SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013,

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 9, 2015

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

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Ssangyong Motor Company (the "Company") and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2014 and December 31, 2013, respectively, and the consolidated statements of comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2014, and December 31, 2013, respectively, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.

Deloitte.

Others
We conducted our audit of consolidated financial statements of the Company and its subsidiaries as of December 31, 2013 in accordance with the former KSAs, known as auditing standards generally accepted in Korea.

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.

Deloitte Anjin LLC

March 9, 2015

<u>Notice to Readers</u>

This report is effective as of March 9, 2015, 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 consolidated 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, 2014 AND DECEMBER 31, 2013

	Korean won		Indian rupee	
	December 31 , 2014	December 31, 2013	December 31 , 2014	December 31, 2013
	(In thousands)		(In thousands)	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 4, 5 and 33)	₩ 156,765,307	₩ 366,790,832	Rs. 9,014,005	Rs. 21,090,473
Trade and other receivables, net (Notes 7, 32 and 33)	176,759,653	222,484,752	10,163,680	12,792,873
Derivatives assets (Notes 25 and 33)	1,232,650	28,984,560	70,877	1,666,612
Inventories, net (Notes 8 and 24)	260,679,204	280,900,830	14,989,054	16,151,798
Other current assets (Note 10)	7,792,555	7,232,571	448,072	415,873
Total current assets	₩ 603,229,369	₩ 906,393,545	Rs. 34,685,688	Rs. 52,117,629
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 5 and 33)	₩ 6,000	₩ 6,000	Rs. 345	Rs. 345
Non-current available-for-sale financial assets(Notes 6 and 33)	560,000	560,000	32,200	32,200
Non-current other receivables, net (Notes 7 and 33)	39,605,250	36,570,295	2,277,302	2,102,792
Property, plant and equipment, net (Note 11)	1,173,736,394	1,084,153,627	67,489,843	62,338,834
Intangible assets (Note 12)	150,915,434	89,527,262	8,677,637	5,147,818
Deferred income tax assets (Note 23)	19,069	57,407	1,096	3,301
Other non-current assets (Note 10)	360,473	357,350	20,727	20,548
Total non-current assets	₩ 1,365,202,620	₩ 1,211,231,941	Rs. 78,499,150	Rs. 69,645,838
TOTAL ASSETS	₩ 1,968,431,989	₩ 2,117,625,486	Rs. 113,184,838	Rs. 121,763,467
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Trade and other payables (Notes 18, 32 and 33)	₩ 625,271,842	₩ 723,021,023	Rs. 35,953,131	Rs. 41,573,709
Short-term borrowings (Notes 13,18 and 33)	99,540,013	51,608,036	5,723,551	2,967,462
Derivatives liabilities (Notes 25 and 33)	14,974,250	-	861,019	-
Current portion of long-term borrowings (Notes 13 and 33)	-	95,404,765	-	5,485,774
Provision for product warranties (Note 15)	57,556,475	48,780,982	3,309,497	2,804,906
Current portion of other long-term employee benefits obligation	1,770,267	1,648,815	101,790	94,807
Other current liabilities (Notes 16)	22,493,218	26,752,618	1,293,360	1,538,276
Total current liabilities	₩ 821,606,065	₩ 947,216,239	Rs. 47,242,348	Rs. 54,464,934

(Continued)

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2014 AND DECEMBER 31, 2013

	Korean won				Indian rupee			
	December 31 , 2014		December 31, 2013		December 31 , 2014		December 31, 2013	
	(In thousands)				(In thousands)			
NON-CURRENT LIABILITIES:								
Long-term borrowing	₩	25,000,000	₩	-	Rs.	1,437,500	Rs.	-
Other non-current payables(Note 33)		3,534,693		20,223,465		203,245		1,162,849
Retirement benefit obligation (Note 17)		246,748,389		174,656,118		14,188,032		10,042,727
Other long-term employee benefits obligation		13,849,312		14,632,801		796,335		841,386
Provision for long-term product warranties (Note 15)		80,309,564		76,698,999		4,617,800		4,410,192
Total non-current liabilities	₩	369,441,958	₩	286,211,383	Rs.	21,242,912	Rs.	16,457,154
TOTAL LIABILITIES	₩	1,191,048,023	₩	1,233,427,622	Rs.	68,485,260	Rs.	70,922,088
SHAREHOLDERS' EQUITY:								
Total shareholders' equity	₩	777,383,966	₩	884,197,864	Rs.	44,699,578	Rs.	50,841,377
Capital stock (Note 19)		686,100,480		686,100,480		39,450,778		39,450,778
Other capital surplus (Note 20)		129,383,402		129,383,402		7,439,546		7,439,547
Other capital adjustments(Notes 21 and 25)		(13,065,231)		27,519,841		(751,251)		1,582,391
Retained earnings (accumulated deficit) (Note 22)		(25,034,685)		41,194,141		(1,439,495)		2,368,663
Non-controlling interests		-		-		-		-
TOTAL SHAREHOLDERS' EQUITY	₩	777,383,966	₩	884,197,864	Rs.	44,699,578	Rs.	50,841,379
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	₩	1,968,431,989	₩	2,117,625,486	Rs.	113,184,838	Rs.	121,763,467

