assets are insured as follows (Unit: Korean won and India-Rupee in thousands):

Type	Sum insured	Insured period	Insurer	Assets insured
Product liability insurance	USD 2,247,670,396	2011.01.01~2012.01.01	LIG Insurance Co., Ltd.	Products
Property insurance	₩ 2,580,164,238 (Rs 103,206,570)	2011.12.20~2012.12.20	Meritz Fire and Marine Insurance	Property, plant and equipment and inventories

In addition to the above insurances, the Company has subscribed to liability and comprehensive insurance for its vehicles and workers' compensation, health insurance and unemployment insurance for its employees. It has also subscribed to liability insurance for reparation of gas accident, auto insurance, other accident and casualty insurances and cargo insurance.

(4) Assets pledged as collateral

The assets pledged as collateral for the Company's borrowings as of December 31, 2011 are as follows (won in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 464,918,494	195 billion Korean
Buildings	150-3 (factory site) and others	191,276,423	Won
Machinery	Pyeongtaek plant production facilities	73,661,906	
		<u>₩ 729,856,823</u>	

(Unit: Indian-Rupee in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs. 18,596,740	7.8 billion rupee
Buildings	150-3 (factory site) and others	7,651,057	
Machinery	Pyeongtaek plant production facilities	2,946,476	
		<u>Rs. 29,194,273</u>	

14. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2011 and 2010 and January 1, 2010 are as follows (Unit: Korean won in thousands):

	December 31, 2011				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 181,940,629	₩ -	₩ 123,176,033	₩ -	₩ 58,764,596
Patents	1,753,170	-	1,041,499	10,562	701,109
Other intangible assets	10,611,863	251,773	5,429,091	-	4,930,999
	<u>₩ 194,305,662</u>	<u>₩ 251,773</u>	<u>₩ 129,646,623</u>	<u>₩ 10,562</u>	<u>₩ 64,396,704</u>
	December 31, 2010				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 176,173,786	₩ -	₩ 92,130,327	₩ -	₩ 84,043,459
Patents	1,982,591	-	1,345,825	33,197	603,569
Other intangible assets	11,346,668	515,086	6,307,478	-	4,524,104
	<u>₩ 189,503,045</u>	<u>₩ 515,086</u>	<u>₩ 99,783,630</u>	<u>₩ 33,197</u>	<u>₩ 89,171,132</u>
	January 1, 2010				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 189,015,770	₩ -	₩ 53,080,686	₩ 36,277,406	₩ 99,657,678
Patents	2,069,552	-	1,331,901	-	737,651
Other intangible assets	11,923,696	221,661	6,260,539	61,250	5,380,246
	<u>₩ 203,009,018</u>	<u>₩ 221,661</u>	<u>₩ 60,673,126</u>	<u>₩ 36,338,656</u>	<u>₩ 105,775,575</u>

(Unit: Indian-Rupee in thousands):

	December 31, 2011				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 7,277,625	Rs. -	Rs. 4,927,041	Rs. -	Rs. 2,350,584
Patents	70,127	-	41,660	422	28,044
Other intangible assets	424,475	10,071	217,164	-	197,240
	<u>Rs. 7,772,227</u>	<u>Rs. 10,071</u>	<u>Rs. 5,185,865</u>	<u>Rs. 422</u>	<u>Rs. 2,575,868</u>
	December 31, 2010				
	Acquisition cost	Government subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 7,046,951	Rs. -	Rs. 3,685,213	Rs. -	Rs. 3,361,738
Patents	79,304	-	53,833	1,328	24,143
Other intangible assets	453,867	20,603	252,300	-	180,964
	<u>Rs. 7,580,122</u>	<u>Rs. 20,603</u>	<u>Rs. 3,991,346</u>	<u>Rs. 1,328</u>	<u>Rs. 3,566,845</u>

	January 1, 2010				
	Acquisition cost	Government subsidies	Accumulated Depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 7,560,631	Rs. -	Rs. 2,123,228	Rs. 1,451,096	Rs. 3,986,307
Patents	82,782	-	53,276	-	29,506
Other intangible assets	476,948	8,866	250,422	2,450	215,210
	<u>Rs. 8,120,361</u>	<u>Rs. 8,866</u>	<u>Rs. 2,426,926</u>	<u>Rs. 1,453,546</u>	<u>Rs. 4,231,023</u>

(2) Changes in intangible assets for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

	Year ended December 31, 2011				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	₩ 84,043,459	₩ 5,931,843	₩ 31,210,706	₩ -	₩ 58,764,596
Patents	603,569	414,523	306,421	10,562	701,109
Other intangible assets	4,524,104	1,887,007	1,480,112	-	4,930,999
	<u>₩ 89,171,132</u>	<u>₩ 8,233,373</u>	<u>₩ 32,997,239</u>	<u>₩ 10,562</u>	<u>₩ 64,396,704</u>

	Year ended December 31, 2010				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	₩ 99,657,678	₩ 23,805,472	₩ -	₩ 39,419,691	₩ 84,043,459
Patents	737,651	175,424	-	33,219	603,569
Other intangible assets	5,380,246	1,653,539	490,560	-	4,524,104
	<u>₩ 105,775,575</u>	<u>₩ 25,634,435</u>	<u>₩ 490,560</u>	<u>₩ 33,219</u>	<u>₩ 89,171,132</u>

(Unit: Indian-Rupee in thousands):

	Year ended December 31, 2011				
	Beginning balance	Acquisition	Depreciation	Impairment loss	Ending balance
Development cost	Rs. 3,361,738	Rs. 237,274	Rs. 1,248,428	Rs. -	Rs. 2,350,584
Patents	24,143	16,581	12,258	422	28,044
Other intangible assets	180,964	75,480	59,204	-	197,240
	<u>Rs. 3,566,845</u>	<u>Rs. 329,335</u>	<u>Rs. 1,319,890</u>	<u>Rs. 422</u>	<u>Rs. 2,575,868</u>

	Year ended December 31, 2010					
	Beginning balance	Acquisition	Disposal	Depreciation	Impairment loss	Ending balance
Development cost	Rs. 3,986,307	Rs. 952,219	Rs. -	Rs. 1,576,788	Rs. -	Rs. 3,361,738
Patents	29,506	7,017	-	11,051	1,329	24,143
Other intangible assets	215,210	66,141	19,622	80,765	-	180,964
	<u>Rs. 4,231,023</u>	<u>Rs. 1,025,377</u>	<u>Rs. 19,622</u>	<u>Rs. 1,668,604</u>	<u>Rs. 1,329</u>	<u>Rs. 3,566,845</u>

(3) Amortization of the Company's intangible assets for the years ended December 31, 2011 and 2010 is as follows.

Account	Korean Won in thousands		Indian-Rupee in thousands	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Cost of goods manufactured	₩ 31,113,762	₩ 27,475,055	Rs. 1,244,551	Rs. 1,099,003
Selling and administrative expenses	1,883,477	2,377,908	75,339	95,116
Other operating expenses	-	11,862,136	-	474,485
	<u>₩ 32,997,239</u>	<u>₩ 41,715,099</u>	<u>Rs. 1,319,890</u>	<u>Rs. 1,668,604</u>

15. BORROWINGS:

(1) The Company's short-term borrowings as of December 31, 2011 and 2010 and January 1, 2010 consist of the following (Unit: Korean won in thousands):

Creditor	Type	Interest rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Korea Development Bank	Operating fund	CD + 3.50%	₩ 30,000,000	₩ -	₩ 80,030,473
Korea Development Bank	Banker's usance	EUR: 3.45 USD: 2.25 JPY: 2.14	10,567,689	-	-
			<u>₩ 40,567,689</u>	<u>₩ -</u>	<u>₩ 80,030,473</u>

(Unit: Indian-Rupee in thousands):

Type	kind	Interest rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Korea Development Bank	Operating fund	CD + 3.50%	Rs. 1,200,000	Rs. -	Rs. 3,201,219
Korea Development Bank	Banker's usance	EUR: 3.45 USD: 2.25 JPY: 2.14	422,708	-	-
			<u>Rs. 1,622,708</u>	<u>Rs. -</u>	<u>Rs. 3,201,219</u>

(2) The Company's bonds and current portion of long-term borrowings as of December 31, 2011 consist of the following (Unit: Korean won in thousands):

Type	Issue date	Maturity date	Interest rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00	₩ 95,404,765	₩ -	₩ -
Current portion of long-term debt	-	-	3.25~7.00	-	356,920,833	-
				<u>₩ 95,404,765</u>	<u>₩ 356,920,833</u>	<u>₩ -</u>

(Unit: Indian-Rupee in thousands):

Type	Issue date	Maturity date	Interest rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00	Rs. 3,816,191	Rs. -	Rs. -
Current portion of long-term debt	-	-	3.25~7.00	-	14,276,833	-
				<u>Rs. 3,816,191</u>	<u>Rs. 14,276,833</u>	<u>Rs. -</u>

(3) The Company's long-term borrowings as of December 31, 2011 and 2010 and January 1, 2010 consist of the following (Unit: Korean won in thousands):

	Issue date	Maturity date	Interest rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Long-term borrowings	2011-02-09	2014-02-09	3.25~7.00	₩ -	₩ -	₩ 363,107,045

(Unit: Indian-Rupee in thousands):

	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>December 1, 2011</u>	<u>December 1, 2010</u>	<u>January 1, 2010</u>
Long-term borrowings	2011-02-09	2014-02-09	3.25~7.00	Rs. -	Rs. -	Rs. 14,524,282

(4) The Company provided the following collaterals in relation to its borrowings:

<u>Creditor</u>	<u>Assets pledged as collaterals</u>	<u>Pledged date</u>	<u>Maximum credit amount</u>
Korea Development Bank	Land, buildings and machinery	2009-08-13	195 billion Korean Won (7.8 billion Rupee)

16. DEBT RESTRUCTURING:

The Company completed its debt restructuring, in accordance with the Court approval of the Company's reorganization plan dated December 17, 2009, and as a result, the Company's capital decreased by ₩359,364,150 thousand (Rs. 14,374,566 thousand) and ₩61,970,945 thousand (Rs. 2,478,838 thousand) as of December 31, 2010 and 2009, respectively. In addition, the Company recognized a gain on exemption of debts amounting to ₩471,074 thousand (Rs. 18,843 thousand) and ₩367,077,983 thousand (Rs. 14,683,119 thousand) for the year ended December 31, 2010 and 2009, respectively.

