

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011,
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 consolidated financial statements of Ssangyong Motor Company and subsidiaries (the "Company"). The financial statements consist of the consolidated statement of financial position as of December 31, 2012 and December 31, 2011, respectively, and the related consolidated statement of comprehensive income, consolidated statement of changes in stockholders' equity and consolidated statement of cash flows, all expressed in Korean won, for the years ended December 31, 2012 and 2011, respectively. The Company's management is responsible for the preparation and fair presentation of the consolidated financial statements and our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and December 31, 2011, respectively, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011, respectively, in conformity with Korean International Financial Reporting Standards ("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 consolidated 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 consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.



March 11, 2013

Notice to Readers

This report is effective as of March 11, 2013, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the financial statements and may result in modifications to the auditor's report.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2012 AND 2011

	Korean Won		Indian- Rupee	
	December 31 , 2012	December 31, 2011	December 31 , 2012	December 31 , 2011
	(In thousands)		(In thousands)	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 4, 5 and 35)	₩ 203,666,542	₩ 208,521,613	Rs. 10,549,927	Rs. 10,801,420
Trade and other receivables, net (Notes 7, 33 and 35)	210,295,481	163,410,973	10,893,305	8,464,686
Derivatives assets (Notes 26 and 35)	21,503,503	193,310	1,113,881	10,013
Inventories, net (Notes 8)	269,034,085	262,698,975	13,935,966	13,607,807
Other current assets (Note 10)	6,773,225	16,418,550	350,853	85,481
Total current assets	711,272,836	651,243,421	36,843,932	33,734,407
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 5 and 35)	6,000	6,000	311	311
Non-current available-for-sale financial assets (Notes 6 and 35)	560,000	560,000	29,008	29,008
Non-current other receivables, net (Notes 7 and 35)	30,178,703	37,607,389	1,563,257	1,948,063
Property, plant and equipment, net (Note 11)	1,051,401,751	1,038,957,045	54,462,611	53,817,975
Intangible assets (Note 12)	56,615,012	64,491,331	2,932,658	3,340,650
Deferred income tax assets (Note 24)	95,525	132,558	4,948	6,867
Other non-current assets (Note 10)	360,542	569,242	18,676	29,488
Total non-current assets	1,139,217,533	1,142,323,565	59,011,469	59,172,362
TOTAL ASSETS	1,850,490,369	1,793,566,986	95,855,401	92,906,769
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Trade and other payables (Notes 19, 33, 34 and 35)	563,890,036	385,553,650	29,209,504	19,971,679
Short-term borrowings (Notes 13,19 and 35)	30,000,000	40,567,689	1,554,000	2,101,406
Provision for product warranties (Note 16)	46,214,861	47,093,611	2,393,930	2,439,449
Long-term other payables	1,174,370	1,052,109	60,832	54,499
Other current liabilities (Notes 14,17 and 35)	47,542,060	44,466,063	2,462,679	2,303,342
Total current liabilities	₩ 688,821,327	₩ 518,733,122	Rs. 35,680,945	Rs. 26,870,375

(Continued)

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2012 AND DECEMBER 31, 2011

	Korean won		Indian- Rupee	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(In thousands)		(In thousands)	
NON-CURRENT LIABILITIES:				
Debentures (Notes 13 and 35)	₩ 95,404,765	₩ 95,404,765	Rs. 4,941,967	Rs. 4,941,967
Other non-current payables(Notes 17 and 35)	37,985,892	2,150,547	1,967,669	111,398
Retirement benefit obligation (Note 18)	143,298,213	184,985,910	7,422,847	9,582,270
Other long-term employee benefits obligation	11,933,388	11,315,782	618,149	586,157
Provision for long-term product warranties (Note 16)	<u>72,384,068</u>	<u>74,914,225</u>	<u>3,749,495</u>	<u>3,880,557</u>
Total non-current liabilities	<u>361,006,326</u>	<u>368,771,229</u>	<u>18,700,127</u>	<u>19,102,349</u>
TOTAL LIABILITIES	<u>1,049,827,653</u>	<u>887,504,351</u>	<u>54,381,072</u>	<u>45,972,724</u>
SHAREHOLDERS' EQUITY:				
Total shareholders' equity	800,662,716	906,062,635	41,474,329	46,934,045
Capital stock (Note 20)	613,373,205	609,809,205	31,772,732	31,588,117
Other capital surplus (Note 21)	122,584,976	125,496,966	6,349,902	6,500,743
Other capital adjustments(Note 22)	19,862,240	1,093,151	1,028,864	56,625
Retained earnings (accumulated deficit) (Note 23)	<u>44,842,295</u>	<u>169,663,313</u>	<u>2,322,831</u>	<u>8,788,560</u>
Non-controlling interests	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY	<u>800,662,716</u>	<u>906,062,635</u>	<u>41,474,329</u>	<u>46,934,045</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 1,850,490,369</u>	<u>₩ 1,793,566,986</u>	<u>Rs. 95,855,401</u>	<u>Rs. 92,906,769</u>

See accompanying notes to consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Korean won</u>		<u>Indian- Rupee</u>	
	<u>Year ended December 31, 2012</u>	<u>Year ended December 31, 2011</u>	<u>Year ended December 31, 2012</u>	<u>Year ended December 31, 2011</u>
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 32, 33 and 34)	₩ 2,874,145,561	₩ 2,787,680,195	Rs. 148,880,740	Rs. 144,401,834
COST OF SALES (Notes 25, 33 and 34)	<u>2,529,546,751</u>	<u>2,463,751,592</u>	<u>131,030,522</u>	<u>127,622,332</u>
GROSS PROFIT	344,598,810	323,928,603	17,850,218	16,779,502
SELLING AND ADMINISTRATIVE EXPENSES (Notes 25 and 27)	<u>442,719,397</u>	<u>464,954,560</u>	<u>22,932,865</u>	<u>24,084,646</u>
OPERATING LOSS	(98,120,587)	(141,025,957)	(5,082,647)	(7,305,144)
NON-OPERATING INCOME (Note 28)	43,779,058	47,992,189	2,267,755	2,485,995
NON-OPERATING EXPENSES (Note 28)	63,090,681	60,329,233	3,268,097	3,125,054
FINANCIAL INCOME (Note 29)	26,267,627	56,325,536	1,360,663	2,917,663
FINANCIAL COST (Note 29)	<u>14,715,415</u>	<u>15,459,369</u>	<u>762,258</u>	<u>800,795</u>
LOSS BEFORE INCOME TAX	(105,879,998)	(112,496,834)	(5,484,584)	(5,827,335)
INCOME TAX EXPENSE (Note 25)	<u>46,822</u>	<u>305,595</u>	<u>2,425</u>	<u>15,830</u>
NET LOSS	(105,926,820)	(112,802,429)	(5,487,009)	(5,843,165)
Owners of the Company	(105,926,820)	(112,802,429)	(5,487,009)	(5,843,165)
Non-controlling interests	-	-	-	-
OTHER COMPREHENSIVE LOSS (Notes 22 and 23)	<u>(125,109)</u>	<u>(19,970,010)</u>	<u>(6,481)</u>	<u>(1,034,447)</u>
TOTAL COMPREHENSIVE LOSS	<u>₩ (106,051,929)</u>	<u>₩ (132,772,439)</u>	<u>Rs. (5,493,490)</u>	<u>Rs. (6,877,612)</u>
Owners of the Company	(106,051,929)	(132,772,439)	(5,493,490)	(6,877,612)
Non-controlling interests	-	-	-	-
LOSS PER SHARE (Note 30)				
Basic and diluted loss per share	₩ (866)	₩ (1,003)	Rs. (45)	Rs. (52)

See accompanying notes to consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Korean won in thousands								
	Capital stock	Other capital surplus				Other capital adjustments	Retained earnings (accumulated deficit)	Total	
		Paid-in capital in excess of par	Gain on capital reduction	Consideration for conversion rights	Debt to be swapped for equity				Other capital surplus
					(In thousands)				
Balance at January 1, 2011	182,688,005	4,170,771	805,577,535	29,474,043	1,009,430	-	549,297	(411,720,392)	611,748,689
Net loss	-	-	-	-	-	-	-	(112,802,429)	(112,802,429)
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	-	-	(685,225,955)	(29,474,043)	-	-	-	714,699,998	-
Stock issuance costs	-	(8,850)	-	-	-	-	-	-	(8,850)
Gains on valuation of derivatives	-	-	-	-	-	-	193,310	-	193,310
Overseas operations translation credit	-	-	-	-	-	-	350,544	-	350,544
Balance at December 31, 2011	<u>₩ 609,809,205</u>	<u>₩ 4,213,878</u>	<u>₩ 120,351,580</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ -</u>	<u>₩ 1,093,151</u>	<u>₩ 169,663,313</u>	<u>₩ 906,062,635</u>
Balance at January 1, 2012	609,809,205	4,213,878	120,351,580	-	931,508	-	1,093,151	169,663,313	906,062,635
Net loss	-	-	-	-	-	-	-	(105,926,820)	(105,926,820)
Actuarial losses	-	-	-	-	-	-	-	(18,894,198)	(18,894,198)
Capital increase with consideration	3,564,000	353,517	-	-	-	-	-	-	3,917,517
Stock issuance costs	-	(21,638)	-	-	-	-	-	-	(21,638)
Miscellaneous	-	-	-	-	-	(3,243,869)	-	-	(3,243,869)
Gains on valuation of derivatives	-	-	-	-	-	-	18,806,440	-	18,806,440
Overseas operations translation credit	-	-	-	-	-	-	(37,351)	-	(37,351)
Balance at December 31, 2012	<u>₩ 613,373,205</u>	<u>₩ 4,545,757</u>	<u>₩ 120,351,580</u>	<u>₩ -</u>	<u>₩ 931,508</u>	<u>₩ (3,243,869)</u>	<u>₩ 19,862,240</u>	<u>₩ 44,842,295</u>	<u>₩ 800,662,716</u>

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SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Indian-Rupee in thousands								
	Capital stock	Paid-in capital in excess of par	Gain on capital reduction	Other capital surplus for conversion rights	Debt to be swapped for equity	Other capital surplus	Other capital adjustments	Retained earnings (accumulated deficit)	Total
						(In thousands)			
Balance at January 1, 2011	9,463,239	216,046	41,728,916	1,526,755	52,288	-	28,454	(21,327,116)	31,688,582
Net loss	-	-	-	-	-	-	-	(5,843,165)	(5,843,165)
Actuarial losses	-	-	-	-	-	-	-	(1,062,618)	(1,062,618)
Capital increase with consideration	22,123,533	-	-	-	-	-	-	-	22,123,533
Conversion of debt to equity	1,345	2,691	-	-	(4,036)	-	-	-	-
Deficit recovery	-	-	(35,494,704)	(1,526,755)	-	-	-	37,021,459	-
Stock issuance costs	-	(458)	-	-	-	-	-	-	(458)
Gains on valuation of derivatives	-	-	-	-	-	-	10,013	-	10,013
Overseas operations translation credit	-	-	-	-	-	-	18,158	-	18,158
Balance at December 31, 2011,	<u>Rs. 31,588,117</u>	<u>Rs. 218,279</u>	<u>Rs. 6,234,212</u>	<u>Rs. -</u>	<u>Rs. 48,252</u>	<u>Rs. -</u>	<u>Rs. 56,625</u>	<u>Rs. 8,788,560</u>	<u>Rs. 46,934,045</u>
Balance at January 1, 2012	31,588,117	218,279	6,234,212	-	48,252	-	56,625	8,788,560	46,934,045
Net loss	-	-	-	-	-	-	-	(5,487,009)	(5,487,009)
Actuarial losses	-	-	-	-	-	-	-	(978,720)	(978,720)
Capital increase with consideration	184,615	18,312	-	-	-	-	-	-	202,927
Stock issuance costs	-	(1,121)	-	-	-	-	-	-	(1,121)
Miscellaneous	-	-	-	-	-	(168,032)	-	-	(168,032)
Gains on valuation of derivatives	-	-	-	-	-	-	974,174	-	974,174
Overseas operations translation credit	-	-	-	-	-	-	(1,935)	-	(1,935)
Balance at December 31, 2012,	<u>Rs. 31,772,732</u>	<u>Rs. 253,470</u>	<u>Rs. 6,234,212</u>	<u>Rs. -</u>	<u>Rs. 48,252</u>	<u>Rs. (168,032)</u>	<u>Rs. 1,028,864</u>	<u>Rs. 2,322,831</u>	<u>Rs. 41,474,329</u>

(*) Non-controlling interests are not shown separately because the company doesn't have non-controlling interests

See accompanying notes to consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Korean won		Indian-Rupee	
	Year ended December 31, 2012 (In thousands)	Year ended December 31, 2011 (In thousands)	Year ended December 31, 2012 (In thousands)	Year ended December 31, 2011 (In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	₩ (105,926,820)	₩ (112,802,429)	Rs. (5,487,009)	Rs. (5,843,165)
Adjustment (Note 31)	198,354,557	126,443,411	10,274,766	6,549,767
Changes in net working capital (Note 31)	<u>55,807,584</u>	<u>187,636,435</u>	<u>2,890,833</u>	<u>9,719,568</u>
	148,235,321	201,277,417	7,678,590	10,426,170
Interests received	6,144,629	4,122,822	318,292	213,562
Interests paid	(8,898,451)	(7,002,203)	(460,940)	(362,714)
Dividend income received	165,104	11,000	8,552	570
Corporate income tax	<u>(16,016)</u>	<u>(442,353)</u>	<u>(830)</u>	<u>(22,914)</u>
Net cash provided by operating activities	<u>145,630,587</u>	<u>197,966,683</u>	<u>7,543,664</u>	<u>10,254,674</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash inflows from investing activities:				
Decrease in other receivables	3,796,290	2,615,426	196,648	135,479
Disposal of property, plant and equipment	395,842	7,189,690	20,505	372,426
Decrease in other assets	<u>13,970</u>	<u>1,223,666</u>	<u>724</u>	<u>63,386</u>
	4,206,102	11,028,782	217,877	571,291
Cash outflows from investing activities:				
Increase in other receivables	2,445,000	870,000	126,651	45,066
Acquisition of property, plant and equipment	117,365,124	103,341,497	6,079,513	5,353,090
Acquisition of intangible assets	27,788,148	8,328,000	1,439,426	431,390
Increase in other assets	<u>-</u>	<u>3,219,750</u>	<u>-</u>	<u>166,783</u>
	(147,598,272)	(115,759,247)	(7,645,590)	(5,996,329)
Net cash (used in) provided by investing activities	<u>(143,392,170)</u>	<u>(104,730,465)</u>	<u>(7,427,713)</u>	<u>(5,425,038)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	-	40,932,185	-	2,120,287
Issuance of debentures	-	95,404,765	-	4,941,967
Capital increase with consideration	3,917,517	374,763,556	202,927	19,412,752
Guarantee deposits received	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	3,917,517	511,100,506	202,927	26,475,006