(Concluded)

See accompanying notes to consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

	Korean Won		Indian rupee	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
	(In thousands)		(In thousands)	
SALES (Notes 31 and 32)	₩ 3,326,589,426	₩ 3,484,870,546	Rs. 191,278,892	Rs. 200,380,056
COST OF SALES (Notes 24 and 32)	2,869,465,937	2,981,952,739	164,994,291	171,462,282
GROSS PROFIT	457,123,489	502,917,807	26,284,601	28,917,774
SELLING AND ADMINISTRATIVE EXPENSES (Notes 24 and 26)	534,061,074	511,865,561	30,708,512	29,432,270
OPERATING INCOME (LOSS)	(76,937,585)	(8,947,754)	(4,423,911)	(514,496)
NON-OPERATING INCOME (Note 27)	47,254,116	46,018,556	2,717,112	2,646,067
NON-OPERATING EXPENSES (Note 27)	54,097,742	60,932,285	3,110,620	3,503,606
FINANCIAL INCOME (Note 28)	50,130,408	41,548,771	2,882,498	2,389,054
FINANCIAL COST (Note 28)	17,041,653	19,736,906	979,895	1,134,872
INCOME BEFORE INCOME TAX	(50,692,456)	(2,049,618)	(2,914,816)	(117,853)
INCOME TAX EXPENSE (Note 23)	226,136	348,173	13,003	20,020
NET INCOME (LOSS)	(50,918,592)	(2,397,791)	(2,927,819)	(137,873)
OWNERS OF THE COMPANY	(50,918,592)	(2,397,791)	(2,927,819)	(137,873)
NON-CONTROLLING INTERESTS	-	-	-	-
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21 and 22)	(55,895,305)	6,407,238	(3,213,981)	368,416
TOTAL COMPREHENSIVE INCOME(LOSS)	₩ (106,813,897)	₩ 4,009,447	Rs. (6,141,800)	Rs. 230,543
OWNERS OF THE COMPANY	(106,813,897)	4,009,447	(6,141,800)	230,543
NON-CONTROLLING INTERESTS	-	-	-	-
INCOME(LOSS)PER SHARE (Note 29) Basic and diluted income per share	₩ (371)	₩ (18)	Rs. (21)	Rs. (1)

See accompanying notes to consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

	Korean won in thousands								
		Other capital surplus							
	Capital stock	Paid-in capital in excess of par	Gain on capital Reduction	Debt to be swapped for equity	Treasury stock	Other capital surplus	Other capital Adjustments	Retained earnings (accumulated deficit)	Total
Balance at January 1, 2013	₩ 613,373,205	₩ 4,545,756	₩ 120,351,580	₩ 931,508	₩ -	₩ (3,243,869)	₩ 19,862,240	₩ 44,842,295	₩ 800,662,715
Net loss	-	-	-	-	-	-	-	(2,397,791)	(2,397,791)
Actuarial losses	-	-	-	-	-	-	-	(1,250,363)	(1,250,363)
Paid in capital increase	72,727,275	7,272,728	-	-	-	-	-	-	80,000,003
Costs of stock issuance	-	(365,771)	-	-	-	-	-	-	(365,771)
Increase in treasury stock	-	-	-	-	(108,530)	-	-	-	(108,530)
Gains on valuation of derivatives	-	-	-	-	-	-	7,833,930	-	7,833,930
Overseas operations translation credit	-	-	-	-	-	-	(176,329)	-	(176,329)
Balance at December 31, 2013	₩ 686,100,480	₩ 11,452,713	₩ 120,351,580	₩ 931,508	₩ (108,530)	₩ (3,243,869)	₩ 27,519,841	₩ 41,194,141	₩ 884,197,864
Balance at January 1, 2014	₩ 686,100,480	₩ 11,452,713	₩ 120,351,580	₩ 931,508	₩ (108,530)	₩ (3,243,869)	₩ 27,519,841	₩ 41,194,141	₩ 884,197,864
Net income	-	-	-	-	-	-	-	(50,918,592)	(50,918,592)
Actuarial losses	-	-	-	-	-	-	-	(15,310,234)	(15,310,234)
Increase in treasury stock	-	-	-	-	(1,081,290)	-	-	-	(1,081,290)
Gains on valuation of derivatives	-	-	-	-	-	-	(41,000,980)	-	(41,000,980)
Overseas operations translation credit	-	-	-	-	-	-	415,908	-	415,908
Others	-	-	(2,162,579)	-	-	3,243,869	-	-	1,081,290
Balance at December 31, 2014	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ (1,189,820)	₩ -	₩ (13,065,231)	₩ (25,034,685)	₩ 777,383,966