The restructured debt either was or will be repaid during the year ended December 31, 2011 according to the revised corporate reorganization plan approved on January 28, 2011, and the Company recognized ₩49,047,989 thousand (Rs. 1,961,920 thousand) as a gain on exemption of debts for the year ended December 31, 2011.

17. OTHER FINANCIAL LIABILITIES:

Carrying amounts of the Company's other financial liabilities as of December 31, 2011 and 2010 and January 1, 2010 are as follows:

<u>Classification</u>	<u>Korean Won in thousands</u>			<u>Indian-Rupee in thousands</u>		
	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Other current financial liabilities:						
Accrued expenses	₩ 16,599,583	₩ 71,648,056	₩ 29,180,629	Rs. 663,983	Rs. 2,865,922	Rs. 1,167,225
Other long-term financial liabilities:						
Long-term accrued expenses	-	-	23,668,781	-	-	946,751
	<u>₩ 16,599,583</u>	<u>₩ 71,648,056</u>	<u>₩ 52,777,410</u>	<u>₩ 663,983</u>	<u>₩ 2,865,922</u>	<u>Rs. 2,111,096</u>

18. PROVISION FOR PRODUCT WARRANTIES:

The Company provides warranties for the sale of its products and establishes a provision for product warranties for the amount of expected warranty costs. Provisions for product warranties as of December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

	<u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
Dec. 31, 2011	₩ 77,265,249	₩ 101,046,995	₩ 56,304,408	₩ 122,007,836	₩ 47,093,611	₩ 74,914,225
Dec. 31, 2010	63,906,539	75,402,818	62,044,108	77,265,249	34,090,864	43,174,385

(Unit: Indian-Rupee in thousands):

	<u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Current</u>	<u>Non-current</u>
Dec. 31, 2011	Rs. 3,090,610	Rs. 4,041,880	Rs. 2,252,176	Rs. 4,880,314	Rs. 1,883,744	Rs. 2,996,570
Dec. 31, 2010	2,556,262	3,016,113	2,481,765	3,090,610	1,363,635	1,726,976

19. OTHER LIABILITIES AND OTHER LONG-TERM LIABILITIES:

Carrying amounts of the Company's other liabilities as of December 31, 2011 and 2010 and January 1, 2010 are as follows:

Classification	Korean won in thousands		Indian-Rupee in thousands	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Other liabilities				
Advances from customers	₩ 5,730,529	₩ 6,615,597	Rs. 229,221	Rs. 264,624
Deposits received	469,498	52,907,186	18,780	2,116,287
Withholdings	17,578,565	21,740,708	703,143	869,628
Income in advance	4,087,888	-	163,516	-
	<u>₩ 27,866,480</u>	<u>₩ 81,263,491</u>	<u>Rs. 1,114,659</u>	<u>Rs. 3,250,540</u>
Other Long-term liabilities				
Withholdings	₩ 8,270	-	Rs. 331	Rs. -

Classification	Korean won in thousands	
	January 1,2010	January 1,2010
Other liabilities		
Advances from customers	₩ 3,802,609	Rs. 152,104
Deposits received	655,771	26,231
Withholdings	20,427,875	817,115
Income in advance	2,029,881	81,195
	<u>₩ 26,916,136</u>	<u>Rs. 1,076,645</u>
Other Long-term liabilities		
Withholdings	₩ -	Rs. -

20. RETIREMENT BENEFIT OBLIGATION:

(1) Defined benefit plans and related liabilities arising from the company's financial statements configuration items are as follows : (Unit: Korean won in thousands):

Classification	Korean won in thousands		Indian-Rupee in thousands	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Present value of defined benefit obligation	₩ 188,058,594	₩ 151,897,559	Rs. 7,522,343	Rs. 6,075,902
Fair value of plan assets	(3,072,683)	(3,219,524)	(122,907)	(128,781)
	<u>₩ 184,985,911</u>	<u>₩ 148,678,035</u>	<u>Rs. 7,399,436</u>	<u>Rs. 5,947,121</u>

Classification	Korean won in thousands	
	January 1,2010	January 1,2010
Present value of defined benefit obligation	₩ 110,109,584	Rs. 4,404,384
Fair value of plan assets	(3,174,969)	(126,999)
	<u>₩ 106,934,615</u>	<u>Rs. 4,277,385</u>

(2) Details of defined benefit plan recognized on the statements of operations for the years ended December 31, 2011 and 2010 are s follows (Unit: Korean won and Indian-Rupee in thousands):

	Year ended	Year ended	Year ended	Year ended
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Current service cost	₩ 19,571,687	₩ 16,226,694	Rs. 727,867	Rs. 649,068
Interest cost	8,541,555	7,019,835	341,662	280,793
Expected return on plan assets	(160,971)	(160,971)	(6,439)	(6,439)
	<u>₩ 27,952,271</u>	<u>₩ 23,085,558</u>	<u>Rs. 1,118,091</u>	<u>Rs. 923,422</u>

(3) Expenses related to defined benefit plan for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

	Year ended December 31, 2011		Year ended December 31, 2010		Year ended December 31, 2011		Year ended December 31, 2010	
Cost of goods manufactured	₩	20,157,249	₩	13,819,242	Rs.	806,290	Rs.	552,770
Selling and administrative expenses		<u>7,795,022</u>		<u>9,266,316</u>		<u>311,801</u>		<u>370,653</u>
	₩	<u>27,952,271</u>	₩	<u>23,085,558</u>	Rs.	<u>1,118,091</u>	Rs.	<u>923,422</u>

(4) Changes in the Company's defined benefit obligation for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

	Year ended December 31, 2011		Year ended December 31, 2010		Year ended December 31, 2011		Year ended December 31, 2010	
Beginning balance	₩	151,897,559	₩	110,109,584	Rs.	6,075,910	Rs.	4,404,383
Current service cost		19,571,687		16,226,694		782,867		649,068
Interest cost		8,541,555		7,019,835		341,662		280,793
Actuarial gains		20,473,482		22,239,440		818,939		889,578
Wages paid		(12,158,258)		(3,607,753)		(486,330)		(144,310)
Other		<u>(267,431)</u>		<u>(90,241)</u>		<u>(10,695)</u>		<u>(3,610)</u>
Ending balance	₩	<u>188,058,594</u>	₩	<u>151,897,559</u>	Rs.	<u>7,522,343</u>	Rs.	<u>6,075,902</u>

(5) Changes in the fair value of plan assets for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean won and Indian-Rupee in thousands):

	Year ended December 31, 2011		Year ended December 31, 2010		Year ended December 31, 2011		Year ended December 31, 2010	
Beginning balance	₩	3,219,524	₩	3,174,969	Rs.	128,780	Rs.	126,999
Expected return on plan assets		160,971		160,971		6,439		6,439
Actuarial losses		(40,381)		(26,175)		(1,615)		(1,047)
Wages paid		<u>(267,431)</u>		<u>(90,241)</u>		<u>(10,697)</u>		<u>(3,610)</u>
Ending balance	₩	<u>3,072,683</u>	₩	<u>3,219,524</u>	Rs.	<u>122,907</u>	Rs.	<u>128,781</u>

(6) Actuarial assumptions used as of December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Discount rate (%)	4.80	5.70
Expected return on plan assets (%)	3.08	3.80
Expected rate of salary increase (%)	5.32	5.30

The expected rate of return on plan assets was derived from weighted average market values of each plan asset. A long-term historical rate of return, current market situation, and strategic asset allocation are equally considered for the calculation of the expected rate of return.

(7) The actual return on plan assets for the years ended December 31, 2011 and 2010 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Actual return on plan assets	₩	120,590	₩	93,475
			Rs.	4,824
			Rs.	3,739

(8) Company's plan assets as of December 31, 2011 and December 31, 2010 are composed of as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Others	₩	3,072,683	₩	3,219,524
			Rs.	122,907
			Rs.	128,781

	<u>Korean won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>January 1, 2019</u>		<u>January 1, 2010</u>	
Others	₩	3,174,969	Rs.	126,999

21. CONTINGENCIES AND COMMITMENTS:

The followings are the major commitments and contingent liabilities as of December 31, 2011.