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SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Korean Won		Indian-Rupee	
	Year ended	Year ended	Year ended	Year ended
	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
	(In thousands)		(In thousands)	
Cash outflows for financing activities:				
Redemption of borrowings	₩ 10,567,689	₩ 310,934,562	Rs. 547,406	Rs. 16,106,410
Redemption of troubled debts	-	170,294,152	-	8,821,237
Stock issuance cost	<u>21,638</u>	<u>8,850</u>	<u>1,121</u>	<u>458</u>
	<u>(10,589,327)</u>	<u>(481,237,564)</u>	<u>(548,527)</u>	<u>(24,928,105)</u>
Net cash provided by (used in) financing activities	<u>(6,671,810)</u>	<u>29,862,942</u>	<u>(345,600)</u>	<u>1,546,901</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(421,678)</u>	<u>264,731</u>	<u>(21,843)</u>	<u>13,713</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,855,071)	123,363,891	(251,492)	6,390,250
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>208,521,613</u>	<u>85,157,722</u>	<u>10,801,420</u>	<u>4,411,170</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 203,666,542</u>	<u>₩ 208,521,613</u>	<u>Rs. 10,549,928</u>	<u>Rs. 10,801,420</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. GENERAL:

(1) Patent Company overview and recent changes in business environment

Ssangyong Motor Company and its subsidiaries (“the Company”) were incorporated on December 6, 1962, and listed its stocks on the Korea Stock Exchange in May of 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 approved the relevant reorganization plan on December 17, 2009. Subsequently, an amended reorganization plan in accordance with the merger and acquisition agreement with Mahindra & Mahindra Ltd., which was executed on November 23, 2011, was passed by Congregation of Related Persons in the creditors’ meeting held on January 28, 2012 and received the formal consent from the Court on January 31, 2012. 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 2012, respectively.

Furthermore, the Company repaid rehabilitation security rights and bonds upon the approval of the Court and submitted a request to terminate reorganization proceedings to the Court. The court receivership was terminated as the request for termination of reorganization proceedings was approved on March 14, 2012.

(2) Major shareholders

The Company’s shareholders as of December 31, 2012 are as follows:

<u>Name of shareholder</u>	<u>Number of shares owned</u>	<u>Percentage of ownership (%)</u>
Mahindra & Mahindra Ltd.	85,419,047	69.63
Others	37,255,594	30.37
	<u>122,674,641</u>	<u>100.00</u>

2. SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Republic of Korean won (“Won”) and prepares consolidated financial statements in conformity with Korean International Reporting Standards (“K-IFRS”), in the Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated 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 consolidated financial statements.

(1) Basis of preparation

The Company and its subsidiaries (“Group”) have prepared the consolidated financial statements in accordance with the Korean International Financial Reporting Standards (“K-IFRS”) for the annual period beginning on January 1, 2011.

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

The principal accounting policies are set out below.

The Group maintains its official accounting records in Republic of Korean won (“Won”) and prepares consolidated financial statements in conformity with Korean International Reporting Standards (“K-IFRS”), in the Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices.

1) Amendments to IFRSs affecting amounts reported in the financial statements

The following amendments to IFRSs have been applied in the current year and have affected the amounts reported in these financial statements.

Amendments to K-IFRS 1107 Disclosures – Transfers of Financial Assets

The Group may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. The amendments to K-IFRS 1107 increase the disclosure requirements for transactions involving transfers of financial assets in order to provide greater transparency around the nature of the transferred assets, the nature of the risks and rewards of ownership to which the Group is exposed, description of the nature of the relationship between the transferred assets and the associated liabilities and carrying value of the associated liabilities. When the Group continues its involvement on the transferred assets although the transferred assets are derecognized in their entirety, the Group discloses the carrying amounts of the transferred assets and the associated liabilities and information showing how the maximum exposure to loss. The amendments do not have impact on the Group’s financial statement.

Amendments to K-IFRS 1001 – Presentation of Financial Statements

In accordance with the amendments to K-IFRS 1001 *Presentation of Financial Statements*, the Company presented operating income by deducting cost of sales and selling and administrative expenses from revenue line item. The amendments have been applied retrospectively for the comparative period. The amendments have been applied retrospectively, and hence the presentation of items of operating income have been modified as follows (Unit: Korean Won in thousands)

	December 31, 2012		December 31, 2011	
	Before	After	Before	After
Sales	2,874,145,561	2,874,145,561	2,787,680,195	2,787,680,195
Cost of sales	2,529,546,751	2,529,546,751	2,463,751,592	2,463,751,592
Selling and administrative expenses	442,719,397	442,719,397	464,954,560	464,954,560
Other operating income	43,779,058	-	47,992,189	-
Other operating expenses	63,090,681	-	60,329,234	-
Operating income	(117,432,210)	(98,120,587)	(153,363,002)	(141,025,957)
Non-operating income	-	43,779,058	-	47,992,189
Non-operating expenses	-	63,090,681	-	60,329,234
Financial income	26,267,627	26,267,627	56,325,538	56,325,538
Financial cost	14,715,415	14,715,415	15,459,369	15,459,369
Loss before income tax	(105,879,998)	(105,879,998)	(112,496,833)	(112,496,833)

(Unit: Indian-Rupee in thousands):

	December 31, 2012		December 31, 2011	
	Before	After	Before	After
Sales	148,880,740	148,880,740	144,401,834	144,401,834
Cost of sales	131,030,522	131,030,522	127,622,332	127,622,332
Selling and administrative expenses	22,932,865	22,932,865	24,084,646	24,084,646
Other operating income	2,267,755	-	2,485,995	-

	December 31, 2012		December 31, 2011	
Other operating expenses	3,268,097	-	3,125,054	-
Operating income	(6,082,989)	(5,082,647)	(7,944,203)	(7,305,144)
Non-operating income	-	2,267,755	-	2,485,995
Non-operating expenses	-	3,268,097	-	3,125,054
Financial income	1,360,663	1,360,663	2,917,663	2,917,663
Financial cost	762,258	762,258	800,795	800,795
Loss before income tax	(5,484,584)	(5,484,584)	(5,827,335)	(5,827,335)

Amendments to K-IFRS 1012 – Income Taxes

The Group has applied the amendments to K-IFRS 1012 *Income Taxes* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with K-IFRS 1040 *Investment Property* are presumed to be recovered entirely through sale for the purpose of measuring deferred taxes unless the presumption is rebutted. Also, the Group recognizes deferred income tax assets and deferred income tax liabilities on investment properties that were revalued in accordance with K-IFRS 1016 *Property, Plant and Equipments*, under a business model whose objective is to consume substantially all of the economic benefits embodied through sales. The amendments do not have impact on the Group's consolidated financial statements.

2) New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

Amendments to K-IFRS 1001 – Presentation of Financial Statements

The amendments to K-IFRS 1001 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments are effective annual periods beginning on or after July 1, 2012. The Group does not anticipate that these amendments referred above will have a significant effect on the consolidated financial statements and disclosures.

Amendments to K-IFRS 1019 – Employee Benefits

The amendments to K-IFRS 1019 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 the 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. The Group does not anticipate that these amendments referred above will have a significant effect on the consolidated financial statements and disclosures .

Amendments to K-IFRS 1032 – Financial Instruments: Presentation

The amendments to K-IFRS 1032 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Group's right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The amendments to K-IFRS 1032 are effective for annual periods beginning on January 1, 2014. The Group does not anticipate that these amendments referred above will have a significant effect on the consolidated financial statements and disclosures .

Amendments to K-IFRS 1107 – Financial Instruments: Disclosures

The amendments to K-IFRS 1107 are mainly focusing on presentation of the offset between financial assets and financial liabilities. The amendments to K-IFRS 1107 are effective for annual periods beginning on or after January 1, 2013. The Group does not anticipate that these amendments referred above will have a significant effect on the consolidated financial statements and disclosures .

K-IFRS 1110 – Consolidated Financial Statements

The amendments to K-IFRS 1110 include a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. This standard is effective for annual periods beginning on or after January 1, 2013. The Group is in the process of evaluating the impact on the consolidated financial statements upon the adoption of amendments.

K-IFRS 1111 Joint Arrangement

K-IFRS 1111 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under K-IFRS 1111, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. If the Group is a joint operator, the Group is to recognize assets, liabilities, revenues and expenses proportionally to its investment and if the Group is a joint ventures, the Group is to account for that investment using the equity method accounting. This standard is effective for annual periods beginning on or after January 1, 2013. The Group is in the process of evaluating the impact on the consolidated financial statements upon the adoption of amendments.

K-IFRS 1112 Disclosure of Interest in Other Entities

K-IFRS 1112 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates, or unconsolidated structured entities. This standard is effective for annual periods beginning on or after January 1, 2013. The Group is reviewing the impact of the application of this standard on the consolidated financial statements.

K-IFRS 1113 Fair Value Measurement

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosure about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. This standard is effective for annual periods beginning on or after January 1, 2013. The Group is reviewing the impact of the application of this standard on the consolidated financial statements.

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

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

The Indian-Rupee amounts presented in these consolidated financial statements were computed by translating the Korean Won into Indian-Rupees based on the Bank of Korea Basic Rate (₩1 to Rs. 0.0518 at December 31, 2012), 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 consolidated 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 consolidated 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) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Company's Maxi-Points Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction – but is deferred and recognized as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

2) Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

3) Dividend and Interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(4) Foreign currencies

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Currency Units (KRW), which is the functional currency of the Company and the presentation currency for the consolidated 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 (7) 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 consolidated 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.

(5) 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.

(6) 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.

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.

(7) 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.

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 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.

(8) 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 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.

(9) 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.

(10) 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 1 to 10 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.

(11) Impairment of tangible and intangible assets other than goodwill

At the end of each 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 any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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 ACCCOUNTING 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. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include cash on hand and in banks and highly liquid short-term financial instruments that can be easily converted into cash and risk of fluctuation in value is low.

5. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of December 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

	<u>Financial institution</u>	<u>December 31,</u>	<u>December 31,</u>	<u>Notes</u>
		<u>2012</u>	<u>2011</u>	
Cash and cash equivalents	Shinhan Bank and others	₩ 1,084,501	₩ 1,249,811	Government subsidies and others
	Woori Bank and others	14,848,647	14,415,666	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	<u>6,000</u>	<u>6,000</u>	Overdraft deposit
		<u>₩ 15,939,148</u>	<u>₩ 15,671,477</u>	

(Unit: Indian-Rupee in thousands):

	Financial institution	December 31, 2012	December 31, 2011	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 56,177	Rs. 64,740	Government subsidies and others
	Woori Bank and others	769,160	746,731	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	311	311	Overdraft deposit
		<u>Rs. 825,648</u>	<u>Rs. 811,782</u>	

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

The Company's long-term available-for-sale financial assets as of December 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

Classification	Ownership (%)	December 31, 2012		December 31, 2011	
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	₩ 500,000	₩ 656,031	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50%	60,000	351,402	60,000	60,000
		<u>₩ 560,000</u>	<u>₩ 1,007,433</u>	<u>₩ 560,000</u>	<u>₩ 560,000</u>

(Unit: Indian-Rupee in thousands):

Classification	Ownership (%)	December 31, 2012		December 31, 2011	
		Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	Rs. 25,900	Rs. 33,982	Rs. 25,900	Rs. 25,900
Korea Management Consultants Association (*)	1.50%	3,108	18,203	3,108	3,108
		<u>Rs. 29,008</u>	<u>Rs. 52,185</u>	<u>Rs. 29,008</u>	<u>Rs. 29,008</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.

7. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within 1 year from December 31, 2012 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, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

Financial liabilities	December 31, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₩ 188,518,518	₩ 20,733,944	₩ 3,070,484	₩ 30,348,635
Less: Allowance for doubtful accounts	(1,061,540)	(965,595)	(330)	(169,932)
	<u>₩ 187,456,978</u>	<u>₩ 19,768,349</u>	<u>₩ 3,070,154</u>	<u>₩ 30,178,703</u>

Financial liabilities	December 31, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₹ 136,768,667	₹ 27,178,516	₹ 2,678,272	₹ 38,010,612
Less: Allowance for doubtful accounts	<u>(1,193,267)</u>	<u>(2,019,821)</u>	<u>(1,394)</u>	<u>(403,223)</u>
	<u>₹ 135,575,400</u>	<u>₹ 25,158,695</u>	<u>₹ 2,676,878</u>	<u>₹ 37,607,389</u>

(Unit: Indian-Rupee in thousands):

Financial liabilities	December 31, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₹ 9,765,259	₹ 1,074,018	₹ 159,051	₹ 1,572,059
Less: Allowance for doubtful accounts	<u>(54,988)</u>	<u>(50,018)</u>	<u>(17)</u>	<u>(8,802)</u>
	<u>₹ 9,710,271</u>	<u>₹ 1,024,000</u>	<u>₹ 159,034</u>	<u>₹ 1,563,257</u>

Financial liabilities	December 31, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Receivables – general	₹ 7,084,617	₹ 1,407,847	₹ 138,734	₹ 1,968,950
Less: Allowance for doubtful accounts	<u>(61,811)</u>	<u>(104,627)</u>	<u>(72)</u>	<u>(20,887)</u>
	<u>₹ 7,022,806</u>	<u>₹ 1,303,220</u>	<u>₹ 138,662</u>	<u>₹ 1,948,063</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, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 95,523	₩ 49,809	₩ -	₩ 145,332
Non-trade receivables	709,374	84,764	20,367	814,505
Other long-term receivables	-	-	103,250	103,250
	<u>₩ 804,897</u>	<u>₩ 134,573</u>	<u>₩ 123,617</u>	<u>₩ 1,063,087</u>

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 235	₩ -	₩ 20,660	₩ 20,895
Non-trade receivables	218,450	22,279	7,381	248,110
	<u>₩ 218,685</u>	<u>₩ 22,279</u>	<u>₩ 28,041</u>	<u>₩ 269,005</u>

(Unit: Indian-Rupee in thousands):

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 4,948	Rs. 2,580	Rs. -	Rs. 7,528
Non-trade receivables	36,746	4,391	1,055	42,192
Other long-term receivables	-	-	5,348	5,348
	<u>Rs. 41,694</u>	<u>Rs. 6,971</u>	<u>Rs. 6,403</u>	<u>Rs. 55,068</u>

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 12	Rs. -	Rs. 1,070	Rs. 1,082
Non-trade receivables	11,316	1,154	382	12,852
	<u>Rs. 11,328</u>	<u>Rs. 1,154</u>	<u>Rs. 1,452</u>	<u>Rs. 13,934</u>

Aging analysis of the trade and non-trade receivables that are overdue but are impaired as of December 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Non-trade receivables	₩ -	₩ -	₩ 961,182	₩ 961,182
Other long-term receivables	-	-	44,250	44,250
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,005,432</u>	<u>₩ 1,005,432</u>

Classification	December 31, 2011			
	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
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 2,023,836</u>	<u>₩ 2,023,836</u>

(Unit: Indian-Rupee in thousands):

Classification	December 31, 2012			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. -	Rs. -	Rs. 49,789	Rs. 49,789
Non-trade receivables	-	-	2,292	2,292
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 52,081</u>	<u>Rs. 52,081</u>

Classification	December 31, 2011			
	3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. -	Rs. -	Rs. 637	Rs. 637
Non-trade receivables	-	-	104,198	104,198
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 2,023,836</u>	<u>Rs. 2,023,836</u>

(3) Changes in allowance for trade and other receivables for the years ended december 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

Classification	Year ended December 31, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	₩ 1,193,267	₩ 2,019,821	₩ 1,394	₩ 403,223
Bad debt expense	-	-	-	44,296
Write-offs	-	(713,991)	-	-
Reversal of allowance	(131,727)	(340,235)	(1,064)	(277,587)
Ending balance	<u>₩ 1,061,540</u>	<u>₩ 965,595</u>	<u>₩ 330</u>	<u>₩ 169,932</u>

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 consolidated statement of comprehensive income.

(Unit: Indian-Rupee in thousands):

Classification	Year ended December 31, 2012			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 61,811	Rs. 104,627	Rs. 72	Rs. 20,887
Bad debt expense	-	-	-	2,295
Write-offs	-	(36,985)	-	-
Reversal of allowance (*)	(6,823)	(17,624)	(55)	(14,379)
Ending balance	<u>Rs. 54,988</u>	<u>Rs. 50,018</u>	<u>Rs. 17</u>	<u>Rs. 8,803</u>

Classification	Year ended December 31, 2011			
	Trade receivables	Non-trade receivables	Other receivables	Other long-term receivables
Beginning balance	Rs. 121,662	Rs. 106,596	Rs. 704	Rs. 4,627
Bad debt expense	-	158	24	20,652
Write-offs	-	(158)	-	(30)
Reversal of allowance (*)	<u>(59,850)</u>	<u>(1,969)</u>	<u>(656)</u>	<u>(4,361)</u>
Ending balance	<u>Rs. 61,812</u>	<u>Rs. 104,627</u>	<u>Rs. 72</u>	<u>Rs. 20,888</u>

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

The Company estimates allowances for doubtful accounts through individual analysis, and an allowance for the receivables that are not subject to consolidated 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.

8. INVENTORIES:

Details of the inventories as of December 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

	December 31, 2012			December 31, 2011		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	₩ 57,582,379	₩ (2,811,165)	₩ 54,771,214	₩ 50,888,513	₩ (1,635,191)	₩ 49,253,322
Finished goods	34,719,883	(3,838,867)	30,881,016	40,715,388	(2,519,949)	38,195,439
Work-in-process	22,463,203	(1,104,219)	21,358,984	27,910,491	(1,411,191)	26,499,300
Raw materials	92,839,435	(5,924,609)	86,914,826	73,489,131	(6,769,758)	66,719,373
Sub-materials	6,282,422	-	6,282,422	7,253,748	-	7,253,748
Supplies	4,642,578	(2,212)	4,640,366	4,609,418	(2,212)	4,607,206
Goods in transit	64,185,257	-	64,185,257	70,170,587	-	70,170,587
Total	<u>₩ 282,715,157</u>	<u>₩ (13,681,072)</u>	<u>₩ 269,034,085</u>	<u>₩ 275,037,276</u>	<u>₩ (12,338,301)</u>	<u>₩ 262,698,975</u>

(Unit: Indian-Rupee in thousands):

	December 31, 2012			December 31, 2011		
	Carrying amount before valuation	Valuation allowance	Book value	Carrying amount before valuation	Valuation allowance	Book value
Merchandises	Rs. 2,982,767	Rs. (145,618)	Rs. 2,837,149	Rs. 2,636,025	Rs. (84,703)	Rs. 2,551,322
Finished goods	1,798,490	(198,853)	1,599,637	2,109,057	(130,533)	1,978,524
Work-in-process	1,163,594	(57,199)	1,106,395	1,445,763	(73,100)	1,372,663
Raw materials	4,809,083	(306,895)	4,502,188	3,806,737	(350,673)	3,456,064
Sub-materials	325,429	-	325,429	375,744	-	375,744
Supplies	240,486	(115)	240,371	238,768	(115)	238,653
Goods in transit	3,324,796	-	3,324,797	3,634,836	-	3,634,837
Total	<u>Rs. 14,644,645</u>	<u>Rs. (708,680)</u>	<u>Rs. 13,935,966</u>	<u>Rs. 14,246,930</u>	<u>Rs. (639,124)</u>	<u>Rs. 13,607,807</u>

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 ₩4,926,086 thousands (Rs 255,171 thousands).

9. CONSOLIDATED SUBSIDIARIES:

(1) Detail of investments in subsidiaries

Details of investment in securities accounted for using equity method as of December 31, 2012 are as follows:

<u>Name of subsidiary</u>	<u>Location</u>	<u>Ownership %</u>	<u>Closing Month</u>	<u>Industry</u>
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	China	100.00	December	Auto part production & Sales
Ssangyong Motor (Shanghai) Co., Ltd.	China	100.00	December	Car Sales
Ssangyong European Parts Center B.V.	Netherland	100.00	December	A/S & Sales

(2) Summarized financial information of subsidiaries

The summarized financial information of the Company’s subsidiaries as of and for the years ended december 31, 2012 and 2011 is as follows:

<2012>

(Unit: Korean Won in thousands):

<u>Companies</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 1,984,487	₩ -	₩ 1,984,487	₩ 3,140,864
Ssangyong Motor (Shanghai) Co., Ltd.	2,868,270	596,456	2,271,814	2,473,921
Ssangyong European Parts Center B.V.	9,128,065	13,575,167	(4,447,102)	13,702,148

<u>Companies</u>	<u>Net income(loss)</u>	<u>Comprehensive income(loss)</u>
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ (174,928)	₩ (174,928)
Ssangyong Motor (Shanghai) Co., Ltd.	(453,553)	(453,553)
Ssangyong European Parts Center B.V.	123,228	123,228

(Unit: Indian-Rupee in thousands):

<u>Companies</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. 102,796	Rs. -	Rs. 102,796	Rs. 162,697
Ssangyong Motor (Shanghai) Co., Ltd.	148,576	30,896	117,680	128,149
Ssangyong European Parts Center B.V.	472,834	703,194	(230,360)	709,771

<u>Companies</u>	<u>Net income(loss)</u>	<u>Comprehensive income(loss)</u>
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs (9,061)	Rs (9,061)
Ssangyong Motor (Shanghai) Co., Ltd.	(23,494)	(23,494)
Ssangyong European Parts Center B.V.	6,383	6,383

<2011>

(Unit: Korean Won in thousands):

Companies	Assets	Liabilities	Equity	Sales
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 2,957,343	₩ 520,602	₩ 2,436,741	₩ 3,293,506
Ssangyong Motor (Shanghai) Co., Ltd.	3,782,667	663,745	3,118,922	5,305,986
Ssangyong European Parts Center B.V.	9,098,490	13,917,146	(4,818,656)	17,038,452

Companies	Net income(loss)	Comprehensive income(loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	₩ 86,794	₩ 86,794
Ssangyong Motor (Shanghai) Co., Ltd.	1,284,616	1,284,616
Ssangyong European Parts Center B.V.	377,825	377,825

(Unit: Indian-Rupee in thousands):

Companies	Assets	Liabilities	Operating revenue	Net income
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. 153,190	Rs. 26,967	Rs. 126,223	Rs. 170,604
Ssangyong Motor (Shanghai) Co., Ltd.	195,942	34,382	161,560	274,850
Ssangyong European Parts Center B.V.	471,302	720,908	(249,606)	882,592

Companies	Net income(loss)	Comprehensive income(loss)
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.	Rs. 4,496	Rs. 4,496
Ssangyong Motor (Shanghai) Co., Ltd.	66,543	66,543
Ssangyong European Parts Center B.V.	19,571	19,571

10. OTHER ASSETS:

The carrying values of the Company's other assets as of December 31, 2012 and 2011 are as follows (Unit: Korean Won in thousands):

Account	December 31, 2012	December 31, 2011
Other current assets		
Advance payments	₩ 3,344,984	₩ 13,009,907
Less: Allowance for doubtful accounts	(12,285)	(72,869)
Prepaid expenses	2,622,862	2,765,829
Other current assets	-	162,520
Income tax refundable	817,664	553,163
	<u>6,773,225</u>	<u>16,418,550</u>
Other non-current assets		
Long-term prepaid expenses	-	207,629
Other non-current assets	360,542	361,613
	<u>₩ 360,542</u>	<u>₩ 569,242</u>

(Unit: Indian-Rupee in thousands):

Account	December 31, 2012		December 31, 2011	
Other current assets				
Advance payments	Rs.	173,270	Rs	673,913
Less: Allowance for doubtful accounts		(636)		(3,775)
Prepaid expenses		135,864		143,270
Other current assets		-		8,419
Income tax refundable		42,355		28,654
		<u>350,853</u>		<u>850,481</u>
Other non-current assets				
Long-term prepaid expenses		-		10,755
Other non-current assets		18,676		18,733
	Rs.	<u>18,676</u>	Rs.	<u>29,488</u>

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts of property, plant and equipment as of December 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

	December 31, 2012				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	518,052,585	1,743,291	167,223,844	148,652,851	200,432,599
Structures	107,121,068	196,654	59,473,892	29,817,703	17,632,819
Machinery	1,221,599,080	998,695	1,009,867,191	99,698,181	111,035,013
Vehicles	10,918,111	-	7,271,535	1,487,828	2,158,748
Tools and molds	810,373,198	57,221	449,941,667	164,093,870	196,280,440
Equipment	55,124,445	49,319	32,866,576	5,313,162	16,895,388
Construction in progress	37,322,042	-	-	-	37,322,042
	<u>₩ 3,230,155,231</u>	<u>₩ 3,045,180</u>	<u>₩ 1,726,644,705</u>	<u>₩ 449,063,595</u>	<u>₩ 1,051,401,751</u>
	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	1,211,819,024	1,127,864	982,004,488	100,089,697	128,596,975
Vehicles	11,444,041	3	7,364,774	1,581,432	2,497,832
Tools and molds	742,363,803	85,803	397,546,436	164,184,360	180,547,204
Equipment	49,785,908	46,417	33,123,792	5,779,002	10,836,697
Construction in progress	31,748,336	-	-	-	31,748,336
Machinery in transit	87,626	-	-	-	87,626
	<u>₩ 3,128,759,810</u>	<u>₩ 3,303,371</u>	<u>₩ 1,636,300,742</u>	<u>₩ 450,198,652</u>	<u>₩ 1,038,957,045</u>

(Unit: Indian-Rupee in thousands):

	December 31, 2012				
	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying Amount
Land	Rs. 24,327,596	Rs. -	Rs. -	Rs. -	Rs. 24,327,596
Buildings	26,835,124	90,302	8,662,195	7,700,218	10,382,409
Structures	5,548,871	10,187	3,080,748	1,544,557	913,379
Machinery	63,278,832	51,732	52,311,120	5,164,366	5,751,614
Vehicles	565,558	-	376,666	77,069	111,823
Tools and molds	41,977,332	2,964	23,306,978	8,500,062	10,167,328
Equipment	2,855,446	2,555	1,702,489	275,222	875,180
Construction in progress	1,933,282	-	-	-	1,933,282
	<u>Rs. 167,322,041</u>	<u>Rs. 157,740</u>	<u>Rs. 89,440,196</u>	<u>Rs. 23,261,494</u>	<u>Rs. 54,462,611</u>