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

	Indian rupee in thousands								
		Other capital surplus							
	Capital stock	Paid-in capital in excess of par	Gain on capital Reduction	Debt to be swapped for equity	Treasury stock	Other capital surplus	Other capital Adjustments	Retained earnings (accumulated deficit)	Total
Balance at January 1, 2013	Rs. 35,268,959	Rs. 261,381	Rs. 6,920,216	Rs. 53,562	Rs. -	Rs. (186,522)	Rs. 1,142,079	Rs. 2,578,432	Rs. 46,038,107
Net loss	-	-	-	-	-	-	-	(137,873)	(137,873)
Actuarial losses	-	-	-	-	-	-	-	(71,896)	(71,896)
Paid in capital increase	4,181,818	418,182	-	-	-	-	-	-	4,600,000
Costs of stock issuance	-	(21,032)	-	-	-	-	-	-	(21,032)
Increase in treasury stock	-	-	-	-	(6,240)	-	-	-	(6,240)
Gains on valuation of derivatives	-	-	-	-	-	-	450,451	-	450,451
Overseas operations translation credit	-	-	-	-	-	-	(10,139)	-	(10,139)
Balance at December 31, 2013	Rs. 39,450,777	Rs. 658,531	Rs. 6,920,216	Rs. 53,562	Rs. (6,240)	Rs. (186,522)	Rs. 1,582,391	Rs. 2,368,663	Rs. 50,841,378
Balance at January 1, 2014	Rs. 39,450,778	Rs. 658,531	Rs. 6,920,216	Rs. 53,562	Rs. (6,240)	Rs. (186,522)	Rs. 1,582,391	Rs. 2,368,663	Rs. 50,841,379
Net income	-	-	-	-	-	-	-	(2,927,819)	(2,927,819)
Actuarial losses	-	-	-	-	-	-	-	(880,339)	(880,339)
Increase in treasury stock	-	-	-	-	(62,175)	-	-	-	(62,175)
Gains on valuation of derivatives	-	-	-	-	-	-	(2,357,556)	-	(2,357,556)
Overseas operations translation credit	-	-	-	-	-	-	23,914	-	23,914
Others	-	-	(124,348)	-	-	186,522	-	-	62,174
Balance at December 31, 2014	Rs. 39,450,778	Rs. 658,531	Rs. 6,795,868	Rs. 53,562	Rs. (68,415)	Rs. -	Rs. (751,251)	Rs. (1,439,495)	Rs. 44,699,578

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

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Korean Won		Indian rupee	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December31, 2014	Year ended December 31, 2013
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	₩ (50,918,592)	₩ (2,397,791)	Rs. (2,927,820)	Rs. (137,874)
Adjustment (Note 30)	182,927,511	203,678,680	10,518,332	11,711,524
Changes in net working capital (Note 30)	(66,191,593)	74,215,423	(3,806,017)	4,267,387
	65,817,326	275,496,312	3,784,495	15,841,037
Interests received	6,170,138	7,273,866	354,783	418,247
Interests paid	(3,631,001)	(8,734,751)	(208,783)	(502,248)
Dividend income received	11,000	382,462	633	21,992
Corporate income tax	(214,297)	(307,433)	(12,322)	(17,677)
Net cash provided by operating activities	68,153,166	274,110,456	3,918,806	15,761,351
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in other receivables	-	2,268,420	-	130,434
Disposal of property, plant and equipment	1,394,112	540,245	80,161	31,064
Decrease in intangible assets	587,760	-	33,796	-
Decrease in other assets	2,125	37,261	122	2,143
	1,983,997	2,845,926	114,079	163,641
Cash outflows from investing activities:				
Increase in other receivables	3,151,174	4,970,362	181,193	285,796
Acquisition of property, plant and equipment	183,675,339	152,334,264	10,561,332	8,759,220
Acquisition of intangible assets	72,703,278	57,611,817	4,180,438	3,312,679
	259,529,791	214,916,443	14,922,963	12,357,695
Net cash provided by(used in) in investing activities	(257,545,794)	(212,070,517)	(14,808,884)	(12,194,054)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	73,998,949	21,754,957	4,254,940	1,250,910
Increased paid-in capital	-	80,000,003	-	4,600,000
Increase in government grants	46,244	-	2,659	-
	74,045,193	101,754,960	4,257,599	5,850,910