- (1) The Company carries product liability insurance for all products which it sells domestically.
- (2) As of December 31, 2011, the company has been providing guarantees from WORRI BANK and etc amounting to USD 24,265,671, EUR 5,432,357 and JPY 71,531,200 related to import L/C.

<u>provided</u>	<u>Contract period</u>	<u>Contract price(USD)</u>	<u>Amount execution</u>	<u>Amount execution</u>
WOORIBANK	2011.08.23~2012.08.23	USD 40,000,000	USD 18,816,308	Usance import credit limit
			USD 5,449,363	
			EUR 5,432,357	Usance import credit limit
KDB	2011.07.27~2012.07.27	USD 65,000,000	JPY 71,531,200	
			USD 24,265,670	
			EUR 5,432,357	
Total			JPY 71,531,200	

- (3) The followings are the major loan arrangements with the financial institutions as of December 31, 2011.
(Unit: Korean won in thousands):

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
KDB	Operating purpose loans	₩ 80,000,000	₩ 30,000,000

(Unit: Indian-Rupee in thousands):

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
KDB	Operating purpose loans	Rs 3,200,000	Rs 1,200,000

- (4) Pending litigations

As of December 31, 2011, the Company has three pending litigations as a plaintiff with claims amounting to ₩15,110 million (Rs. 604 million) and twenty-five pending litigations as a defendant with claims amounting to ₩12,745 million (Rs. 510 million). Details of significant pending litigations as of December 31, 2011 are as follows:

<u>Type of litigation</u>	<u>Claimed amount</u>		<u>Plaintiff</u>	<u>Defendant</u>	<u>Remarks</u>
	<u>(Korean won in thousands)</u>	<u>(Indian-Rupee in thousands)</u>			
Prohibition of air pollution emission	₩ 10,000	Rs. 400	Kwon, joonghee	The Company	3rd trial pending
Debt non-existence confirmation	959,090	38,364	Telstar Hommel	The Company	1st trial pending
Objection to confirmation trial	1,560,000	62,400	SK E&C Co., Ltd.	The Company	1st trial pending
Wages	4,464,000	178,560	Sung-Ho Lee and 247 others	The Company	1st trial pending
Void dismissal	3,120,016	124,801	Suk-joo Noh and 155 others	The Company	1st trial pending

Type of litigation	Claimed amount		Plaintiff	Defendant	Remarks
	(Korean won in thousands)	(Indian-Rupee in thousands)			
Compensation for damages	5,000,000	200,000	The Company	Labor Union, Kap Deuk Jung and others	1st trial pending
Compensation for damages	10,000,000	400,000	The Company	Federation of Korean Metal Workers' Trade Union	1st trial pending
Unfair dismissal Remedies	240,000	9,600	The Company	Central Labor Council	2nd trial pending

(*) For the above pending litigations, the Company recognized other payables amounting to ₩2,153,342 thousand (Rs. 86,134 thousand) that are expected to be a probable loss and can be reasonably estimated as of December 31, 2011.

22. CAPITAL STOCK:

As of December 31, 2011, the number of authorized shares is 3 billion shares. Details of capital stock are as follows (Unit: Won in thousands except par value):

Classification	Shares outstanding	Par value	Capital stock
December 31, 2011	121,961,841	₩ 5,000	₩ 609,809,205
December 31, 2010	36,537,601	₩ 5,000	₩ 182,688,005
January 01, 2010	108,410,431	₩ 5,000	₩ 542,052,155

(Unit: Rupee in thousands except par value):

Classification	Shares outstanding	Par value	Capital stock
December 31, 2011	121,961,841	Rs. 200	Rs. 24,392,368
December 31, 2010	36,537,601	Rs. 200	Rs. 7,307,520
January 01, 2010	108,410,431	Rs. 200	Rs. 21,682,086

23. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

Details of the Company's other capital surplus and retained earnings as of December 31, 2011 and 2010 and January 1, 2010 are as follows (Unit: Korean won in thousands):

Classification		December 31, 2011	December 31, 2010	January 1, 2010
Retained Earnings	Unappropriated retained earnings	₩ 177,718,020	₩ (404,029,299)	₩ (355,455,370)
Other Capital Surplus	Paid-in capital in excess of par value	4,213,879	4,170,771	2,594
	Gain on retirement of capital stock	120,351,580	805,577,535	444,128,160
	Consideration for conversion rights	-	29,474,043	29,474,043
	Debt converted to equity	931,508	1,009,430	7,146,185
		<u>₩ 125,496,967</u>	<u>₩ 840,231,779</u>	<u>₩ 480,750,982</u>

(Unit: Indian-Rupee in thousands):

Classification		December 31, 2011	December 31, 2010	January 1, 2010
Retained Earnings	Unappropriated retained earnings	Rs. 7,108,721	Rs. (16,161,172)	Rs. (14,218,215)
Other Capital Surplus	Paid-in capital in excess of par value	168,555	166,831	104

Classification	December 31, 2011	December 31, 2010	January 1,2010
Gain on retirement of capital stock	4,814,063	32,223,101	17,765,126
Consideration for conversion rights	-	1,178,962	1,178,962
Debt converted to equity	37,260	40,377	285,847
	<u>Rs. 5,019,879</u>	<u>Rs. 33,609,271</u>	<u>Rs. 19,230,039</u>

24. STATEMENT OF APPROPRIATION OF RETAINED EARNINGS(DISPOSITION OF DEFICIT):

Detail of the Company's statement of appropriation of retained earnings for the year ended December 31, 2011 and 2010 and January 1, 2010 are as follows (Unit: Korean won in thousands):

SSANGYONG MOTOR COMPANY
STATEMENT OF APPROPRIATION OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Expected disposition date: 2012. 03.28

Disposal fixed date: 2011. 03. 10

Accounts	(Unit: Korean won)	
	Year ended December 31, 2011	Year ended December 31, 2010
Unappropriated retained earning(undisposed deficit)	₩ 177,718,020,010	₩ (404,029,299,186)
Undisposed retained earnings carried over from prior year	₩ 310,670,698,356	₩ (355,455,669,993)
Current net loss	(112,438,814,048)	(26,228,348,967)
Actuarial losses	(20,513,864,298)	(22,345,280,226)
Appropriation of retained earnings(disposition)	-	714,699,997,542
Gain from reduction of capital	-	685,225,954,724
Consideration for Conversion Rights	-	29,474,042,818
Unappropriated retained to be carried forward to subsequent year	<u>₩ 177,718,020,010</u>	<u>₩ 310,670,698,356</u>

Accounts	(Unit: Indian-Rupee)	
	Year ended December 31, 2011	Year ended December 31, 2010
Unappropriated retained earning(undisposed deficit)	Rs. 7,108,720,800	Rs. (16,161,171,967)
Undisposed retained earnings carried over from prior year	Rs. 12,426,827,934	Rs. (14,218,226,800)
Current net loss	(4,497,552,562)	(1,049,133,959)
Actuarial losses	(820,554,572)	(893,811,290)
Appropriation of retained earnings(disposition)	-	28,587,999,902
Gain from reduction of capital	-	27,409,038,189
Consideration for Conversion Rights	-	1,178,961,713
Unappropriated retained to be carried forward to subsequent year	<u>Rs. 7,108,720,800</u>	<u>Rs. 12,426,827,934</u>

25. INCOME TAX:

(1) Composition of income tax expense for the years ended December 31, 2011 and 2010 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	Yeras ended	Yeras ended	Yeras ended	Yeras ended
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Current income tax payable	₩ -	₩ -	₩ -	₩ -
Income tax expense directly reflected to shareholders' equity	-	-	-	-
Income tax expense	₩ -	₩ -	₩ -	₩ -

(2) Changes in temporary differences and deferred income tax assets (Unit: Korean Won in thousands):

The changes in temporary differences and deferred income tax assets for the year ended December 31, 2011 are as follows (Unit: Korean Won in thousands):

Description	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	₩ 2,231,955	₩ 5,460,669	₩ 1,446,886	₩ (1,781,828)
Government subsidies	5,571,451	2,217,162	2,211,568	5,565,857
Provision for product warranties	73,140,516	73,140,516	122,007,836	122,007,836
Accrued severance indemnities	143,924,301	22,084,703	58,680,843	180,520,441
Loss on revaluation of property, plant and equipment	248,611,207	116,963,553	40,774	131,688,428
Development cost	69,737,763	42,971,635	15,707,862	42,473,990
Depreciation	11,495,655	3,008,654	1,045,067	9,532,068
Other payables	13,253,584	13,253,584	13,838,928	13,838,928
Accrued expenses	24,914,129	24,914,129	15,552,941	15,552,941
Investment in subsidiaries	2,684,828	-	-	2,684,828
Gain (loss) on foreign currency translation	(26,400,145)	(26,400,145)	1,212,429	1,212,429
Present value discount	(132,649,348)	(187,338,426)	(63,087,942)	(8,398,864)
Land	-	10,769,084	23,136,974	12,367,890
Other long-term employee benefit	-	-	(261,695,316)	(261,695,316)
Others	108,085	51,833	(684,672)	(628,420)
Deficit carried over	1,139,661,753	88,098,952	-	1,051,562,801
Total	1,576,285,734			1,316,504,009
Not recognized as deferred tax assets	1,576,285,734			1,316,504,009
Recognized as deferred tax assets	-			-
Statutory tax rate	24.2%, 22.0%			22.0%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	19,091,682	-	935,280	20,026,962
Not recognized as deferred tax assets	19,091,682	-	935,280	20,026,962
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	₩ -			₩ -