December 31, 2011

	Acquisition cost	Government subsidies	Depreciation	Loss on valuation	Carrying amount
	Rs.	Rs.	Rs.	Rs.	Rs.
Land	24,327,596	-	-	-	24,327,596
Buildings	26,227,699	94,694	8,197,786	7,703,369	10,231,849
Structures	5,466,979	11,148	3,004,547	1,546,254	905,030
Machinery	62,772,225	58,423	50,867,832	5,184,646	6,661,323
Vehicles	592,801	-	381,495	81,918	129,388
Tools and molds	38,454,445	4,445	20,592,905	8,504,750	9,352,345
Equipment	2,578,910	2,404	1,715,812	299,352	561,341
Construction in progress	1,644,564	-	-	-	1,644,564
Machinery in transit	4,539	-	-	-	4,539
	<u>Rs. 162,069,758</u>	<u>Rs. 171,114</u>	<u>Rs. 84,760,377</u>	<u>Rs. 23,320,289</u>	<u>Rs. 53,817,975</u>

(2) Changes in the carrying amounts of property, plant and equipment for the years ended December 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

	Year ended December 31, 2012					
	Beginning balance	Acquisition(*)	Disposal	Other	Depreciation(**)	Ending balance
Land	₩ 469,644,702	₩ -	₩ -	₩ -	₩ -	₩ 469,644,702
Buildings	197,526,053	5,502,758	2,432	6,371,092	8,964,872	200,432,599
Structures	17,471,619	1,690,239	11,631	(1,281)	1,516,127	17,632,819
Machinery	128,596,974	6,025,633	454,372	10,135,227	33,268,449	111,035,013
Vehicles	2,497,832	271,687	42,138	(2,035)	566,598	2,158,748
Tools and molds	180,547,205	28,718,136	44,918	42,692,012	55,631,995	196,280,440
Equipment	10,836,698	9,249,243	147,364	352,319	3,395,508	16,895,388
Construction in progress	31,748,336	63,067,453	751,429	(56,742,318)	-	37,322,042
Machinery in transit	87,626	2,795,525	-	(2,883,151)	-	-
	<u>₩ 1,038,957,045</u>	<u>₩ 117,320,674</u>	<u>₩ 1,454,284</u>	<u>₩ (78,135)</u>	<u>₩ 103,343,549</u>	<u>₩ 1,051,401,751</u>

(*) Acquisition cost of machinery and equipment amount of ₩43,575 in thousands (Rs. 2,257 thousands) and ₩875 (Rs. 45 thousands) in thousands are excluded from the acquisition cost, respectively.

(**) Depreciation cost of suspended assets amount of ₩66,421 (Rs. 3,441 thousands) in thousands is excluded from the depreciation cost in Statement of Cash flow

	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	199,962,372	4,013,950	900,380	2,985,266	8,535,155	197,526,053
Structures	18,225,114	1,275,549	439,326	(130,213)	1,459,505	17,471,619
Machinery	142,193,634	7,698,912	16,222	10,271,275	31,550,625	128,596,974
Vehicles	1,440,470	1,718,505	29,811	(1,649)	629,683	2,497,832
Tools and molds	173,542,418	24,482,892	43,463	28,945,198	46,379,840	180,547,205
Equipment	6,529,266	6,481,717	82,080	(2,659)	2,089,546	10,836,698
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>₩ 1,030,655,364</u>	<u>₩ 103,341,497</u>	<u>₩ 4,871,980</u>	<u>₩ 476,518</u>	<u>₩ 90,644,354</u>	<u>₩ 1,038,957,045</u>

(*) Depreciation cost of suspended assets amount of ₩19,223 (Rs. 996 thousands) in thousands is excluded from the depreciation cost in Statement of Cash flow.

(Unit: Indian-Rupee in thousands):

	Year ended December 31, 2012					
	Beginning balance	Acquisition(*)	Disposal	Other	Depreciation(**)	Ending balance
Land	Rs. 24,327,596	Rs. -	Rs. -	Rs. -	Rs. -	Rs. 24,327,596
Buildings	10,231,850	285,043	126	330,023	464,380	10,382,410
Structures	905,030	87,554	602	(66)	78,535	913,381
Machinery	6,661,323	312,128	23,536	525,005	1,723,306	5,751,614
Vehicles	129,388	14,073	2,183	(105)	29,350	111,823
Tools and molds	9,352,345	1,487,599	2,327	2,211,446	2,881,737	10,167,326
Equipment	561,341	479,111	7,633	18,250	175,887	875,182
Construction in progress	1,644,564	3,266,894	38,924	(2,939,252)	-	1,933,282
Machinery in transit	4,539	144,808	-	(149,347)	-	-
	<u>Rs. 53,817,976</u>	<u>Rs. 6,077,210</u>	<u>Rs. 75,331</u>	<u>Rs. (4,046)</u>	<u>Rs. 5,353,195</u>	<u>Rs. 54,462,614</u>

	Year ended December 31, 2011					
	Beginning balance	Acquisition	Disposal	Other	Depreciation (*)	Ending balance
Land	Rs. 24,467,633	Rs. -	Rs. 164,308	Rs. 24,270	Rs. -	Rs. 24,327,596
Buildings	10,358,051	207,923	46,640	154,637	442,121	10,231,849
Structures	944,061	66,073	22,757	(6,745)	75,602	905,030
Machinery	7,365,630	398,804	840	532,052	1,634,322	6,661,323
Vehicles	74,616	89,019	1,544	(85)	32,618	129,388
Tools and molds	8,989,497	1,268,214	2,251	1,499,361	2,402,476	9,352,345
Equipment	338,216	335,753	4,252	(138)	108,238	561,341
Construction in progress	850,243	2,802,297	9,776	(1,998,200)	-	1,644,564
Machinery in transit	-	185,007	-	(180,468)	-	4,539
	<u>Rs. 53,387,947</u>	<u>Rs. 5,353,090</u>	<u>Rs. 252,368</u>	<u>Rs. 24,684</u>	<u>Rs. 4,695,377</u>	<u>Rs. 53,817,975</u>

(3) Assets pledged as collateral

The assets pledged as collateral for the Company's borrowings as of December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 464,918,494	195 billion Korean Won
Buildings	do 150-3 (factory site) and others	183,670,343	
Machinery	Pyeongtaek plant production facilities	49,572,754	
		<u>₩ 698,161,591</u>	

(Unit: Indian-Rupee in thousands):

Assets pledged as collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs 24,082,778	10.1 billion rupee
Buildings	do 150-3 (factory site) and others	9,514,124	
Machinery	Pyeongtaek plant production facilities	2,567,869	
		<u>Rs 36,164,770</u>	

12. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

	December 31, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 204,311,183	₩ -	₩ 156,314,870	₩ -	₩ 47,996,313
Patents	2,003,315	1,718	1,315,805	27,726	658,066
Other intangible assets	15,868,214	88,169	7,132,615	686,797	7,960,633
	<u>₩ 222,182,712</u>	<u>₩ 89,887</u>	<u>₩ 164,763,290</u>	<u>₩ 714,523</u>	<u>₩ 56,615,012</u>

	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	10,706,490	251,773	5,429,091	-	5,025,626
	<u>₩ 194,400,289</u>	<u>₩ 251,773</u>	<u>₩ 129,646,623</u>	<u>₩ 10,562</u>	<u>₩ 64,491,331</u>

(Unit: Indian-Rupee in thousands):

	December 31, 2012				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 10,583,319	Rs. -	Rs. 8,097,110	Rs. -	Rs. 2,486,209
Patents	103,772	89	68,159	1,436	34,088
Other intangible assets	821,973	4,567	369,469	35,576	412,361
	<u>Rs. 11,509,064</u>	<u>Rs. 4,656</u>	<u>Rs. 8,534,738</u>	<u>Rs. 37,012</u>	<u>Rs. 2,932,658</u>

	December 31, 2011				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 9,424,525	Rs. -	Rs. 6,380,519	Rs. -	Rs. 3,044,006
Patents	90,814	-	53,950	547	36,317
Other intangible assets	554,596	13,042	281,227	-	260,327
	<u>Rs. 10,069,935</u>	<u>Rs. 13,042</u>	<u>Rs. 6,715,696</u>	<u>Rs. 547</u>	<u>Rs. 3,340,650</u>

(2) Changes in intangible assets for the years ended december 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

	Year ended December 31, 2012					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Other	Ending balance
Development cost	₩ 58,764,596	₩ 22,370,553	₩ 33,138,836	₩ -	₩ -	₩ 47,996,313
Patents	701,109	250,192	274,307	17,164	1,764	658,066
Other intangible assets	5,025,626	5,167,403	1,499,050	686,796	46,550	7,960,633
	<u>₩ 64,491,331</u>	<u>₩ 27,788,148</u>	<u>₩ 34,912,193</u>	<u>₩ 703,960</u>	<u>₩ 48,314</u>	<u>₩ 56,615,012</u>

	Year ended December 31, 2011					
	Beginning balance	Acquisition	Depreciation	Impairment loss	Other	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	1,981,634	1,480,112	-	-	5,025,626
	<u>₩ 89,171,132</u>	<u>₩ 8,328,000</u>	<u>₩ 32,997,239</u>	<u>₩ 10,562</u>	<u>₩ -</u>	<u>₩ 64,491,331</u>

(Unit: Indian-Rupee in thousands):

	Year ended December 31, 2012					
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Other</u>	<u>Ending balance</u>
Development cost	Rs. 3,044,006	Rs. 1,158,795	Rs. 1,716,592	Rs. -	Rs. -	Rs. 2,486,209
Patents	36,317	12,960	14,209	889	91	34,088
Other intangible assets	260,327	267,671	77,651	35,576	2,411	412,360
	<u>Rs. 3,340,650</u>	<u>Rs. 1,439,426</u>	<u>Rs. 1,808,452</u>	<u>Rs. 36,465</u>	<u>Rs. 2,502</u>	<u>Rs. 2,932,657</u>

	Year ended December 31, 2011					
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>Impairment loss</u>	<u>Other</u>	<u>Ending balance</u>
Development cost	Rs. 4,353,451	Rs. 307,269	Rs. 1,616,715	Rs. -	Rs. -	Rs. 3,044,005
Patents	31,265	21,472	15,873	547	-	36,317
Other intangible assets	234,349	102,649	76,670	-	-	260,328
	<u>Rs. 4,619,065</u>	<u>Rs. 431,390</u>	<u>Rs. 1,709,258</u>	<u>Rs. 547</u>	<u>Rs. -</u>	<u>Rs. 3,340,650</u>

(3) Amortization of the Company's intangible assets for the years ended december 31, 2012 and 2011 is as follows.

<u>Account</u>	<u>Korean Won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Cost of goods manufactured	₩ 32,775,502	₩ 31,113,762	Rs. 1,697,771	Rs. 1,611,693
Selling and administrative expenses	2,136,691	1,883,477	110,681	97,564
	<u>₩ 34,912,193</u>	<u>₩ 32,997,239</u>	<u>Rs. 1,808,452</u>	<u>Rs. 1,709,257</u>

13. BORROWINGS:

(1) The Company's short-term borrowings as of December 31, 2012 and 2011 consist of the following:

(Unit: Korean Won in thousands):

<u>Creditor</u>	<u>Type</u>	<u>Interest rate (%)</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Korea Development Bank	Operating fund	CD 3.5%	₩ 30,000,000	₩ 30,000,000
		EUR: 3.45%		
Korea Development Bank	Banker's usance	USD: 2.25%	-	10,567,689
		JPY: 2.14%		
			<u>₩ 30,000,000</u>	<u>₩ 40,567,689</u>

(Unit: Indian-Rupee in thousands):

<u>Type</u>	<u>kind</u>	<u>Interest rate (%)</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Korea Development Bank	Operating fund	CD 3.5%	Rs. 1,554,000	Rs. 1,554,000
		EUR: 3.45%		
Korea Development Bank	Banker's usance	USD: 2.25%	-	547,406
		JPY: 2.14%		
			<u>Rs. 1,554,000</u>	<u>Rs. 2,101,406</u>

(2) The Company's bonds and current portion of long-term borrowings as of December 31, 2012 and 2011 consist of the following:

(Unit: Korean Won in thousands):

<u>Type</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00%	₩ 95,404,765	₩ 95,404,765

(Unit: Indian-Rupee in thousands):

Type	Issue date	Maturity date	Interest rate (%)	December 31, 2012	December 31, 2011
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00%	Rs. 4,941,967	Rs. 4,941,967

(3) The Company provided the following collaterals in relation to its borrowings.

Creditor	Assets pledged as collaterals	Pledged date	Maximum credit amount
Korea Development Bank	Land, buildings and machinery	2009-08-13	195 billion Korean Won (10.1 billion Rupee)

14. 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 ₩421,335,095 thousands (Rs. 21,825,158 thousands) as of December 31, 2011. In addition, the Company recognized a gain on exemption of debts amounting to ₩49,047,989 thousand (Rs. 2,540,686 thousands) for the year ended December 31, 2011, according to the revised corporate reorganization plan approved on January 28, 2011.