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SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Korean Won		Indian rupee	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
	(In thousands)		(In thousands)	
Cash outflows for financing activities:				
Redemption of borrowings	₩ 95,404,765	₩ -	Rs. 5,485,774	Rs. -
Stock issuance cost	-	365,771	-	21,032
	95,404,765	365,771	5,485,774	21,032
Net cash provided by (used in) financing activities	(21,359,572)	101,389,189	(1,228,175)	5,829,878
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	726,675	(304,838)	41,785	(17,528)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(210,025,525)	163,124,290	(12,076,468)	9,379,647
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	366,790,832	203,666,542	21,090,473	11,710,826
CASH AND CASH EQUIVALENTS, END OF THE YEAR	₩ 156,765,307	₩ 366,790,832	Rs. 9,014,005	Rs. 21,090,473

See accompanying notes to the consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

1. GENERAL:

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

Ssangyong Motor Company (the "Company") were incorporated on December 6 in the Republic Korea, 1962, and listed its stocks on the Korea Stock Exchange in May of 1975. The Company is headquartered in Dongsak-ro, Pyungtaek and its factories are located in Pyungtaek, Kyeonggi-do and Changwon, Kyeongsangnam-do, Republic of Korea. The Company manufactures and distributes motor vehicles and parts.

(2) Major shareholders

The Company's shareholders as of December 31, 2014, are as follows:

Name of shareholder	Number of shares owned	Percentage of ownership (%)
Mahindra & Mahindra Ltd.	99,964,502	72.85
Treasury stock	237,964	0.17
Others	37,017,630	27.98
	137,220,096	100.00

2. SIGNIFICANT ACCOUNTING POLICIES:

The Company and its subsidiaries (the "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 Group maintains its official accounting records in Korean 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 consolidated financial statements. Certain information included in the Korean language consolidated financial statements, but not required for a fair presentation of the Group's financial position, comprehensive income, changes in stockholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

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. 0.057500 at December 31, 2014), 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.

The consolidated financial statements as of and for the year ended December 31, 2014, to be submitted at the ordinary shareholders' meeting were authorized for issuance at the board of directors' meeting on February 11, 2015.

(1) Basis of preparation

The Group's financial statements are consolidated financial statements prepared in accordance with the requirements of K-IFRS 1110 Consolidated financial Statements, in which a parent , or an investor with joint control of, or significant influence over, an investee accounts for the investments on the basis of the direct equity interest rather than on the basis of the underlying results and net assets of the investees.

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.

1) First-time adoption of IFRSs and its description (change in accounting policy) as follows:

Amendments to K-IFRS 1019 – Employee Benefits

The amendments permits the Group to recognize amount of contributions as a reduction in the service cost in which the related service is rendered if the amount of the contributions are independent of the number of years of service. The amendments are effective for the annual periods beginning on or after July 1, 2014.

Amendments to K-IFRS 1032 – Financial Instruments: Presentation

The amendments to K-IFRS 1032 clarify the requirement for the offset presentation of financial assets and financial liabilities: the right to offset must not be conditional upon the occurrence of future events and can be exercised anytime during the contract periods. The right to offset is executable even in the case of default or insolvency. As the Group does not have any financial assets and financial liabilities that qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has no significant impact on the Group's consolidated financial statements

Amendments to K-IFRS 1110, 1112 and 1027 – Investment Entities

The amendments introduced an exception to the principle in K-IFRS 1110 Consolidated financial statement that all subsidiaries shall be consolidated. The amendments define an investment entity and require a reporting entity that meets definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Also, the Consequential amendments have been made to to K-IFRS 1112, Disclosure of Interests in Other Entities and K-IFRS 1027, Separate Financial Statements to introduce new disclosure requirements for investment entities. As the Group is not an investment entity, the application of the amendments has no significant impact on the Group's consolidated financial statements.