(Unit: Indian-Rupee in thousands):

Description	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	Rs. 89,278	Rs. 218,427	Rs. 57,875	Rs. (71,273)
Government subsidies	222,858	88,686	88,463	222,634
Provision for product warranties	2,925,621	2,925,621	4,880,313	4,880,313
Accrued severance indemnities	5,756,972	883,388	2,347,234	7,220,818
Loss on revaluation of property, plant and equipment	9,944,448	4,678,542	1,631	5,267,537
Development cost	2,789,511	1,718,865	628,314	1,698,960
Depreciation	459,826	120,346	41,803	381,283
Other payables	530,143	530,143	553,557	553,557
Accrued expenses	996,565	996,565	622,118	622,118
Investments in subsidiaries	107,393	-	-	107,393
Gain (loss) on foreign currency translation	(1,056,006)	(1,056,006)	48,497	48,497
Present value discount	(5,305,974)	(7,493,537)	(2,523,518)	(335,955)
Land	-	430,763	925,479	494,716
Other long-term employee benefit	-	-	(10,467,813)	(10,467,813)
Others	4,323	2,073	(27,387)	(25,137)
Deficit carried over	45,586,470	3,523,958	-	42,062,512
	63,051,429			52,660,160
Not recognized as deferred tax assets	63,051,429			52,660,160
Recognized as deferred tax assets	-			-
Statutory tax rate	24.2%, 22.0%			22.0%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	763,667	-	37,411	801,078
Not recognized as deferred tax assets	763,667	-	37,411	801,078
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Total deferred income tax	Rs. -			Rs. -

The Company did not recognize deferred income tax assets related to the temporary differences, deficit carried forward and tax credit carried forward since it could not estimate the income tax effect resulting from future taxable income.

26. OPERATING LOSS:

Items that were classified as non-operating income (expenses) under the previous GAAP but are classified as other operating income (expenses) under K-IFRS and the amounts of those items for the years ended December 31, 2011 and 2010 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Commission income	₩ 2,096,350	₩ 3,673,214	Rs. 83,854	Rs. 146,929
Gain(loss) on disposal of property, plant and equipment	2,318,926	92,686,321	92,757	3,707,453
Loss on disposal of trade receivables	16,598,763	15,264,971	663,951	610,599
Gain (loss) on foreign currency transactions(*)	(1,535,031)	(788,078)	(61,401)	(31,523)
Donations	111,500	87,450	4,460	3,498

(*) Gains or losses arising from borrowings in foreign currency are recognized in non-operating income under K-IFRS.

27. EXPENSES BY CATEGORY:

Details of expenses classified by category for the the years ended December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

	Year ended December 31, 2011				
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories:					
Manufactured goods	₩ 17,346,826	₩ -	₩ -	₩ -	₩ 17,346,826
Work-in-process	1,940,001	-	-	-	1,940,001
Merchandise goods	(3,415,026)	-	-	-	(3,415,026)
Raw materials used	-	1,786,268,618	-	-	1,786,268,618
Purchase of merchandise goods	-	215,987,252	-	-	215,987,252
Employee benefits	-	167,507,864	-	40,655,884	208,163,748
Depreciation	-	87,160,914	-	3,317,463	90,478,377
Amortization	-	31,113,762	-	1,883,477	32,997,239
Service fees	-	2,631,584	-	10,800,372	13,431,956
Ordinary development cost	-	100,240,229	-	17,541,439	117,781,668
Warranty expenses	-	-	101,046,995	-	101,046,995
Sales commission	-	-	93,747,947	-	93,747,947
Export expenses	-	-	85,613,528	-	85,613,528
Other	-	49,912,923	51,215,825	51,841,035	152,969,783
	₩ 15,871,801	₩ 2,440,823,146	₩ 331,624,295	₩ 126,039,670	₩ 2,914,358,912

	Year ended December 31, 2010					
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Other expenses	Total
Changes in inventories						
Manufactured goods	₩ (71,374)	₩ -	₩ -	₩ -	₩ -	₩ (71,374)
Work-in-process	(3,596,775)	-	-	-	-	(3,596,775)
Merchandise goods	(7,945,951)	-	-	-	-	(7,945,951)
Raw materials used	-	1,254,239,599	-	-	-	1,254,239,599
Purchase of merchandise goods	-	218,445,827	-	-	-	218,445,827
Employee benefits	-	127,995,484	-	30,399,353	-	158,394,837
Depreciation	-	69,372,105	-	2,732,755	-	72,104,860
Amortization	-	27,475,055	-	2,377,908	11,862,136	41,715,099
Service fees	-	728,678	-	5,595,857	-	6,324,535
Ordinary development cost	-	56,507,714	-	15,806,603	-	72,314,317
Warranty expenses	-	-	68,071,679	-	-	68,071,679
Sales commission	-	-	82,614,162	-	-	82,614,162
Export expenses	-	-	62,150,664	-	-	62,150,664
Other	-	48,093,255	38,551,596	46,320,701	-	132,965,552
	₩ (11,614,100)	₩ 1,802,857,717	₩ 251,388,101	₩ 103,233,177	₩ 11,862,136	₩ 2,157,727,031

(Unit: Indian-Rupee in thousands):

	Year ended December 31, 2011				
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	Rs. 693,873	Rs. -	Rs. -	Rs. -	Rs. 693,873
Work-in-process	77,600	-	-	-	77,600
Merchandise goods	(136,601)	-	-	-	(136,601)
Raw materials used	-	71,450,745	-	-	71,450,745
Purchase of merchandise goods	-	8,639,490	-	-	8,639,490
Employee benefits	-	6,700,315	-	1,626,235	8,326,550
Depreciation	-	3,486,437	-	132,699	3,619,136
Amortization	-	1,244,550	-	75,339	1,319,890

Year ended December 31, 2011					
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Service fees	-	105,263	-	432,015	537,278
Ordinary development cost	-	4,009,609	-	701,658	4,711,267
Warranty expenses	-	-	4,041,880	-	4,041,880
Sales commission	-	-	3,749,918	-	3,749,918
Export expenses	-	-	3,424,541	-	3,424,541
Other	-	1,996,567	2,048,634	2,073,640	6,118,791
	<u>Rs. 634,872</u>	<u>Rs. 97,632,926</u>	<u>Rs. 13,264,973</u>	<u>Rs. 5,041,586</u>	<u>Rs. 116,574,357</u>

Year ended December 31, 2010						
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Other expenses	Total
Changes in inventories						
Manufactured goods	Rs. (2,855)	Rs. -	Rs. -	Rs. -	Rs. -	Rs. (2,855)
Work-in-process	(143,871)	-	-	-	-	(143,871)
Merchandise goods	(317,838)	-	-	-	-	(317,838)
Raw materials used	-	50,169,584	-	-	-	50,169,584
Purchase of merchandise goods	-	8,737,833	-	-	-	8,737,833
Employee benefits	-	5,119,819	-	1,215,974	-	6,335,793
Depreciation	-	2,774,884	-	109,310	-	2,884,194
Amortization	-	1,099,002	-	95,116	474,485	1,668,604
Service fees	-	29,147	-	223,834	-	252,981
Ordinary development cost	-	2,260,309	-	632,265	-	2,892,574
Warranty expenses	-	-	2,722,867	-	-	2,722,867
Sales commission	-	-	3,304,566	-	-	3,304,566
Export expenses	-	-	2,486,027	-	-	2,486,027
Other	-	1,923,730	1,542,064	1,852,827	-	5,318,621
	<u>Rs. (464,564)</u>	<u>Rs. 72,114,308</u>	<u>Rs. 10,055,524</u>	<u>Rs. 4,129,326</u>	<u>Rs. 474,485</u>	<u>Rs. 86,309,081</u>

28. Derivatives:

The company is making a derivative contract with Woori Bank and KDB to avoid the risks of exchange rate fluctuation by fitting the amount and period of expected foreign currency sales (hedged items) and derivative financial instruments(hedging instrument).

Contents of the signed contract as of December 31, 2011 are as follows:

Section	Currency	Amount	Contract date	Settlement day	Contract foreign exchange rate	Valuation foreign exchange rate
Woori bank	USD	10,000,000	2011-12-29	2012-01-20	₩ 1,159.15	₩ 1,155.35
					Rs. 46.37	Rs. 46.21
KDB	USD	10,000,000	2011-12-29	2012-01-27	₩ 1,159.90	₩ 1,155.92
					Rs. 46.40	Rs. 46.24
KDB	USD	10,000,000	2011-12-29	2012-02-10	₩ 1,160.90	₩ 1,157.01
					Rs. 46.44	Rs. 46.28
KDB	USD	10,000,000	2011-12-29	2012-02-24	₩ 1,161.85	₩ 1,157.95
					Rs. 46.47	Rs. 46.32
Wooribank	USD	10,000,000	2011-12-29	2012-03-09	₩ 1,161.60	₩ 1,158.80
					Rs. 46.46	Rs. 46.35

Cash flow risk aversion accounting treatment is applied on valuation of derivatives of ₩ 193,310 thousand (Rs 7,732 thousand) accumulated other comprehensive income for the year ended December 31, 2011.

29. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the year ended December 31, 2011 and 2010 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Warranty expenses	₩ 101,046,995	₩ 68,071,680	Rs. 4,041,880	Rs. 2,722,867
Sales commissions	93,747,947	82,614,162	3,749,918	3,304,566
Sales promotional expenses	18,545,163	13,960,259	741,807	558,410
Packaging expenses	3,745,273	3,485,288	149,811	139,412
Advertising expenses	22,910,889	16,603,250	916,436	664,130
Freight expenses	6,014,500	4,502,798	240,580	180,112
Export expenses	85,613,528	62,150,664	3,424,540	2,486,027
	<u>₩ 331,624,295</u>	<u>₩ 251,388,101</u>	<u>Rs. 13,264,972</u>	<u>Rs. 10,055,524</u>

(2) Administrative expenses for the year ended December 31, 2011, 2011 and 2010 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Salaries	₩ 36,683,331	₩ 27,700,247	Rs. 1,467,333	Rs. 1,108,010
Post-employment benefits	3,972,553	2,564,311	158,902	102,572
Employee benefits	7,888,289	5,529,152	315,532	221,166
Travel expenses	1,027,847	774,212	41,114	30,968
Communication expenses	970,946	758,017	38,838	30,321
Electricity expenses	424,829	1,189,209	16,993	47,568
Utility expenses	251,658	277,768	10,066	11,111
Taxes and dues	2,852,154	3,783,531	114,086	151,341
Rent expense	12,815,752	9,593,889	512,630	383,756
Repair expenses	979,206	1,031,406	39,168	41,256
Insurance	164,477	171,902	6,579	6,876
Entertainment expenses	221,059	147,476	8,842	5,899
Vehicles	934,758	777,300	37,390	31,092
Overseas marketing expenses	326,738	345,326	13,070	13,813
Training	1,022,269	838,928	40,891	33,557
Printing	423,788	311,317	16,952	12,453
Supplies	486,211	400,977	19,448	16,039
Conference expense	116,169	64,614	4,647	2,585
Service fees	10,800,372	5,595,857	432,015	223,834
Legal expense	135,621	45,147	5,425	1,806
Outsourcing expense	15,121,513	14,256,876	604,861	570,275
Computing expense	5,021,324	4,740,513	200,853	189,621
Depreciation	3,317,463	2,732,755	132,699	109,310
Bad debt expense	656,427	665,053	26,257	26,602
R&D expenses	17,541,439	15,806,603	701,658	632,264
Amortization	1,883,477	2,377,908	75,339	95,116
Other administrative expenses	-	752,885	-	30,115
	<u>₩ 126,039,670</u>	<u>₩ 103,233,177</u>	<u>Rs. 5,041,587</u>	<u>Rs. 4,129,327</u>

30. OTHER OPERATING INCOME (EXPENSES):

(1) Details of the Company's other operating income for the year ended December 31, 2011 and 2010 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Commission income	₩ 2,096,350	₩ 3,673,214	Rs. 83,854	Rs. 146,929

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Gain on foreign currency transactions	17,799,021	12,035,383	711,961	481,415
Gain on foreign currency translation	417,923	2,216,664	16,717	88,667
Installment gain	-	23,573	-	943
Reversal of allowance for doubtful accounts	1,945,107	1,728,869	77,804	69,155
Gain on disposal of property, plant and equipment	3,274,453	95,981,734	130,978	3,839,269
Reversal of Impairment loss on property, plant and equipment	124,224	175,919	4,969	7,037
Gain on disposal of investment assets	31,597	39,487,302	1,264	1,579,492
Product warranty reserve	9,199,888	5,019,188	367,996	200,768
Others, net	14,021,098	23,873,303	560,844	954,933
	<u>₩ 48,909,661</u>	<u>₩ 184,215,149</u>	<u>Rs. 1,956,387</u>	<u>Rs. 7,368,607</u>

(2) Details of the Company's other operating expense for the year ended December 31, 2011 and 2010 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Loss on foreign currency transactions	₩ 18,793,094	₩ 13,678,523	Rs. 751,724	Rs. 547,141
Loss on foreign currency translation	958,881	1,361,602	38,355	54,464
Non-operating assets and depreciation	19,223	22,934	769	917
Loss on disposal of property, plant and equipment	955,527	3,295,413	38,221	131,817
Loss on disposal of investment assets	9,714	566,809	389	22,672
Loss on disposal of trade receivables	16,598,763	15,264,971	663,951	610,599
Impairment loss on property, plant and equipment	2,029	8,538,904	81	341,556
Impairment loss on investments	162,969	-	6,519	-
Impairment loss on intangible assets	10,562	33,219	422	1,329
Other bad debt expense	402,210	4,459,597	16,088	178,384
Others	23,083,409	63,218,341	923,336	2,528,734
	<u>₩ 60,996,381</u>	<u>₩ 110,440,313</u>	<u>Rs. 2,439,855</u>	<u>Rs. 4,417,613</u>

31. FINANCIAL INCOME AND COST:

(1) Details of the Company's financial income for the years ended December 31, 2011 and 2010 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Interest income	₩ 4,723,136	₩ 726,982	Rs. 188,925	Rs. 29,079
Dividend income	11,000	135,886	440	5,435
Gain on foreign currency transactions	33,917	-	1,357	-
Gain on foreign currency translation	1,345,442	16,249,424	53,818	649,977
Gain on disposal of derivatives	1,146,050	-	45,841	-
Gain on debt exemption	49,047,989	471,074	1,961,920	18,844
	<u>₩ 56,307,534</u>	<u>₩ 17,583,366</u>	<u>Rs. 2,252,301</u>	<u>Rs. 703,335</u>

(2) Details of the Company's financial cost for the years ended December 31, 2011 and 2010 are as follows

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Interest expense	₩ 10,120,131	₩ 51,132,620	Rs. 404,805	Rs. 2,045,305
Loss on foreign currency translation	63,995	-	2,560	-
Loss on disposal of derivatives	2,016,913	10,159,334	80,677	406,374
Loss on valuation of derivatives	3,219,750	-	128,790	-
	<u>₩ 15,420,789</u>	<u>₩ 61,291,954</u>	<u>Rs. 616,832</u>	<u>Rs. 2,451,679</u>

(3) Details of the Company's financial net profit for the years ended December 31, 2011 and 2010 are as follows

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Loan and receivables	₩ 326,549	₩ 379,873	Rs. 13,062	Rs. 15,195
Available-for-sale financial assets	11,000	135,886	440	5,435
Derivatives	(870,863)	-	(34,835)	-
Other financial liabilities	41,420,059	(44,224,347)	1,656,803	(1,768,974)
	<u>₩ 40,886,745</u>	<u>₩ (43,708,588)</u>	<u>Rs. 1,635,470</u>	<u>Rs. (1,748,344)</u>

32. INCOME(LOSS) PER SHARE:

Basic income (loss) per share for the periods ended December 31, 2011 and 2010 is calculated as follows (Unit: Won in thousands, except for earnings per share):

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Net loss	₩ 112,438,814	₩ 26,228,349	Rs. 4,497,553	Rs. 1,049,134
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	112,438,814	26,228,349	4,497,553	1,049,134
Number of common stocks outstanding	112,412,636	36,120,556	112,412,636	36,120,556
Basic and diluted loss per share(*2)	<u>₩ 1,000</u>	<u>₩ 726</u>	<u>Rs. 40</u>	<u>Rs. 29</u>

(*1) During the year ended December 31, 2010, the Company performed a 2nd equal reduction of capital in accordance with the reorganization plan, and as a result, the number of shares decreased from 108,410,431 shares to 36,120,556 shares. The Company calculated its weighted-average number of common stocks outstanding as 36,120,556 shares under the assumption that the change in the number of shares occurred at the beginning of the period.

(*2) Basic and diluted losses per share for the years ended December 31, 2011 and 2010 are identical since there are no dilutive potential common shares.

33. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flows from operating activities for the years ended December 31, 2011 and 2010 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
1. Cash flows from operating activities	₩ 200,354,941	₩ 7,580,815	Rs. 8,014,197	Rs. 303,233
1) Net loss	(112,438,814)	(26,228,349)	(4,497,553)	(1,049,134)
2) Adjustments	125,991,127	54,160,115	5,039,645	2,166,405
(1) Addition of expenses	190,953,011	232,597,618	7,638,120	9,303,905
Loss on foreign currency translation	2,975,794	11,520,936	119,032	460,837
Loss on disposal of trade receivables	16,598,763	15,264,971	663,951	610,599
Loss on disposal of derivatives	3,219,750	-	128,790	-
Loss on valuation of inventories	4,594,340	-	183,774	-
Rent expense	311,443	103,813	12,458	4,153
Bad debt expense	-	752,886	-	30,115
Other bad debt expense	402,210	4,459,597	16,088	178,384
Depreciation	90,478,377	72,104,860	3,619,135	2,884,194
Loss on disposal of investment assets	9,714	566,809	389	22,672
Loss on disposal of property, plant and equipment	955,527	3,295,413	38,221	131,817
Impairment loss on property, plant and equipment	2,029	8,538,904	81	341,556
Impairment loss on investment assets	162,969	-	6,519	-
Amortization	32,997,239	41,715,099	1,319,890	1,668,604
Impairment loss on intangible assets	10,562	33,219	422	1,329
Interest expense	10,120,131	51,132,620	404,805	2,045,305
Post-employment benefits	27,952,271	23,085,557	1,118,091	923,422
Depreciation expenses on assets not in use	19,223	22,934	769	917
Miscellaneous losses	142,669	-	5,707	-
(2) Deduction of revenue	(64,961,884)	(178,437,504)	(2,598,475)	(7,137,500)
Gain on foreign currency translation	1,763,365	18,466,087	70,535	738,643
Reversal of allowance for doubtful accounts	1,945,107	1,728,869	77,804	69,155
Reversal of loss on valuation of inventories	2,905,964	21,223,359	116,239	848,934
Interest income	4,723,136	861,778	188,925	34,471
Gain on disposal of derivatives	1,146,050	-	45,842	-
Gain on disposal of investment assets	31,597	39,487,302	1,264	1,579,492
Gain on disposal of property, plant and equipment	3,274,453	95,981,734	130,978	3,839,269
Recovery of property, plant impairment loss account	124,224	175,919	4,969	7,037
Gain on debt exemption	49,047,988	471,074	1,961,920	18,844
Miscellaneous gains	-	41,382	-	1,655
3) Changes in working capital	186,802,628	(20,350,951)	7,472,105	(814,038)
Decrease(increase) in trade receivables, net	7,676,631	(94,921,277)	307,065	(3,796,851)
Decrease (Increase) in other receivables, net	(12,883,499)	3,385,071	(515,340)	135,403
Increase(Decrease) in deposits	276,939	(2,406,645)	11,078	(96,266)
Decrease (Increase) in advanced payments	68,101,337	(22,360,675)	2,724,053	(894,427)

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Decrease (Increase) in prepaid expenses	274,104	(277,115)	10,964	(11,085)
Increase (Decrease) in income tax refundable	(494,608)	81,022	(19,784)	3,241
Decrease (Increase) in inventories	(45,023,707)	40,678,347	(1,800,948)	1,627,134
Increase in long security	(1,813,926)	(6,610,143)	(72,557)	(264,406)
Increase (Decrease) in non-current assets	-	(83,926)	-	(3,357)
Increase (Decrease) in trade payables	101,857,991	94,775,995	4,074,320	3,791,040
Increase (Decrease) in other payables	38,515,142	(20,127,583)	1,540,606	(805,103)
Decrease in accrued charges	(2,725,569)	(3,720,596)	(109,023)	(148,824)
Increase in deposits received	(120,145)	-	(4,806)	-
Decrease (Increase) in current other long term benefit	(1,335,107)	1,264,678	(53,404)	50,587
Increase (Decrease) in advances from customers	(885,068)	2,881,790	(35,403)	115,272
Decrease in withholdings	(4,153,873)	1,312,832	(166,155)	52,513
Increase (Decrease) in unearned revenue	4,523,086	(2,243,068)	180,923	(89,723)
Increase (Decrease) in government subsidies	(408,959)	296,499	(16,358)	11,860
Decrease in short-term provision of product warranties	13,002,747	-	520,110	-
Decrease in long-term other payables	(96,383)	(22,027,114)	(3,855)	(881,085)
Increase in other long term benefit	2,993,913	-	119,757	-
Payment of severance indemnities	(12,158,259)	(3,607,753)	(486,330)	(144,310)
Increase in long-term provision of product warranties	31,739,840	13,358,710	1,269,594	534,348
2. Interest received	4,104,818	733,953	164,193	29,358
3. Interest paid	(6,985,481)	(4,412,755)	(279,419)	(176,510)
4. Dividends received	11,000	135,886	440	5,435
Net cash provided by operating activities	₩ 197,485,278	₩ 4,037,899	Rs. 7,899,411	Rs. 161,516

34. SEGMENT INFORMATION:

(1) Information of each sales region for the the year ended December 31, 2011 is as follows: follows (Unit: Korean won and Indian-Rupee in thousands):

Sales region	Year ended December 31, 2011			
	₩		Rs.	
Republic of Korea	₩	1,288,837,366	Rs.	51,553,495
Europe		750,918,287		30,036,731
Asia Pacific		186,569,982		7,462,799
Others		546,794,438		21,871,778
	₩	2,773,120,073	Rs.	110,924,803

Information of each sales region for the the year ended December 31, 2010 is as follows (Unit: Korean won and Indian-Rupee in thousands):

Sales region	Year ended December 31, 2010			
	₩		Rs.	
Republic of Korea	₩	1,138,303,214	Rs.	45,532,129
Europe		385,472,012		15,418,880
Asia Pacific		99,083,090		3,963,324
Others		478,574,118		19,142,965
	₩	2,101,432,434	Rs.	84,057,297

(2) Sales revenue by type of automobile for the year ended December 31, 2011 and 2010 are as follows
(Unit: Korean won in thousands):

Type of automobile	Year ended December 31, 2011		
	Domestic	Export	Total
CHAIRMAN H	₩ 93,536,532	₩ -	₩ 93,536,532
CHAIRMAN W	211,503,599	3,985,322	215,488,921
ACTYON	442,241	83,053,360	83,495,601
ACTYON SPORTS	224,164,337	185,838,591	410,002,928
KORANDO C	224,271,570	598,076,174	822,347,744
KYRON	2,826,685	331,335,453	334,162,138
REXTON	202,050,295	157,120,136	359,170,431
RODIUS	37,767,283	45,433,947	83,201,230
	<u>₩ 996,562,542</u>	<u>₩ 1,404,842,983</u>	<u>₩ 2,401,405,525</u>

Type of automobile	Year ended December 31, 2010		
	Domestic	Export	Total
CHAIRMAN H	₩ 109,036,765	₩ -	₩ 109,036,765
CHAIRMAN W	231,262,223	2,397,074	233,659,297
ACTYON	26,357,993	94,324,305	120,682,298
ACTYON SPORTS	278,461,846	174,921,964	453,383,810
KORANDO C	-	93,391,293	93,391,293
KYRON	33,133,121	335,956,981	369,090,102
REXTON	144,001,920	124,833,473	268,835,393
RODIUS	33,189,635	53,257,062	86,446,697
	<u>₩ 855,443,503</u>	<u>₩ 879,082,152</u>	<u>₩ 1,734,525,655</u>

(Unit: Indian-Rupee in thousands):

Type of automobile	Year ended December 31, 2011		
	Domestic	Export	Total
CHAIRMAN H	Rs. 3,741,461	Rs. -	Rs. 3,741,461
CHAIRMAN W	8,460,144	159,413	8,619,557
ACTYON	17,690	3,322,134	3,339,824
ACTYON SPORTS	8,966,573	7,433,544	16,400,117
KORANDO C	8,970,863	23,923,047	32,893,910
KYRON	113,067	13,253,418	13,366,485
REXTON	8,082,012	6,284,805	14,366,817
RODIUS	1,510,691	1,817,358	3,328,049
	<u>Rs. 39,862,501</u>	<u>Rs. 56,193,719</u>	<u>Rs. 96,056,221</u>

Type of automobile	Year ended December 31, 2010		
	Domestic	Export	Total
CHAIRMAN H	Rs. 4,361,471	Rs. -	Rs. 4,361,471
CHAIRMAN W	9,250,489	95,883	9,346,372
ACTYON	1,054,320	3,772,972	4,827,292
ACTYON SPORTS	11,138,474	6,996,879	18,135,353
KORANDO C	-	3,735,652	3,735,652
KYRON	1,325,325	13,438,279	14,763,604
REXTON	5,760,077	4,993,339	10,753,416
RODIUS	1,327,585	2,130,282	3,457,867
	<u>Rs. 34,217,741</u>	<u>Rs. 35,163,286</u>	<u>Rs. 69,381,027</u>

35. RELATED PARTY TRANSACTIONS:

(1) The Company's controlling company is Mahindra & Mahindra Ltd. and the Company's subsidiaries are Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd., Ssangyong Motor (Shanghai) Co., Ltd. and Ssangyong European Parts Center B.V.

(2) Major transactions with the related parties for the years ended December 31, 2011 and 2010 are as follows (Unit: Korean won in thousands):

	December 31, 2011		December 31, 2010	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with controlling company	₩ 454,808	₩ 5,964,758	₩ -	₩ -
Transactions with subsidiaries	11,995,790	691,120	14,336,813	574,967

(Unit: Indian-Rupee in thousands):

	December 31, 2011		December 31, 2010	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with controlling company	Rs. 18,192	Rs. 238,590	Rs. -	Rs. -
Transactions with subsidiaries	479,832	27,645	573,473	22,999

(3) Outstanding receivables and payables from transactions with related parties as of December 31, 2011 and 2010 and January 1, 2010 are as follows (Unit: Korean won in thousands):

	December 31, 2011	December 31, 2010	January 1, 2010
Receivables from and payables to controlling company:			
Receivables and others	₩ 91,687	₩ -	₩ -
Payables and others	96,459,115	-	-
Receivables from and payables to subsidiaries:			
Receivables and others	14,069,436	14,194,364	22,895,861
Payables and others	668,723	163,052	3,360,114

(Unit: Indian-Rupee in thousands):

	December 31, 2011	December 31, 2010	January 1, 2010
Receivables from and payables to controlling company:			
Receivables and others	Rs. 3,667	Rs. -	Rs. -
Payables and others	3,858,365	-	-
Receivables from and payables to subsidiaries:			
Receivables and others	562,777	567,775	915,834
Payables and others	26,749	6,522	134,405

The Company did not recognize allowance for the above receivables and no bad debt expense was recognized for the year ended December 31, 2011.