15. OTHER FINANCIAL LIABILITIES:

Carrying amounts of the Company's other financial liabilities as of December 31, 2012 and 2011 are as follows:

Classification	Korean Won in thousands		Indian-Rupee in thousands	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Other current financial liabilities:				
Accrued expenses	₩ 16,409,144	₩ 16,599,583	Rs. 849,994	Rs. 859,858

16. 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, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Dec. 31, 2012	₩ 122,007,836	₩ 69,299,562	₩ 72,708,469	₩ 118,598,929	₩ 46,214,861	₩ 72,384,068
Dec. 31, 2011	₩ 77,265,249	₩ 101,046,995	₩ 56,304,408	₩ 122,007,836	₩ 47,093,611	₩ 74,914,225

(Unit: Indian-Rupee in thousands):

	Beginning	Increase	Decrease	Ending balance	Current	Non-current
Dec. 31, 2012	Rs. 6,320,006	Rs. 3,589,717	Rs. 3,766,298	Rs. 6,143,425	Rs. 2,393,930	Rs. 3,749,495
Dec. 31, 2011	Rs. 4,002,340	Rs. 5,234,234	Rs. 2,916,568	Rs. 6,320,006	Rs. 2,439,449	Rs. 3,880,557

17. OTHER LIABILITIES AND OTHER LONG-TERM LIABILITIES:

Carrying amounts of the Company's other liabilities as of December 31, 2012 and 2011 are as follows:

Classification	Korean Won in thousands		Indian-Rupee in thousands	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Other liabilities				
Advances from customers	₩ 6,712,542	₩ 5,730,529	Rs. 347,710	Rs. 296,841
Deposits received	436,043	469,498	22,587	24,320
Withholdings	16,812,873	17,578,565	870,907	910,570
Income in advance	7,171,457	4,087,888	371,481	211,753
	<u>₩ 31,132,915</u>	<u>₩ 27,866,480</u>	<u>Rs. 1,612,685</u>	<u>Rs. 1,443,484</u>
Other Long-term liabilities				
Withholdings	₩ 8,270	₩ 8,270	428	428

18. RETIREMENT BENEFIT OBLIGATION:

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

Classification	Korean won in thousands		Indian-Rupee in thousands	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Present value of defined benefit obligation	₩ 144,823,054	₩ 188,058,593	Rs. 7,501,834	Rs. 9,741,435
Fair value of plan assets	(1,524,841)	(3,072,683)	(78,987)	(159,165)
	<u>₩ 143,298,213</u>	<u>₩ 184,985,910</u>	<u>Rs. 7,422,847</u>	<u>Rs. 9,582,270</u>

(2) Details of defined benefit plan recognized on the statements of operations for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean Won and Indian-Rupee in thousands):

	Year ended	Year ended	Year ended	Year ended
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Current service cost	₩ 23,056,507	₩ 19,571,687	Rs. 1,194,327	Rs. 1,013,813
Interest cost	7,393,121	8,541,555	382,964	442,453
Expected return on plan assets	(93,578)	(160,971)	(4,847)	(8,338)
Previous service cost	1,163,872	-	60,289	-
Curtailment cost	(1,594,787)	-	(82,610)	-
	<u>₩ 29,925,135</u>	<u>₩ 27,952,271</u>	<u>Rs. 1,550,123</u>	<u>Rs. 1,447,928</u>

(3) Expenses related to defined benefit plan for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean Won and Indian-Rupee in thousands):

	Year ended	Year ended	Year ended	Year ended
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Cost of goods manufactured	₩ 19,115,749	₩ 20,157,249	Rs. 990,196	Rs. 1,044,145
Development costs	820,446	-	42,499	-
Selling and administrative expenses	9,988,940	7,795,022	517,428	403,783
	<u>₩ 29,925,135</u>	<u>₩ 27,952,271</u>	<u>Rs. 1,550,123</u>	<u>Rs. 1,447,928</u>

(4) Changes in the Company's defined benefit obligation for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean Won and Indian-Rupee in thousands):

	Year ended December 31, 2012		Year ended December 31, 2011	
Beginning balance	₩	188,058,593	₩	151,897,559
Current service cost		23,056,507		19,571,687
Interest cost		7,393,121		8,541,555
Actuarial gains		18,896,792		20,473,482
Wages paid		(16,118,716)		(12,158,259)
Previous service costs		1,163,872		-
Wages paid from scheme assets		(1,594,787)		-
Curtailment costs		(75,710,929)		-
Settlements		(321,399)		(267,431)
Ending balance	₩	<u>144,823,054</u>	₩	<u>188,058,593</u>

	Year ended December 31, 2012		Year ended December 31, 2011	
Beginning balance	Rs.	9,741,435	Rs.	7,868,294
Current service cost		1,194,327		1,013,813
Interest cost		382,964		442,453
Actuarial gains		978,854		1,060,526
Wages paid		(834,949)		(629,798)
Previous service costs		60,289		-
Wages paid from scheme assets		(82,610)		-
Curtailment costs		(3,921,826)		-
Settlements		(16,646)		(13,853)
Ending balance	Rs.	<u>7,501,834</u>	Rs.	<u>9,741,435</u>

(5) Changes in the fair value of plan assets for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean Won and Indian-Rupee in thousands):

	Year ended December 31, 2012		Year ended December 31, 2011	
Beginning balance	₩	3,072,683	₩	3,219,524
Expected return on plan assets		93,578		160,971
Actuarial losses		2,594		(40,381)
Wages paid		(321,399)		-
Curtailment costs		(1,322,615)		(267,431)
Ending balance	₩	<u>1,524,841</u>	₩	<u>3,072,683</u>

	Year ended December 31, 2012		Year ended December 31, 2011	
Beginning balance	Rs.	159,165	Rs.	166,771
Expected return on plan assets		4,847		8,338
Actuarial losses		134		(2,092)
Wages paid		(16,648)		-
Curtailment costs		(68,511)		(13,852)
Ending balance	Rs.	<u>78,987</u>	Rs.	<u>159,165</u>

(6) Actuarial assumptions used as of December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Discount rate (%)	3.93	4.80
Expected return on plan assets (%)	3.93	3.08
Expected rate of salary increase (%)	5.31	5.32

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, 2012 and 2011 are as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Actual return on plan assets	₩	96,172	₩	120,590
			Rs.	4,982
			Rs.	6,247

(8) Company's plan assets as of December 31, 2012 and December 31, 2011 are composed of as follows:

	Korean won in thousands		Indian-Rupee in thousands	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Others	₩	1,524,841	₩	3,072,683
			Rs.	78,987
			Rs.	159,165

19. CONTINGENCIES AND COMMITMENTS:

The following are the major commitments and contingent liabilities as of December 31, 2012.

- (1) The Company carries product liability insurance for all products it sells domestically.
- (2) As of December 31, 2012, the company has been providing guarantees from WORRI BANK and etc amounting to USD 19,336,308, EUR 9,044,540 and JPY 300,752,750 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	2012.8.23~2013.8.23	USD 40,000,000	USD 16,593,615	Usance import credit limit
			USD 2,742,693	
	2011.7.27~2013.7.27		EUR 9,044,540	Usance import credit limit
KDB	2012.7.27~2013.7.27	USD 65,000,000	JPY 300,752,750	Usance import credit limit
				Usance import credit limit
BOA	2012.12.27~2013.12.27	USD 30,000,000	USD -	Usance import credit limit
			USD 19,336,308	
			EUR 9,044,540	
Total		USD 135,000,000	JPY 300,752,750	

- (3) The following are the major loan arrangements with the financial institutions as of December 31, 2012.

(Unit: Korean Won in thousands):

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
KDB	Operating purpose loans	₩ 30,000,000	₩ 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 1,554,000	Rs 1,554,000

- (4) Pending litigations

As of December 31, 2012, the Company has three pending litigations as a plaintiff with claims amounting to ₩15,270 million (Rs. 791 million) and twenty-five pending litigations as a defendant with claims amounting to ₩33,300 million (Rs. 1,725 million). Details of significant pending litigations as of December 31, 2012 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>			
Wages	₩25,535,751	Rs.1,322,752	Sung-Ho Lee and 247 others	The Company Federation of Korea Metal Worker's trade Union	2 nd trial pending (1 st trial lost)
Compensation for damages	10,000,000	518,000	The Company	Labor Union, Kap Deuk Jung and others	1 st trial pending
Compensation for damages	5,000,000	259,000	The Company	others	1 st trial pending
Void dismissal	3,020,015	156,437	Suk-joo Noh and 155 others	The Company	2 nd trial pending (1 st trial win)
Objection to confirmation trial	1,560,000	80,808	SK E&C Co., Ltd.	The Company	3 rd trial pending (2 nd trial lose)
Debt non-existence confirmation	959,090	49,681	Telstar Hommel Lee, Jong Sik and others	The Company	2 nd trial pending (1 st trial win)
Void dismissal	420,002	21,756	others	The Company	3 rd trial pending (2 nd trial win)
Void dismissal	200,001	10,360	Han, Sang Kyun and others	The Company	2 nd trial pending (1 st trial win)

Type of litigation	Claimed amount		Plaintiff	Defendant	Remarks
	(Korean won in thousands)	(Indian-Rupee in thousands)			
Compensation for damages	₩ 40,385	Rs. 2,092	Samsung Fire and Marine Insurance	The Company	2 nd trial pending (1 st trial lost)

(*) For the above pending litigations, the Company recognized other payables amounting to ₩16,585,405 thousands (Rs. 859,124 thousands) that are expected to be a probable loss and can be reasonably estimated as of December 31, 2012.

20. CAPITAL STOCK:

As of December 31, 2012, 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, 2012	122,674,641	₩ 5,000	₩ 613,373,205
December 31, 2011	121,961,841	₩ 5,000	₩ 609,809,205

(Unit: Rupee in thousands except par value):

Classification	Shares outstanding	Par value	Capital stock
December 31, 2012	122,674,641	Rs. 259	Rs. 31,772,732
December 31, 2011	121,961,841	Rs. 259	Rs. 31,588,117

- (1) As a plan for building co-employee-management culture, the Company decided at the board of directors meeting on May 2, 2012 to fund on employee shareholders association without cost and to exercise the third-party assigned paid-in capital increase that allot 644,550 shares for employees through the association. The Company exercised the paid-in capital increase on May 19, 2012. As a result, capital stock and other capital surplus are respectively increased by ₩3,222,750 thousands (Rs. 166,938 thousands) and ₩328,852 thousands (Rs. 17,035 thousands) for the year ended December 31, 2012.
- (2) As a plan for supporting unpaid employee laid off, the Company decided at the board of directors meeting on July 25, 2012 to fund on employee shareholders association without cost and to exercise the third-party assigned paid-in capital increase that allot 68,250 shares for employees through the association. The Company exercised the paid-in capital increase on August 14, 2012. As a result, capital stock and other capital surplus are respectively increased by ₩341,250 thousands (Rs. 17,677 thousands) and ₩3,026 thousands (Rs. 157 thousands) for the year ended December 31, 2012.

21. OTHER CAPITAL SURPLUS :

Details of the Company's other capital surplus and retained earnings as of December 31, 2012 and 2011 are as follows:

(Unit: Korean won in thousands):

Classification		December 31, 2012	December 31, 2011	December 31, 2011	December 31, 2011
		(Korean Won in thousands)		(Indian-Rupee in thousands)	
Other Capital Surplus	Paid-in capital in excess of par value	₩ 4,545,756	₩ 4,213,878	Rs. 235,470	Rs. 218,279
	Gain on retirement of capital stock	120,351,580	120,351,580	6,234,212	6,234,212
	Consideration for conversion rights	(3,243,869)	-	(168,032)	-
	Debt converted to equity	931,508	931,508	48,252	48,252
		<u>₩ 122,584,975</u>	<u>₩ 125,496,966</u>	<u>Rs. 6,349,902</u>	<u>Rs. 6,500,743</u>

(*) When the Company completed its debt restructuring as of December 17, 2019, it converted the debt of which SK Engineering and Construction Co., Ltd to equity as proportion of 40%. However, the debt amounts was decreased in accordance with the Court trial results and hence the number of shares was also proportionally decreased. Consequently the Company recognised the excessive debt amounts which come from cancellation of debt to equity as an other capital surplus as of December 31, 2013.

22. OTHER CAPITAL ADJUSTMENTS:

(1) Detail of the company's other Capital adjustment as of December 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands)

Classification		December 31, 2012	December 31, 2011
Other Capital Adjustments	Gains on valuation of derivatives	₩ 18,999,750	₩ 193,310
	Cumulative effect of foreign currency translation	<u>862,490</u>	<u>899,841</u>
		<u>₩ 19,862,240</u>	<u>₩ 1,093,151</u>

(Unit: Indian-Rupee in thousands)

Classification		December 31, 2012	December 31, 2011
Other Capital Adjustments	Gains on valuation of derivatives	Rs. 984,187	Rs. 10,013
	Cumulative effect of foreign currency translation	<u>44,677</u>	<u>46,612</u>
		<u>Rs. 1,028,864</u>	<u>Rs. 56,625</u>

(2) Changes in the Company's Gains on valuation of Derivatives for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean Won and India-Rupee in thousands):

	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2011
Beginning balance	₩ 193,310	₩ -	Rs. 10,013	Rs. -
Gains on valuation of derivatives	<u>18,806,440</u>	<u>193,310</u>	<u>974,174</u>	<u>10,013</u>
Ending balance	<u>₩ 18,999,750</u>	<u>₩ 193,310</u>	<u>Rs. 984,187</u>	<u>Rs. 10,013</u>

(3) Changes in the Company's Cumulative effect of Foreign currency Translation for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean Won and India-Rupee in thousands):

	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2011
Beginning balance	₩ 899,841	₩ 549,297	Rs. 46,612	Rs. 28,454
Cumulative effect of foreign currency translation	<u>(37,351)</u>	<u>350,544</u>	<u>(1,935)</u>	<u>18,158</u>
Ending balance	<u>₩ 862,490</u>	<u>₩ 899,841</u>	<u>Rs. 44,677</u>	<u>Rs. 46,612</u>

23. RETAINED EARNINGS:

(1) Detail of the company's retained earnings as of December 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands)

Classification		December 31, 2012	December 31, 2011
Retained Earnings	Unappropriated retained earnings	₩ 44,842,295	₩ 169,663,313

(Unit: Indian-Rupee in thousands)

Classification		December 31, 2012	December 31, 2011
Retained Earnings	Unappropriated retained earnings	Rs. 2,322,831	Rs. 8,788,560

(2) Changes in the Company's Unappropriated Retained Earnings for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean Won and India-Rupee in thousands):