Amendments to K-IFRS 1036 – Impairment of Assets

The amendments introduced disclosure requirements of recoverable amount when the recoverable amount of an asset or CGU is measured at fair value less costs of disposal. The application of these amendments has no impact on the disclosure in the Group's consolidated financial statements.

Amendments to K-IFRS 1039 – Financial Instruments: Recognition and Measurement

The amendments permits the Group to use hedge accounting when, as a consequence of laws or regulations or the introduction of laws or regulations, the original counterparty to the hedging instrument is replaced by a central counterparty or an entity which is acting as counterparty in order to effect clearing by a central counterparty. The adoption of the amendments has no significant impact on the Group's consolidated financial statements.

Enactment of K-IFRS 2121 – Levies

The enactment defines that the obligating event giving rise to the recognition of a liability to pay a levy is the activity that triggers the payment of the levy in accordance with the related legislation. The enactment no significant impact on the Group's consolidated financial statements.

The list above does not include some other amendments such as the Amendments to K-IFRS 1036 related to recoverable amount disclosures for non-financial assets, and the amendments do not have an impact on the interim financial statement.

Annual Improvements to K-IFRS 2010-2012 Cycle

The amendments to K-IFRS 1002 (i) changes the defiitions of 'vesting condition' and 'market condition'; and (ii) add definitioin for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to K-IFRS 1103 clarify the classification and measurement of the contingent consideration in business combination. The amendments to K-IFRS 1108 clarify that a reconciliation of the total of the reportable segments' assets should only be provided if the segment assets are regularly provided to the chief operating decision maker. The amendments are effective for the annual periods beginning on or after July 1, 2014.

Annual Improvements to K-IFRS 2011-2013 Cycle

The amendments to K-IFRS 1103 clarify the scope of the portfolio exception for measuring the fair values of the group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself. The amendments to K-IFRS 1113 Fair values Measurements and K-IFRS 1040 Investment Properties exist and these amendments are effective to the annual periods beginning on or after July 1, 2014.

2) New and revised IFRSs issued 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 1016 – Property, plant and Equipments

The amendments to K-IFRS 1016 prohibits the Group from using a revenue-based depreciation method for items of propery, plant and equipments. The amendments are effective for the annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1038 Intangible Assets

The amendments apply propectively for annual periods beginning on or after January 1, 2016. The amendments to K-IFRS 38 rebuts presumption that revenue is not an appropriate basis for the amortisation of an intangible assets, which the presumption can onlybe rebutted when the intangible asset expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated,

Amendments to K-IFRS 1111 Accounting for Acquisitions of Interests in Joint Operations

The amendments to K-IFRS 1111 provides guidance on how to account for the acquisition of joint operation that constitue s a business as defined in K-IFRS 1103 Business Combintations. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The amendments to K-IFRS 1111 are effective for the annual periods beginning on or after January 1, 2016.

(2) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities (including structured entities) controlled by the Group (and its subsidiaries). Control is achieved where the Group 1) has the power over the investee, 2) is exposed, or has rights, to variable returns from its involvement with the investee, and 3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group 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 the Group's accounting policies.

All intra-group transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group'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 Group.

When the Group loses control of a subsidiary, a gain 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 Group 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 joint venture

(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 the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

2) Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. Depending on the nature of the transaction, the Group determines the stage of completion by reference to surveys of work performed, services performed to date as a percentage of total services to be performed, or the proportion that costs incurred to date bear to the estimated total costs of the transaction, as applicable.

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 Group 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 Group 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 group 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 group entity are expressed in Korean Won, which is the functional currency of the entity 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 (25) below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Korean Won 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 Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the owners of the Group 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. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), 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. Exchange differences arising are recognized in other comprehensive income.

(5) Financial Instruments

Financial assets and financial liabilities are recognized when a an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 (AFS) 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 at FVTPL.

2) Financial assets at 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 Group 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 Group'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 Group 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) AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

They are subsequently measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in other comprehensive income is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing 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.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

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 effect of discounting is 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 more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, 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, objective evidence of impairment 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; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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 Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of [xx] days, 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.

For financial assets that are carried at 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 current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

For financial assets measured at amortized cost, 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. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

7) Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulated gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial assets other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset, or it retains a residual interest and such an retained interest indicates that the transferor has neither transferred nor retained substantially all the risks and rewards of ownership and has retained control of the transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair value of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair value of those parts.