(4) Details of compensation for key executives for the year ended December 31, 2011 and 2010 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	2011	2010	2011	2010
Short-term employee benefits	₩ 634,112	₩ 496,614	Rs. 25,364	Rs. 19,865
Post-employment benefits	93,200	36,096	3,728	1,444

36. FINANCIAL INSTRUMENTS:

(1) Capital risk management

The Company manages capital risk in order to maximize shareholders' profit by maintaining sound/optimal capital structure through monitoring of financial ratios, such as, debt to equity ratio and net borrowings to equity ratio on a monthly basis and implements capital structure improvement plan when necessary.

The Company uses debt ratio as a capital management index and calculates the ratio as total liabilities divided by total equity. Total liabilities and total equity are based on the amounts stated in the financial statements. The Company is not subject to externally enforced capital regulation.

Debt ratio as of December 31, 2011 and 2010 and January 1, 2010 are as follows (Unit: Korean won in thousands):

	December 31, 2011		December 31, 2010		January 1, 2010	
Debt (A)	₩	886,472,294	₩	1,109,896,645	₩	995,063,465
Equity (B)		913,217,502		618,890,485		667,347,467
Debt ratio (A/ B)		97.07%		179.34%		149.11%

(Unit: Indian-Rupee in thousands):

	December 31, 2011		December 31, 2010		January 1, 2010	
Debt (A)	Rs.	35,458,892	Rs.	44,395,867	Rs.	39,802,541
Equity (B)		36,528,700		24,755,619		26,693,897
Debt ratio (A/ B)		97.07%		179.34%		149.11%

(2) Major accounting policies and methods (including recognition and measurement and revenue and expense recognition) for each category of financial assets, financial liabilities and equity are stated in detail in Note 2.

(3) Details of financial assets and liabilities by category as of December 31, 2011 and 2010 and January 1, 2010 are as follows (Unit: Korean won in thousands):

1) Financial assets

Financial asset	December 31, 2011				
	Loans and Receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 202,509,811	₩ -	₩ -	₩ 202,509,811	₩ 202,509,811
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	213,537,547	-	193,310	213,730,857	213,730,857
Long-term AFS financial assets	-	560,000	-	560,000	560,000
	<u>₩ 416,053,368</u>	<u>₩ 560,000</u>	<u>₩ 193,310</u>	<u>₩ 416,806,668</u>	<u>₩ 416,806,668</u>

Financial asset	December 31, 2010				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 80,566,165	₩ -	₩ -	₩ 80,566,165	₩ 80,566,165
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	224,262,124	-	-	224,262,124	224,262,124
Long-term AFS financial assets	-	560,000	-	560,000	560,000
	<u>₩ 304,834,289</u>	<u>₩ 560,000</u>	<u>₩ -</u>	<u>₩ 305,394,289</u>	<u>₩ 305,394,289</u>

Financial asset	January 1, 2010				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 14,734,811	₩ -	₩ -	₩ 14,734,811	₩ 14,734,811
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	147,587,349	-	-	147,587,349	147,587,349
Long-term AFS financial assets	-	560,000	-	560,000	560,000
	<u>₩ 162,328,160</u>	<u>₩ 560,000</u>	<u>₩ -</u>	<u>₩ 162,888,160</u>	<u>₩ 162,888,160</u>

(Unit: Indian-Rupee in thousands):

Financial asset	December 31, 2011				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 8,100,392	Rs. -	Rs. -	Rs. 8,100,392	Rs. 8,100,392
Long-term financial instruments	240	-	-	240	240
Trade receivables and Other receivables	8,541,502	-	7,732	8,549,234	8,549,234
Long-term AFS financial assets	-	22,400	-	22,400	22,400
	<u>Rs. 16,661,502</u>	<u>Rs. 22,400</u>	<u>Rs. 7,732</u>	<u>Rs. 16,672,266</u>	<u>Rs. 16,672,266</u>

Financial asset	December 31, 2010				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 3,222,647	Rs. -	Rs. -	Rs. 3,222,647	Rs. 3,222,647
Long-term financial instruments	240	-	-	240	240
Trade receivables and Other receivables	8,970,485	-	-	8,970,485	8,970,485
Long-term AFS financial assets	-	22,400	-	22,400	22,400
	<u>Rs. 12,193,372</u>	<u>Rs. 22,400</u>	<u>Rs. -</u>	<u>Rs. 12,215,772</u>	<u>Rs. 12,215,772</u>

Financial asset	January 1, 2010				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 589,392	Rs. 8	Rs. -	Rs. 589,392	Rs. 589,392
Long-term financial instruments	240	-	-	240	240
Trade receivables and Other receivables	5,903,494	-	-	5,903,494	5,903,494
Long-term AFS financial assets	-	22,400	-	22,400	22,400
	<u>Rs. 6,493,126</u>	<u>Rs. 22,400</u>	<u>Rs. -</u>	<u>Rs. 6,515,526</u>	<u>Rs. 6,515,526</u>

2) Financial liabilities

	Financial liability measured at amortized cost		
	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables and Other payables	₹ 403,263,454	₹ 506,811,108	₹ 344,743,916
Debt	<u>135,972,454</u>	<u>356,920,833</u>	<u>443,137,519</u>
Total	<u>₹ 539,235,908</u>	<u>₹ 863,731,941</u>	<u>₹ 787,881,435</u>

(Unit: Indian-Rupee in thousands):

	Financial liability measured at amortized cost		
	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables and other payables	Rs. 16,130,538	Rs. 20,272,444	Rs. 13,789,757
Debt	<u>5,438,898</u>	<u>14,276,833</u>	<u>17,725,501</u>
Total	<u>Rs. 21,569,436</u>	<u>Rs. 34,549,278</u>	<u>Rs. 31,515,257</u>

(4) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk. In order to manage the aforementioned risks, the Company operates a risk management policy and a program that performs close monitoring of and responding to each risk factors.

Financial assets that are subject to the financial risk management consist of cash and cash equivalents, AFS financial assets, trade receivables, other receivables and others; financial liabilities subject to the financial risk management consist of trade payables, other payables, borrowings, bonds and others.

1) Market risk

a. Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company assesses, manages and reports, on a regular basis, the foreign currency risk for its receivables and payables denominated in foreign currency.

Details of the Company held foreign currency denominated monetary assets and monetary liabilities of the carrying amount for the years ended December 31, 2011 and 2010 and January 1, 2010 are as follows:

(Unit: Korean won in thousands):

	Assets		
	December 31, 2011	December 31, 2010	January 1, 2010
USD	₩ 52,740,827	₩ 54,641,664	₩ 26,809,296
EUR	23,535,845	44,695,792	20,219,781
JPY	250,167	189,817	304,444
Others	12,810,347	3,704,192	377,391
Total	₩ 89,337,186	₩ 103,231,465	₩ 47,710,912

	Liabilities		
	December 31, 2011	December 31, 2010	January 1, 2010
USD	₩ 11,298,102	₩ 13,082,152	₩ 9,729,611
EUR	27,538,450	134,584,112	147,671,859
JPY	5,203,875	527,378	1,053,495
Others	7,563,035	1,486,207	1,418,756
Total	₩ 51,603,462	₩ 149,679,849	₩ 159,873,721

(Unit: Indian-Rupee in thousands)

	Assets		
	December 31, 2011	December 31, 2010	January 1, 2010
USD	Rs. 2,109,633	Rs. 2,185,667	Rs. 1,072,372
EUR	941,434	1,787,832	808,791
JPY	10,007	7,593	12,178
Others	512,414	148,168	15,096
Total	Rs. 3,573,487	Rs. 4,129,259	Rs. 1,908,436

	Liabilities		
	December 31, 2011	December 31, 2010	January 1, 2010
USD	Rs. 451,924	Rs. 523,286	Rs. 389,184
EUR	1,101,538	5,383,364	5,906,874
JPY	208,155	21,095	42,140
Others	302,521	59,448	56,750
Total	Rs. 2,064,138	Rs. 5,987,193	Rs. 6,394,948

The table below shows the sensitivity for each foreign currency when exchange rates change 10%. Sensitivity analysis only includes foreign currency monetary items that is not paid, and it adjusts the translation assuming exchange rate changes 10% at the year end of December 31, 2011.

The positive (+) in the table below shows the increase of current income of the relevant currencies when the value of the won is 10% stronger. When won is 10% weaker than the relevant currency the effect on current income will be similar but negative (-).