	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2011
Beginning balance	₩ 169,663,313	₩ (411,720,391)	Rs. 8,788,560	Rs. (21,327,116)
Net loss	(105,926,820)	(112,802,429)	(5,487,009)	(5,843,166)
Actuarial losses	(18,894,198)	(20,513,864)	(978,719)	(1,062,618)
Deficit recovery	-	714,699,997	-	37,021,460
Ending balance	₩ 44,842,295	₩ 169,663,313	Rs. 2,322,831	Rs. 8,788,560

24. INCOME TAX:

(1) Composition of income tax expense for the years ended december 31, 2012 and 2011 are as follows (Unit: Korean Won and India-Rupee in thousands):

	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2011
Current income tax payable of Parent Company	₩ -	₩ -	Rs. -	Rs. -
Income tax expense directly reflected to shareholders' equity of Parent Company	-	-	-	-
Income tax expense of Parent Company	-	-	-	-
Income tax expense of Subsidiary Company	46,823	305,596	2,425	15,830
Income tax expense of Consolidated Company	₩ 46,823	₩ 305,596	Rs. 2,425	Rs. 15,830

(2) Changes in temporary differences and deferred income tax assets

The changes in temporary differences and deferred income tax assets for the year ended December 31, 2012 are as follows:

(Unit: Korean Won in thousands):

Description	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	₩ (1,781,828)	₩ 1,535,377	₩ 3,365,494	₩ 48,289
Government subsidies	5,565,857	2,176,043	922,441	4,312,255
Provision for product warranties	122,007,836	122,007,836	118,598,929	118,598,929
Accrued severance indemnities	180,520,441	82,994,602	36,115,976	133,641,815
Loss on revaluation of property, plant and equipment	131,688,428	43,587,807	73,655,981	161,756,602
Development cost	42,473,990	21,865,556	40,117,033	60,725,467
Depreciation	9,532,068	2,341,226	3,225,461	10,416,303
Other payables	13,838,928	17,533,349	20,363,945	16,669,524
Accrued expenses	15,552,941	15,552,941	15,439,413	15,439,413
Investment in subsidiaries	2,684,828	-	178,862	2,863,690
Gain (loss) on foreign currency translation	1,212,429	(18,104,070)	(19,318,719)	(2,220)
Present value discount	(8,398,864)	(65,381,083)	(56,982,219)	-
Land	12,367,890	12,367,890	13,107,758	13,107,758
Other long-term employee benefit	(261,695,316)	-	988,077	(260,707,239)
Others	(628,420)	(218,540)	(19,487,130)	(19,834,010)
Deficit carried over	1,051,562,801	-	262,092,558	1,313,655,359
Total	1,316,504,009			1,570,091,935

Description	Beginning balance	Decrease	Increase	Ending balance
Not recognized as deferred tax assets	1,316,504,009			1,570,091,935
Recognized as deferred tax assets	-			-
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	20,026,962	2,763,070	-	17,263,892
Not recognized as deferred tax assets	20,026,962	2,763,070	-	17,263,892
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-	-	-	-
Total deferred income tax of Parent Company	-	-	-	-
Total deferred income tax of Subsidiary Company	132,558	37,033	-	95,525
Total deferred income tax of Consolidated Company	₹ 132,558	₹ 37,033	-	₹ 95,525

(Unit: Indian-Rupee in thousands):

Description	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	Rs. (92,299)	Rs. 79,533	Rs. 174,333	Rs. 2,501
Government subsidies	288,311	112,719	47,782	223,375
Provision for product warranties	6,320,006	6,320,006	6,143,425	6,143,425
Accrued severance indemnities	9,350,959	4,299,120	1,870,808	6,922,646
Loss on revaluation of property, plant and equipment	6,821,461	2,257,848	3,815,380	8,378,992
Development cost	2,200,153	1,132,636	2,078,062	3,145,579
Depreciation	493,761	121,276	167,079	539,564
Other payables	716,856	908,227	1,054,852	863,481
Accrued expenses	805,642	805,642	799,762	799,762
Investments in subsidiaries	139,074	-	9,265	148,339
Gain (loss) on foreign currency translation	62,804	(937,791)	(1,000,710)	(115)
Present value discount	(435,061)	(3,386,740)	(2,951,679)	-
Land	640,657	640,657	678,982	678,982
Other long-term employee benefit	(13,555,817)	-	51,182	(13,504,635)
Others	(32,552)	(14,584)	(1,009,433)	(1,027,402)
Deficit carried over	54,470,953		13,576,395	68,047,348
Total	68,194,908			81,361,842
Not recognized as deferred tax assets	68,194,908			81,361,842
Recognized as deferred tax assets				
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences				
Tax credit carry forwards	1,037,397	143,127		894,270
Not recognized as deferred tax assets	1,037,397	143,127	-	894,270
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry forwards	-	-	-	-
Total deferred income tax of Parent Company	-	-	-	-
Total deferred income tax of Subsidiary Company	6,867	1,918	-	4,948
Total deferred income tax of Consolidated Company	₹ 6,867	₹ 1,918	-	₹ 4,948

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.

25. EXPENSES BY CATEGORY:

Details of expenses classified by category for the years ended december 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

	Year ended December 31, 2012				
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories:					
Manufactured goods	₩ 7,314,423	₩ -	₩ -	₩ -	₩ 7,314,423
Work-in-process	5,140,316	-	-	-	5,140,316
Merchandise goods	(5,517,891)	-	-	-	(5,517,891)
Raw materials used	-	1,843,171,581	-	-	1,843,171,581
Purchase of merchandise goods	-	242,968,128	-	-	242,968,128
Employee benefits	-	177,828,129	-	47,167,117	224,995,246
Depreciation	-	93,719,928	-	4,749,746	98,469,674
Amortization	-	32,775,503	-	2,136,691	34,912,194
Service fees	-	1,068,094	-	12,907,042	13,975,136
Ordinary development cost	-	94,689,993	-	14,176,234	108,866,227
Warranty expenses	-	-	50,028,856	-	50,028,856
Sales commission	-	-	115,310,966	-	115,310,966
Export expenses	-	-	78,006,080	-	78,006,080
Other	-	36,388,567	60,419,801	57,816,865	154,625,233
	<u>₩ 6,936,848</u>	<u>₩ 2,522,609,903</u>	<u>₩ 303,765,703</u>	<u>₩ 138,953,695</u>	<u>₩2,972,266,149</u>

	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	(4,458,913)	-	-	-	(4,458,913)
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	-	41,403,919	208,911,783
Depreciation	-	87,160,914	-	3,411,180	90,572,094
Amortization	-	31,113,762	-	1,883,477	32,997,239
Service fees	-	2,631,584	-	14,995,149	17,626,733
Ordinary development cost	-	100,240,229	-	17,541,439	117,781,668
Warranty expenses	-	-	101,105,059	-	101,105,059
Sales commission	-	-	93,747,947	-	93,747,947
Export expenses	-	-	85,613,528	-	85,613,528
Other	-	58,013,455	52,460,318	52,792,544	163,266,317
	<u>₩ 14,827,914</u>	<u>₩ 2,448,923,678</u>	<u>₩ 332,926,852</u>	<u>₩ 132,027,708</u>	<u>₩2,928,706,152</u>

(Unit: Indian-Rupee in thousands):

	Year ended December 31, 2012				
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	Rs. 378,887	Rs. -	Rs. -	Rs. -	Rs. 378,887
Work-in-process	266,268	-	-	-	266,268
Merchandise goods	(285,827)	-	-	-	(285,827)
Raw materials used	-	95,476,288	-	-	95,476,288
Purchase of merchandise goods	-	12,585,749	-	-	12,585,749

Year ended December 31, 2012					
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Employee benefits	-	9,211,497	-	2,443,257	11,654,754
Depreciation	-	4,854,692	-	246,037	5,100,729
Amortization	-	1,697,771	-	110,681	1,808,452
Service fees	-	55,327	-	668,585	723,912
Ordinary development cost	-	4,904,942	-	734,329	5,639,271
Warranty expenses	-	-	2,591,495	-	2,591,495
Sales commission	-	-	5,973,108	-	5,973,108
Export expenses	-	-	4,040,715	-	4,040,715
Other	-	1,884,928	3,129,746	2,994,914	8,009,586
	<u>Rs. 359,328</u>	<u>Rs. 130,671,194</u>	<u>Rs. 15,735,064</u>	<u>Rs. 7,197,802</u>	<u>Rs. 153,963,387</u>

Year ended December 31, 2011					
	Changes in inventories	Cost of goods manufactured (sold)	Selling expenses	Administrative expenses	Total
Changes in inventories					
Manufactured goods	Rs. 898,566	Rs. -	Rs. -	Rs. -	Rs. 898,566
Work-in-process	100,492	-	-	-	100,492
Merchandise goods	(230,972)	-	-	-	(230,972)
Raw materials used	-	92,528,714	-	-	92,528,714
Purchase of merchandise goods	-	11,188,140	-	-	11,188,140
Employee benefits	-	8,676,907	-	2,144,723	10,821,630
Depreciation	-	4,514,935	-	176,699	4,691,634
Amortization	-	1,611,693	-	97,564	1,709,257
Service fees	-	136,316	-	776,749	913,065
Ordinary development cost	-	5,192,444	-	908,647	6,101,091
Warranty expenses	-	-	5,237,242	-	5,237,242
Sales commission	-	-	4,856,144	-	4,856,144
Export expenses	-	-	4,434,781	-	4,434,781
Other	-	3,005,097	2,717,444	2,734,653	8,457,194
	<u>Rs. 8,457,196</u>	<u>Rs. 126,854,246</u>	<u>Rs. 17,245,611</u>	<u>Rs. 6,839,035</u>	<u>Rs. 151,706,978</u>

26. DERIVATIVES:

The Parent Company has 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). Cash flow risk aversion accounting treatment is applied on valuation of derivatives for ₩18,999,750 thousands (Rs. 984,187 thousands) recorded as other capitals components and also, ₩2,503,753 thousands (Rs. 129,694 thousands) was recognized as accumulated other comprehensive income for the year ended December 31, 2012

27. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the years ended december 31, 2012 and 2011 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Warranty expenses	₩ 50,028,856	₩ 101,105,059	Rs. 2,591,495	Rs. 5,237,242
Sales commissions	115,310,966	93,747,947	5,973,108	4,856,144
Sales promotional expenses	25,535,378	19,731,333	1,322,733	1,022,083
Packaging expenses	3,824,913	3,745,273	198,131	194,005
Advertising expenses	22,547,018	22,910,889	1,167,936	1,186,784
Freight expenses	8,512,491	6,072,823	440,947	314,572
Export expenses	78,006,080	85,613,528	4,040,714	4,434,781
	<u>₩ 303,765,702</u>	<u>₩ 332,926,852</u>	<u>Rs. 15,735,064</u>	<u>Rs. 17,245,611</u>

(2) Administrative expenses for the years ended december 31, 2012 and 2011 are as follows :

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Salaries	₩ 41,551,757	₩ 37,431,366	Rs. 2,152,381	Rs. 1,938,945
Post-employment benefits	5,615,360	3,972,553	290,876	205,778
Employee benefits	10,735,073	8,324,957	556,077	431,233
Travel expenses	1,196,702	1,161,890	61,989	60,186
Communication expenses	1,040,624	987,104	53,904	51,132
Electricity expenses	467,521	424,829	24,218	22,006
Utility expenses	247,238	251,658	12,807	13,036
Taxes and dues	3,546,019	2,853,901	183,684	147,832
Rent expense	13,275,565	12,880,227	687,674	667,196
Repair expenses	851,238	1,001,755	44,094	51,891
Insurance	184,869	176,542	9,576	9,145
Entertainment expenses	387,010	312,656	20,047	16,196
Vehicles	820,975	963,430	42,527	49,906
Overseas marketing expenses	317,929	326,738	16,469	16,925
Training	996,845	1,023,970	51,637	53,042
Printing	512,700	536,140	26,558	27,772
Supplies	365,535	490,339	18,935	25,400
Conference expense	199,090	121,410	10,313	6,289
Service fees	12,907,042	14,995,149	668,582	776,749
Legal expense	197,708	135,621	10,241	7,025
Outsourcing expense	16,514,964	15,121,513	855,475	783,294
Computing expense	5,215,077	5,021,324	270,141	260,105
Depreciation	4,749,746	3,411,180	246,037	176,699
Bad debt expense	(131,727)	-	(6,823)	-
R&D expenses	14,176,234	17,541,439	734,329	908,647
Amortization	2,136,691	1,883,477	110,681	97,564
Other administrative expenses	875,910	676,540	45,372	35,045
	<u>₩ 138,953,695</u>	<u>₩ 132,027,708</u>	<u>Rs. 7,197,801</u>	<u>Rs. 6,839,038</u>

28. NON-OPERATING INCOME (EXPENSES):

(1) Details of the Company's non-operating income for the years ended december 31, 2012 and 2011 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Fee income	₩ 11,333,513	₩ 2,096,350	Rs. 587,076	Rs. 108,591
Gain on foreign currency transactions	7,327,684	17,799,021	379,574	921,989
Gain on foreign currency translation	685,026	417,923	35,484	21,648
Reversal of allowance for doubtful accounts	679,469	1,945,107	35,196	100,757
Gain on disposal of property, plant and equipment	201,506	3,274,453	10,438	169,617
Reversal of Impairment loss on property, plant and equipment	-	124,224	-	6,435
Gain on disposal of investment assets	12,810	31,597	664	1,637
Product warranty reserve	5,368,557	9,199,888	278,091	476,554
Others, net	18,170,493	13,103,626	941,232	678,767
	<u>₩ 43,779,058</u>	<u>₩ 47,992,189</u>	<u>Rs. 2,267,755</u>	<u>Rs. 2,485,995</u>