(Unit: Korean won in thousands):

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 5,274,083	₩ (5,274,083)	₩ (1,129,810)	₩ 1,129,810
EUR	2,353,585	(2,353,585)	(2,753,845)	2,753,845
JPY	25,017	(25,017)	(520,388)	520,388
Others	1,281,035	(1,281,035)	(756,304)	756,304
	₩ 8,933,720	₩ (8,933,720)	₩ (5,160,347)	₩ 5,160,347

(Unit: Indian-Rupee in thousands)

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	Rs 210,963	Rs (210,963)	Rs (45,192)	Rs 45,192
EUR	94,143	(94,143)	(110,154)	110,154
JPY	1,001	(1,001)	(20,816)	20,816
Others	51,241	(51,241)	30,252	30,252
	Rs 357,349	Rs (357,349)	Rs (206,414)	Rs 206,414

In order to avoid the risk of foreign exchange debt payments and foreign exchange receivables collected foreign exchange risk within the range of 30 to 50 percent, the company has a policy of making an foreign exchange forward agreement. Also in order to manage sales transactions and purchase transactions to foreign exchange risk that are expected to occur within the next three months that are within the range of 30 to 50 percent, the Company makes a foreign exchange forward.

Details of non-payment forward contracts for the years ended December 31, 2011 are as follows

(Unit: Korean won in thousands):

	Average exchange rate contracted	Amount of foreign currency	Amount of Contract	Fair value
Cash flow hedges				
USD purchase	₩ 1,160.68	USD 50,000,000	₩ 58,034,000	₩ 193,310

(Unit: Indian-Rupee in thousands):

	Average exchange rate contracted	Amount of foreign currency	Amount of Contract	Fair value
Cash flow hedges				
USD purchase	₩ 1,160.68	USD 50,000,000	Rs. 2,321,360	Rs. 7,732

The cumulative benefits of cash flow hedges related to foreign forward contracts, amounts to 193,310 thousand won. Sales transaction is expected to occur within the first three months after December 31, 2011, and this amount that is deferred in equity will be reclassified as Current income.

b. Interest rate risk.

Sensitivity analysis was conducted assuming in the case of floating rate debt current balance is the same during the whole reporting period. When reporting interest rate risk to management internally, 0.5% variation is used, representing management's assessment about reasonably occurable fluctuations of interest rates.

When other variables are constant and the interest rate is lower or higher by 0.5% than the current rate, the company's current income will decrease/increase 37,808 thousand won(1,512 thousands rupee) for the years ended Dec 31, 2011, due to floating rate debt's interest rate risk.

2) Credit risk

Credit risk arises from transactions in ordinary course of business and investment activities and when a customer or a transacting party fails to perform obligations defined by respective contract terms. In order to manage the aforementioned credit risk, the Company regularly assesses credit ratings of its customers and transacting parties based on their financial status and past experiences and establishes credit limit for each customer or transacting party.

There were no trade receivables or loans and receivables included in other financial assets that showed indication of impairment during the year ended December 31, 2011, and the Company believes that there is a low possibility of defaults as of December 31, 2011. Credit risk may also arise from cash and cash equivalents and bank and financial institution deposits. In order to reduce the risk, the Company transacts only with the financial institutions with high credit ratings.

3) Liquidity risk

The Company establishes short-term and long-term fund management plans; consequently, exposures to liquidity risk. The Company analyzes and reviews actual cash out flows and its budget to correspond the maturities of financial liabilities to those of financial assets. Management of the Company believes that the financial liabilities may be redeemed by cash flows arising from operating activities and financial assets. To manage risks arising from installment sales receivables, the Company has entered into a factoring agreement with capital financial institutions.

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of December 31, 2011, 2010 and January 1, 2010 is as follows (Unit: Korean won in thousands):

	December 31, 2011		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 264,594,196	₩ -	₩ 264,594,196
Non-trade payables	119,927,398	-	119,927,398
Short-term borrowings	40,567,689	-	40,567,689
Other payables	16,599,583	-	16,599,583
Long-term other payables	-	2,142,277	2,142,277
Bonds	6,678,334	103,196,154	109,874,488
	<u>₩ 448,367,200</u>	<u>₩ 105,338,431</u>	<u>₩ 553,705,631</u>
	December 31, 2010		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 162,820,193	₩ -	₩ 162,820,193
Non-trade payables	198,283,922	-	198,283,922
Other payables	71,648,056	-	71,648,056
Long-term other payables	-	2,247,782	2,247,782
	<u>₩ 432,752,171</u>	<u>₩ 2,247,782</u>	<u>₩ 434,999,953</u>
	January 1, 2010		
	<u>Within a year</u>	<u>More than 1 year</u>	<u>Total</u>
Trade payables	₩ 68,118,420	₩ -	₩ 68,118,420
Non-trade payables	93,118,034	-	93,118,034
Short-term borrowings	80,030,473	-	80,030,473
Other payables	29,180,629	-	29,180,629
Long-term other payables	-	130,658,052	130,658,052
Long-term borrowings	-	363,107,045	363,107,045
Other long-term payables	-	23,668,781	23,668,781
	<u>₩ 270,447,556</u>	<u>₩ 517,433,878</u>	<u>₩ 787,881,434</u>

(Unit: Indian-Rupee in thousands):

				December 31, 2011		
		Within a year	More than 1 year	Total		
Trade payables	Rs.	10,583,768	Rs.	-	Rs. 10,583,768	
Non-trade payables		4,797,096		-	4,797,096	
Short-term borrowings		1,622,708		-	1,622,708	
Other payables		663,983		-	663,983	
Long-term other payables		-		85,691	85,691	
Bonds		267,133		4,127,846	4,394,980	
	Rs.	<u>17,934,688</u>	Rs.	<u>4,213,537</u>	Rs. <u>22,148,225</u>	
				December 31, 2010		
		Within a year	More than 1 year	Total		
Trade payables	Rs.	6,512,808	Rs.	-	Rs. 6,512,808	
Non-trade payables		7,931,357		-	7,931,357	
Other payables		2,865,922		-	2,865,922	
Long-term other payables		-		89,911	89,911	
	Rs.	<u>17,310,087</u>	Rs.	<u>89,911</u>	Rs. <u>17,399,998</u>	
				January 1, 2010		
		Within a year	More than 1 year	Total		
Trade payables	Rs.	2,724,737	Rs.	-	Rs. 2,724,737	
Non-trade payables		3,724,721		-	3,724,721	
Short-term borrowings		3,201,219		-	3,201,219	
Other payables		1,167,225		-	1,167,225	
Long-term other payables		-		5,226,322	5,226,322	
Long-term borrowings		-		14,524,282	14,524,282	
Other long-term payables		-		946,751	946,751	
	Rs.	<u>10,817,902</u>	Rs.	<u>20,697,355</u>	Rs. <u>31,515,257</u>	

Funding arrangements as of December 31, 2011 and 2010 and January 1, 2010 are as follows:

(Unit: Korean won in thousands):

		December 31, 2011	December 31, 2010	January 1, 2010
Borrowing limit commitments	Used	₩ -	₩ -	₩ -
	Unused	50,000,000	-	-
	Total	<u>₩ 50,000,000</u>	<u>₩ -</u>	<u>₩ -</u>

(Unit: Indian-Rupee in thousands):

		December 31, 2011	December 31, 2010	January 1, 2010
Borrowing limit commitments	Used	Rs -	Rs -	Rs -
	Unused	2,000,000	-	-
	Total	<u>Rs 2,000,000</u>	<u>Rs -</u>	<u>Rs -</u>

(5) Fair value of financial instruments

The fair value of the Company's actively-traded financial instruments (i.e. financial assets AFS and others) is based on the traded market-price as of the reporting period end. The fair value of the Company's financial assets is the amount which the asset could be exchanged for or the amount which a liability could be settled for.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, classified as Level 1, 2 or 3, based on the degree to which the fair value is observable.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are not based on observable market data.

1) Fair values of financial instruments by heirarchy level as of December 31, 2011, are as follows (Unit: Korean won in thousands):

Type	December 31, 2011			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	₩ -	₩ 193,310	₩ -	₩ 193,310

(Unit: Indian-Rupee in thousands):

Type	December 31, 2011			Fair value
	Level 1	Level 2	Level 3	
Derivatives designated to hedge item	Rs. -	Rs. 7,732	Rs. -	Rs. 7,732

Independent Accountant's Review Report on Internal Accounting Control System ("IACS")

English Translation of a Report Originally Issued in Korean

To the Representative Director of
Ssangyong Motor Company

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Ssangyong Motor Company (the "Company") as of December 31, 2011. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2011, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2011, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, the objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

The Company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of separate financial statements prepared, in accordance with K-IFRS in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the separate financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2011, and we did not review its IACS subsequent to December 31, 2011. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.



March 14, 2012

Notice to Readers

This report is annexed in relation to the audit of the separate financial statements as of December 31, 2011, and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the Operation of the Internal Accounting Management System

To the Board of Directors and Audit Committee of Ssangyong Motor Company

I, as the Internal Accounting Manager ("IAM") of Ssangyong Motor Company ("the Company"), assessed the effectiveness of the design and operation of the Company's Internal Accounting Management System ("IAMS") for the year ending December 31, 2011.

The Company's management, including myself, is responsible for designing and operating an IAMS. I assessed the design and operational effectiveness of the IAMS in the prevention and detection of an error or fraud which may cause a misstatement in the preparation and disclosure of reliable financial statements. I followed the Best Practice Guideline to evaluate the effectiveness of the IAMS design and operation.

Based on the assessment results, I believe that the Company's IAMS, as of December 31, 2011, is effectively designed and operating, in all material respects, in conformity with the Best Practice Guideline .

February 16th, 2012

The Internal Accounting Manager

Dilip Sundaram (Sign)