(2) Details of the Company's other non-operating expense for the years ended december 31, 2012 and 2011 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Loss on foreign currency transactions	₩ 11,274,390	₩ 18,793,094	Rs. 584,013	Rs. 973,482
Loss on foreign currency translation	893,171	958,881	46,266	49,670
Non-operating assets and depreciation	66,421	19,223	3,441	996
Loss on disposal of property, plant and equipment	487,933	956,743	25,275	49,559
Loss on disposal of investment assets	17,259	9,714	894	503
Loss on disposal of trade receivables	9,219,242	16,598,763	477,557	859,816
Impairment loss on property, plant and equipment	-	2,029	-	105
Impairment loss on investments	156,011	162,969	8,081	8,442
Impairment loss on intangible assets	703,960	10,562	36,465	547
Other bad debt expense	44,296	402,210	2,295	20,835
Others	40,227,998	22,415,046	2,083,810	1,161,099
	<u>₩ 63,090,681</u>	<u>₩ 60,329,234</u>	<u>Rs. 3,268,097</u>	<u>Rs. 3,125,054</u>

29. FINANCIAL INCOME AND COST:

(1) Details of the Company's financial income for the years ended december 31, 2012 and 2011 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Interest income	₩ 6,822,803	₩ 4,741,140	Rs. 353,421	Rs. 245,591
Dividend income	388,963	11,000	20,148	570
Gain on foreign currency transactions	1,461,363	33,917	75,699	1,757
Gain on foreign currency translation	1,863	1,345,442	97	69,694
Gain on disposal of derivatives	14,494,530	1,146,050	750,817	59,365
Gain on valuation of derivatives	2,503,753	-	129,694	-
Gain on debt exemption	594,352	49,047,989	30,787	2,540,686
	<u>₩ 26,267,627</u>	<u>₩ 56,325,538</u>	<u>Rs. 1,360,663</u>	<u>Rs. 2,917,663</u>

(2) Details of the Company's financial cost for the years ended december 31, 2012 and 2011 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Interest expense	₩ 8,821,539	₩ 10,136,853	Rs. 456,956	Rs. 525,089
Loss on foreign currency transactions	2,542,082	85,853	131,680	4,447
Loss on foreign currency translation	70,084	2,016,913	3,630	104,476
Loss on disposal of derivatives	3,281,710	3,219,750	169,992	166,783
	<u>₩ 14,715,415</u>	<u>₩ 15,459,369</u>	<u>Rs. 762,258</u>	<u>Rs. 800,795</u>

(3) Details of the Company's financial net profit for the years ended december 31, 2012 and 2011 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
an and receivables	₩ 287,650	₩ 326,549	Rs. 14,900	Rs. 16,915
Available-for-sale financial assets	6,000	11,000	311	570
Derivatives	-	(870,863)	-	(45,111)
Other financial liabilities	11,258,562	41,399,483	583,194	2,144,493
	<u>₩ 11,552,212</u>	<u>₩ 40,886,169</u>	<u>Rs. 598,405</u>	<u>Rs. 2,116,867</u>

30. INCOME (LOSS) PER SHARE:

Basic income (loss) per share for the periods ended December 31, 2012 and 2011 is calculated as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
Net loss	₩ (105,926,820)	₩(112,802,429)	Rs. (5,493,490)	Rs. (5,843,165)
Preferred stock dividends	-	-	-	-
Loss contributed to common stocks	(105,926,820)	(112,802,429)	(5,493,490)	(5,843,165)
Number of common stocks outstanding	<u>122,387,523</u>	<u>112,412,636</u>	<u>122,387,523</u>	<u>112,412,636</u>
Basic and diluted loss per share (*1)	<u>₩ (866)</u>	<u>₩ (1,003)</u>	<u>Rs. (45)</u>	<u>Rs. (52)</u>

(*1) Basic and diluted losses per share for the years ended december 31, 2012 and 2011 are identical since there are no dilutive potential common shares.

The numbers of shares outstanding for the years ended December 31, 2012 and 2011 are calculated as follows:

December 31, 2012						
	Time interval		Outstanding	Accumulated outstanding	Weighted average impact	Outstanding
Common stock	2012-01-01	2012-05-18	121,961,841	121,961,841	139/366	46,318,841
Additional Share	2012-05-19	2012-08-14	644,550	122,606,391	88/366	29,479,133
Additional Share	2012-08-15	2012-12-31	68,250	122,674,641	139/366	46,589,549
Total						<u>122,387,523</u>

December 31, 2011						
	Time interval		Outstanding	Accumulated outstanding	Weighted average impact	Outstanding
Common stock	2011-01-01	2011-02-08	36,120,556	36,120,556	39/365	3,859,456
Additional Share	2011-02-09	2011-12-31	85,419,047	121,539,603	326/365	108,553,180
Total						<u>112,412,636</u>

31. CASH FLOWS FROM OPERATING ACTIVITIES:

(1) Details of cash flow from operating activities for the years ended december 31, 2012 and 2011 are as follows:

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
1. Cash flows from operating activities				
1) Net loss	₩ (105,926,820)	₩ (112,802,429)	Rs. (5,487,009)	Rs. (5,843,165)
2) Adjustments	198,354,557	126,443,411	10,274,766	6,549,767
(1) Addition of expenses	210,333,844	191,423,300	10,895,294	9,915,726
Income tax expense	46,823	305,596	2,425	15,830
Loss on foreign currency translation	963,254	2,975,794	49,896	154,146
Loss on disposal of trade receivables	9,219,242	16,598,763	477,557	859,816
Loss on disposal of derivatives	-	3,219,750	-	166,783
Loss on valuation of inventories	4,926,086	4,594,340	255,171	237,987
Rent expense	207,629	311,443	10,755	16,133
Bad debt expense	(131,727)	-	(6,823)	-
Other bad debt expense	44,296	402,210	2,294	20,834
Depreciation	103,277,128	90,625,131	5,349,755	4,694,382
Loss on disposal of investment assets	17,259	9,714	894	503
Loss on disposal of property, plant and equipment	487,934	956,743	25,275	49,559
Impairment loss on property, plant and equipment	-	2,029	-	105
Impairment loss on investment assets	156,011	162,969	8,081	8,442
Amortization	34,912,194	32,997,239	1,808,452	1,709,257
Impairment loss on intangible assets	703,960	10,562	36,465	547
Interest expense	8,821,539	10,136,853	456,956	525,089
Post-employment benefits	29,925,135	27,952,271	1,550,122	1,447,928
Depreciation expenses on assets not in use	66,421	19,223	3,441	995
Miscellaneous losses	16,690,660	142,670	864,576	7,390
(2) Deduction of revenue	(11,979,287)	(64,979,889)	(620,526)	(3,365,959)
Gain on foreign currency translation	686,889	1,763,365	35,581	91,342
Reversal of allowance for doubtful accounts	679,469	1,945,107	35,196	100,757
Reversal of loss on valuation of	-	2,905,964	-	150,529

	Korean Won in thousands		Indian-Rupee in thousands	
	2012	2011	2012	2011
inventories				
Interest income	6,822,803	4,741,140	353,421	245,591
Dividend income	388,963	-	20,148	-
Gain on valuation of derivatives	2,503,753	-	129,694	-
Gain on disposal of derivatives	-	1,146,050	-	59,365
Gain on disposal of investment assets	12,810	31,597	664	1,637
Gain on disposal of property, plant and equipment	201,506	3,274,453	10,438	169,617
Recovery of property, plant impairment loss account	-	124,224	-	6,435
Gain on debt exemption	594,352	49,047,989	30,787	2,540,686
Miscellaneous gains	88,742	-	4,597	-
3) Changes in working capital	55,807,584	187,636,434	2,890,833	9,719,568
Decrease(Increase) in trade receivables, net	(71,225,881)	19,373,561	(3,689,500)	1,003,551
Decrease (Increase) in other receivables, net	1,048,734	(8,128,877)	54,324	(421,075)
Decrease in deposits	42,446	242,157	2,198	12,544
Decrease in advanced payments	9,662,929	68,091,252	500,539	3,527,127
Decrease in prepaid expenses	141,709	267,955	7,341	13,880
Increase in income tax refundable	(264,501)	(494,608)	(13,701)	(25,621)
Increase in inventories	(11,630,534)	(44,119,809)	(602,462)	(2,285,406)
Increase in long-term other receivables, net	(147,500)	-	(7,641)	-
Decrease (Increase) in long security	6,728,933	(1,813,926)	348,559	(93,961)
Increase in non-current assets	-	(166,520)	-	(8,626)
Increase in trade payables	129,337,973	85,118,524	6,699,707	4,409,140
Increase in other payables	82,140,998	38,950,502	4,254,904	2,017,636
Decrease in accrued charges	(113,528)	(2,725,569)	(5,881)	(141,184)
Decrease in deposits received	(33,455)	(120,145)	(1,733)	(6,224)
Increase(Decrease) in current other long term benefit	122,261	(1,335,107)	6,333	(69,159)
Increase (Decrease) in advances from customers	982,013	(885,068)	50,868	(45,847)
Decrease in withholdings	(800,510)	(4,153,873)	(41,466)	(215,171)
Increase in unearned revenue	2,861,044	4,523,086	148,202	234,296
Increase (Decrease) in government subsidies	311,382	(408,959)	16,130	(21,184)
Increase (Decrease) in short-term provision of product warranties	(3,408,908)	13,002,747	(176,581)	673,542
Decrease in long-term other payables	(58,598)	(96,383)	(3,035)	(4,993)
Increase in other long term benefit	617,607	2,933,913	31,992	151,977
Payment of severance indemnities	(90,507,030)	(12,158,259)	(4,688,264)	(629,798)
Increase in long-term provision of product warranties	-	31,739,840	-	1,644,124
2. Interest received	6,144,629	4,122,822	318,292	213,562
3. Interest paid	(8,898,451)	(7,002,203)	(460,940)	(362,714)
4. Dividends received	165,104	11,000	8,552	570
5. Income tax expense	(16,016)	(442,353)	(830)	(22,914)
Net cash provided by operating activities	<u>₩ 145,630,587</u>	<u>₩ 197,966,682</u>	<u>Rs. 7,543,664</u>	<u>Rs. 10,254,674</u>

32. SEGMENT INFORMATION:

(1) Information of each sales region for the the year ended December 31, 2012 is as follows

(Unit: Korean Won in thousands, Indian-Rupee in thousands):

Sales region	Year ended December 31, 2012			
Republic of Korea	₩	1,428,582,336	Rs.	74,000,565
Europe		782,716,304		40,544,704
Asia Pacific		130,536,828		6,761,808
Others		521,970,079		27,038,050
Consolidation adjustment		10,340,014		535,613
	₩	2,874,145,561	Rs.	148,880,740

Information of each sales region for the the year ended December 31, 2011 is as follows

(Unit: Korean Won in thousands, Indian-Rupee in thousands):

Sales region	Year ended December 31, 2011			
Republic of Korea	₩	1,288,837,366	Rs.	66,761,776
Europe		750,918,287		38,897,567
Asia Pacific		186,569,982		9,664,325
Others		546,794,438		28,323,952
Consolidation adjustment		14,560,122		754,214
	₩	2,787,680,195	Rs.	144,401,834

(2) Sales revenue by type of automobile for the years ended december 31, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

Type of automobile	Year ended December 31, 2012			
	Domestic	Export	Total	
CHAIRMAN H	₩ 62,829,602	₩ -	₩	62,829,602
CHAIRMAN W	128,523,146	6,450,069		134,973,215
ACTYON	-	33,875,287		33,875,287
ACTYON SPORTS	2,182	541,801		543,983
KORANDO C	348,485,069	586,066,887		934,551,956
KORANDO SPORTS	454,380,409	277,040,024		731,420,433
KYRON	22,671	258,338,048		258,360,719
REXTON	140,097,730	141,299,164		281,396,894
RODIUS	24,226,048	22,519,295		46,745,343
	₩ 1,158,566,857	₩ 1,326,130,575	₩	2,484,697,432

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
	₩ 996,562,542	₩ 1,404,842,983	₩	2,401,405,525

(Unit: Indian-Rupee in thousands):

Type of automobile	Year ended December 31, 2012		
	Domestic	Export	Total
CHAIRMAN H	Rs. 3,254,573	Rs. -	Rs. 3,254,573
CHAIRMAN W	6,657,499	334,114	6,991,613
ACTYON	-	1,754,740	1,754,740
ACTYON SPORTS	113	28,065	28,178
KORANDO C	18,051,527	30,358,265	48,409,792
KORANDO SPORTS	23,536,905	14,350,673	37,887,578
KYRON	1,174	13,381,911	13,383,085
REXTON	7,257,062	7,319,297	14,576,359
RODIUS	1,254,909	1,166,499	2,421,408
	<u>Rs. 60,013,762</u>	<u>Rs. 68,693,564</u>	<u>Rs. 128,707,326</u>

Type of automobile	Year ended December 31, 2011		
	Domestic	Export	Total
CHAIRMAN H	Rs. 4,845,192	Rs. -	Rs. 4,845,192
CHAIRMAN W	10,955,886	206,440	11,162,326
ACTYON	22,908	4,302,164	4,325,072
ACTYON SPORTS	11,611,713	9,626,439	21,238,152
KORANDO C	11,617,267	30,980,346	42,597,613
KYRON	146,422	17,163,176	17,309,598
REXTON	10,466,205	8,138,823	18,605,028
RODIUS	1,956,345	2,353,478	4,309,823
	<u>Rs. 51,621,938</u>	<u>Rs. 72,770,866</u>	<u>Rs. 124,392,804</u>

33. TRANSACTIONS WITH SUBSIDIARIES:

(1) 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 subsidiaries for the years ended December 31, 2012 and 2011 are as follows

(Unit: Korean Won in thousands):

	December 31, 2012		December 31, 2011	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with subsidiaries	₩ 9,467,586	₩ -	₩ 11,995,790	₩ 691,120

(Unit: Indian-Rupee in thousands):

	December 31, 2012		December 31, 2011	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with subsidiaries	Rs. 490,421	Rs. -	Rs. 621,382	Rs. 35,800

(3) Outstanding receivables and payables from transactions with subsidiaries as of December 31, 2012 and 2011 as follows:

(Unit: Korean Won in thousands):

	December 31, 2012	December 31, 2011
Receivables from and payables to subsidiaries:		
Receivables and others	₩ 14,248,992	₩ 14,069,436
Payables and others	633,884	668,723

(Unit: Indian-Rupee in thousands):

	December 31, 2012	December 31, 2011
Receivables from and payables to subsidiaries:		
Receivables and others	Rs. 738,098	Rs. 728,797
Payables and others	32,835	34,640

34. RELATED PARTY TRANSACTIONS:

(1) Details of related party as of December 31, 2012 are as follows:

	Related parties
Controlling company	Mahindra & Mahindra Ltd.
Subsidiary company	Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd. Ssangyong Motor (Shanghai) Co., Ltd. Ssangyong European Parts Center B.V.
Other affiliates company	Mahindra Vehicle Manufacturing Ltd. Mahindra&Mahindra South Africa Ltd.

(2) Major transactions with the related parties except subsidiaries for the years ended december 31, 2012 and 2011 are as follows:

(Unit: Korean won in thousands):

	December 31,2012		December 31,2011	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with controlling company	₩ 1,922,370	₩ 6,789,262	₩ 454,808	₩ 5,964,758
Transaction with other affiliates	41,343,061	52,172	-	-

(Unit: Indian-Rupee in thousands):

	December 31,2012		December 31,2011	
	Sales and others	Purchases and others	Sales and others	Purchases and others
Transactions with controlling company	Rs. 99,579	Rs. 351,684	Rs. 23,559	Rs. 308,974
Transactions with other affiliates	2,141,571	2,703	-	-

(3) Outstanding receivables and payables from transactions with related parties except subsidiaries as of December 31, 2012 and 2011 are as follows:

(Unit: Korean won in thousands):

	December 31, 2012	December 31, 2011
Receivables from and payables to controlling company:		
Receivables and others	₩ 377,097	₩ 91,687
Payables and others	96,501,477	96,459,115
Receivables from and payables to affiliates:		
Receivables and others	8,347,797	-
Payables and others	1,081,824	-

(Unit: Indian-Rupee in thousands):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Receivables from and payables to controlling company:		
Receivables and others	Rs. 19,534	Rs. 4,749
Payables and others	4,998,777	4,996,582
Receivables from and payables to affiliates:		
Receivables and others	432,416	-
Payables and others	56,038	-

The Company did not recognize allowance for the above receivables and no bad debt expense was recognized for the year ended December 31, 2012.

(4) Details of compensation for key executives for the years ended december 31, 2012 and 2011 are as follows:

	<u>Korean won in thousands</u>		<u>Indian-Rupee in thousands</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Short-term employee benefits	₩ 471,698	₩ 634,112	Rs. 24,434	Rs. 32,847
Post-employment benefits	32,661	93,200	1,692	4,828

35. **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, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Debt (A)	₩ 1,049,827,653	₩ 887,504,350
Equity (B)	<u>800,662,716</u>	<u>906,062,636</u>
Debt ratio (A/ B)	<u>131.12%</u>	<u>97.95%</u>

(Unit: Indian-Rupee in thousands):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Debt (A)	Rs. 54,381,072	Rs. 45,972,725
Equity (B)	<u>41,474,329</u>	<u>46,934,045</u>
Debt ratio (A/ B)	<u>131.12%</u>	<u>97.95%</u>

(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, 2012 and 2011 are as follows:

1) Financial assets

(Unit: Korean Won in thousands):

Financial asset	December 31, 2012				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 203,666,542	₩ -	₩ -	₩ 203,666,542	₩ 203,666,542
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	240,474,184	-	-	240,474,184	240,474,184
Derivatives assets	-	-	21,503,503	21,503,503	21,503,503
Long-term AFS financial assets	-	560,000	-	560,000	560,000
	<u>₩ 444,146,726</u>	<u>₩ 560,000</u>	<u>₩ 21,503,503</u>	<u>₩ 466,210,229</u>	<u>₩ 466,210,229</u>

Financial asset	December 31, 2011				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 208,521,613	₩ -	₩ -	₩ 208,521,613	₩ 208,521,613
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and Other receivables	201,018,362	-	-	201,018,362	201,018,362
Derivatives assets	-	-	193,310	193,310	193,310
Long-term AFS financial assets	-	560,000	-	560,000	560,000
	<u>₩ 409,545,975</u>	<u>₩ 560,000</u>	<u>₩ 193,310</u>	<u>₩ 410,299,285</u>	<u>₩ 410,299,285</u>

(Unit: Indian-Rupee in thousands):

Financial asset	December 31, 2012				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 10,549,927	Rs. -	Rs. -	Rs. 10,549,927	Rs. 10,549,927
Long-term financial instruments	311	-	-	311	311
Trade receivables and Other receivables	12,456,563	-	-	12,456,563	12,456,563
Derivatives assets	-	-	1,113,881	1,113,881	1,113,881
Long-term AFS financial assets	-	29,008	-	29,008	29,008
	<u>Rs. 23,006,801</u>	<u>Rs. 29,008</u>	<u>Rs. 1,113,881</u>	<u>Rs. 24,149,690</u>	<u>Rs. 24,149,690</u>

Financial asset	December 31, 2011				
	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 10,801,420	Rs. -	Rs. -	Rs. 10,801,420	Rs. 10,801,420
Long-term financial instruments	311	-	-	311	311
Trade receivables and Other receivables	10,412,751	-	-	10,412,751	10,412,751
Derivatives assets	-	-	10,013	10,013	10,013
Long-term AFS financial assets	-	29,008	-	29,008	29,008
	<u>Rs. 21,214,482</u>	<u>Rs. 29,008</u>	<u>Rs. 10,013</u>	<u>Rs. 21,253,503</u>	<u>Rs. 21,253,503</u>

2) Financial liabilities

(Unit: Korean Won in thousands):

	Financial liability measured at amortized cost	
	December 31, 2012	December 31, 2011
Trade payables and Other payables	₩ 618,276,802	₩ 404,295,510
Debt	125,404,765	135,972,454
Total	<u>743,681,567</u>	<u>540,267,964</u>

(Unit: Indian-Rupee in thousands):

	Financial liability measured at amortized cost	
	December 31, 2012	December 31, 2011
Trade payables and Other payables	Rs. 32,026,738	Rs. 20,942,507
Debt	6,495,967	7,043,373
Total	<u>38,522,705</u>	<u>27,985,881</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 perform 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 as of December 31, 2012, and 2011 are as follows

(Unit: Korean Won in thousands):

	Assets	
	December 31, 2012	December 31, 2011
USD	₩ 113,042,936	₩ 52,740,827
EUR	25,724,783	23,535,845
JPY	113,024	250,167
Others	5,366,589	12,810,347
Total	<u>144,247,332</u>	<u>89,337,186</u>

	Liabilities	
	December 31, 2012	December 31, 2011
USD	₩ 9,685,534	₩ 11,298,102
EUR	19,021,629	27,538,450
JPY	6,468,799	5,203,875
Others	1,901,227	7,563,035
Total	<u>37,077,189</u>	<u>51,603,462</u>

(Unit: Indian-Rupee in thousands):

	ASSETS			
	December 31, 2012		December 31, 2011	
USD	Rs.	5,855,624	Rs.	2,731,975
EUR		1,332,544		1,219,157
JPY		5,855		12,959
Others		277,989		663,576
Total	Rs.	<u>7,472,012</u>	Rs.	<u>4,627,666</u>

	Liabilites			
	Deceber 31, 2012		December 31, 2011	
USD	Rs.	501,711	Rs.	585,242
EUR		985,320		1,426,492
JPY		335,084		269,561
Others		98,484		391,765
Total	Rs.	<u>1,920,598</u>	Rs.	<u>2,673,059</u>

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, 2012.

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	₩ 11,304,294	₩ (11,304,294)	₩ (968,553)	₩ 968,553
EUR	2,572,478	(2,572,478)	(1,902,163)	1,902,163
JPY	11,302	(11,302)	(646,880)	646,880
Others	536,659	(536,659)	(190,123)	190,123
	₩ <u>14,424,733</u>	₩ <u>(14,424,733)</u>	₩ <u>(3,707,719)</u>	₩ <u>3,707,719</u>

(Unit: Indian-Rupee in thousands):

Currency	Financial assets		Financial liabilities	
	10% increase	10% decrease	10% increase	10% decrease
USD	Rs. 585,562	Rs. (585,562)	Rs. (50,171)	Rs. 50,171
EUR	133,254	(133,254)	(98,532)	98,532
JPY	585	(585)	(33,508)	33,508
Others	27,799	(27,799)	(9,848)	9,848
	Rs. <u>747,200</u>	Rs. <u>(747,200)</u>	Rs. <u>(192,059)</u>	Rs. <u>192,059</u>

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 year ended December 31, 2012 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	₩ 1157.41	USD 120,000,000	₩ 138,889,550	₩ 9,983,789
	1163.65	USD 119,000,000	138,565,800	10,152,864
	1151.96	USD 20,000,000	23,039,200	1,366,850
		<u>USD 259,000,000</u>	<u>₩ 300,494,550</u>	<u>₩ 21,503,503</u>

(Unit: Indian-Rupee in thousands):

	Average exchange rate contracted	Amount of foreign currency	Amount of Contract	Fair value
Cash flow hedges				
USD purchase	₩ 1157.41	USD 120,000,000	Rs. 7,194,479	Rs. 517,160
	1163.65	USD 119,000,000	7,177,708	525,918
	1151.96	USD 20,000,000	1,193,431	70,803
		<u>USD 259,000,000</u>	<u>Rs. 15,565,618</u>	<u>Rs. 1,113,881</u>

The cumulative benefits of cash flow hedges related to foreign forward contracts, amounts to 18,999,750 thousands won (Rs. 984,187 thousands). Sales transaction is expected to occur within the first three months after December 31, 2012, 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 ₩37,397 thousands won (Rs. 1,937 thousands rupee) for the year ended Dec 31, 2012, 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.

As of December 31, 2012 and 2011, the maximum exposed amounts of credit risk for financial assets maintained by the Group are as follows. However, the value of acquired collaterals and the effects from other credit enhancement is not considered.

	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
	(Korean Won in thousands)		(Indian-Rupee in thousands)	
Trade and other receivables	₩ 240,474,184	₩ 201,018,362	Rs. 12,456,563	Rs. 10,412,751

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, 2012 and 2011 are as follows:

(Unit: Korean Won in thousands):

	December 31, 2012		
	Within a year	More than 1 year	Total
Trade payables	₩ 380,259,503	₩ -	₩ 380,259,503
Non-trade payables	183,630,533	-	183,630,533
Short-term borrowings	32,067,863	-	32,067,863
Other payables	16,409,144	-	16,409,144
Long-term other payables	-	37,977,622	37,977,622
Bonds	6,678,334	96,136,637	102,814,971
	<u>₩ 619,045,377</u>	<u>₩ 134,114,259</u>	<u>₩ 753,159,636</u>

	December 31, 2011		
	Within a year	More than 1 year	Total
Trade payables	₩ 264,418,716	₩ -	₩ 264,418,716
Non-trade payables	121,134,934	-	121,134,934
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>₩ 449,399,256</u>	<u>₩ 105,338,431</u>	<u>₩ 554,737,687</u>

(Unit: Indian-Rupee in thousands):

	December 31, 2012		
	Within a year	More than 1 year	Total
Trade payables	Rs. 19,697,442	Rs. -	Rs. 19,697,442
Non-trade payables	9,512,062	-	9,512,062
Short-term borrowings	1,611,115	-	1,611,115
Other payables	849,994	-	849,994
Long-term other payables	-	1,967,241	1,967,241
Bonds	345,938	4,979,878	5,325,816
	<u>Rs. 32,066,551</u>	<u>Rs. 6,947,119</u>	<u>Rs. 39,013,670</u>

	December 31, 2011		
	Within a year	More than 1 year	Total
Trade payables	Rs. 13,696,889	Rs. -	Rs. 13,696,889
Non-trade payables	6,274,790	-	6,274,790
Short-term borrowings	2,101,406	-	2,101,406
Other payables	859,858	-	859,858
Long-term other payables	-	110,970	110,970
Bonds	345,938	5,345,561	5,691,499
	<u>Rs. 23,278,881</u>	<u>Rs. 5,456,531</u>	<u>Rs. 28,735,412</u>

Funding arrangements as of December 31, 2012 and 2011 are as follows (Unit: Korean Won and India-Rupee in thousands):

Borrowing limit commitments		December 31, 2012		December 31, 2011	
		Used	Unused	Used	Unused
	Used	₩ 30,000,000	-	₩ -	-
	Unused	-	-	-	-
	Total	<u>₩ 30,000,000</u>	-	<u>₩ 50,000,000</u>	-

(Unit: Indian-Rupee in thousands):

		<u>December 31,2012</u>		<u>December 31,2011</u>	
Borrowing limit commitments	Used	Rs	1,554,000	Rs	-
	Unused		-		2,590,000
	Total	<u>Rs</u>	<u>1,554,000</u>	<u>Rs</u>	<u>2,590,000</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.

Fair values of financial instruments by heirarchy level as of December 31, 2012, are as follows

(Unit: Korean won in thousands):

<u>Type</u>	<u>December 31, 2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
Derivatives designated to hedge item	₩	₩ 21,503,503	₩	₩ 21,503,503

(Unit: Indian-Rupee in thousands):

<u>Type</u>	<u>December 31, 2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
Derivatives designated to hedge item	Rs.	Rs. 1,113,881	Rs.	Rs. 1,113,881

36. EVENTS AFTER THE REPORTING PERIOD:

After the end of the reporting period, with the Board of Directors resolution dated February 14th, 2013 (the first Board of Directors meeting of 2013), the company authorized a paid-in capital increase for a third-party allotment that corresponds to ₩80,000,003 thousands (Rs. 4,144,000 thousands) for the major shareholder (Mahindra & Mahindra Ltd.).