(6) Financial liabilities and equity instruments

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 and the definitions of financial liability and an equity instrument.

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 Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3) Financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. Financial liabilities are initially measured at fair value. Transaction cost that are directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities on initial recognition. Transaction cost directly attributable to acquisition of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

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 Group 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 Group'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 other gains and losses line item in the statement of comprehensive income.

5) Other financial liabilities

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 including all fees and points paid or received (that form an integral part of the effective interest rate) and transaction costs and other premiums or discounts 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 Group derecognize financial liabilities when the Group's obligation are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(7) Derivative financial instruments

The Group 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, interest rate swaps and cross currency swaps.

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.

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

1) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in 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 Group 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.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(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 is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

	Useful lives (Years)
Buildings	24~50
Structures	13~30
Machinery ans Equipment	10
Vehicles	6~10
Others	6~10

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

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

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

(10) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, only if, the development project is designed to produce new or substantially improved products, and the Group can demonstrate the technical and economical feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

(11) Impairment of property, plant and equipment

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) Retirement benefit costs and termination benefits

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. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income), and remeasurement.

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

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

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

(13) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

(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.

1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see Note 2. (12)). Contingent rentals are recognized 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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(16) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to assets are presented in the statement of financial position by deducting the grant from the carrying amount of the asset. The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable

(17) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred 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 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 tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred 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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

3) Current and deferred tax for the year

Current and deferred 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 tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(18) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 Share-based payment, leasing transactions that are within the scope of K-IFRS 1017 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in K-IFRS 1002 Inventories or value in use in K-IFRS 1036 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(19) Segment information

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

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

In the application of the Company accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

(1) Provision for product warranties

The Group 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 may be easily converted into cash and whose risk of value fluctuation is not material.

5. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

	Financial institution	December 31, 2014	December 31, 2013	Notes
Cash and cash equivalents	Shinhan Bank and others	₩ 405,689	₩ 1,092,081	Government subsidies and others
	Woori Bank and others	14,147,553	15,030,192	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and thers	6,000	6,000	Overdraft deposit
		₩ 14,559,242	₩ 16,128,273	

(Unit: Indian rupee in thousands)

	Financial institution	December 31, 2014	December 31, 2013	Notes
Cash and cash equivalents	Shinhan Bank and others	Rs. 23,327	Rs. 62,795	Government subsidies and others
	Woori Bank and others	813,484	864,236	Unconfirmed reorganization debt pledged as collateral
Long-term financial instruments	Shinhan Bank and others	345	345	Overdraft deposit
		Rs. 837,156	Rs. 927,376	

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

The Group's long-term available-for-sale financial assets as of December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

		December 31,2014			December 31, 2013
Classification	Ownership (%)	Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	₩ 500,000	₩ 670,364	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50%	60,000	459,230	60,000	60,000
		₩ 560,000	₩ 1,129,594	₩ 560,000	₩ 560,000

(Unit: Indian rupee in thousands)

		December 31,2014			December 31, 2013
Classification	Ownership (%)	Acquisition cost	Net asset value	Book value	Book value
Kihyup Technology Banking Corporation (*)	1.72%	Rs. 28,750	Rs. 38,546	Rs. 28,750	Rs. 28,750
Korea Management Consultants Association (*)	1.50%	3,450	26,406	3,450	3,450
		Rs. 32,200	Rs. 64,952	Rs. 32,200	Rs. 32,200

(*) Because the market prices from an active market are not available and the fair values cannot be reliably measured, available-for-sale 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, 2014, 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, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

	December 31, 2014			
Financial Assets	Trade Receivables	Non-trade Receivables	Other Receivables	Other long-term receivables
Receivables – general	₩ 155,912,325	₩ 18,513,496	₩ 2,825,391	₩ 39,754,888
Less: Allowance for doubtful accounts	(87,169)	(393,336)	(11,054)	(149,638)
	₩ 155,825,156	₩ 18,120,160	₩ 2,814,337	₩ 39,605,250

Financial Assets	December 31, 2013 Trade Receivables	Non-trade Receivables	Other Receivables	Other long-term receivables
Receivables – general	₩ 190,424,090	₩ 29,764,685	₩ 2,995,717	₩ 36,811,754
Less: Allowance for doubtful accounts	(208,701)	(491,039)	-	(241,459)
	₩ 190,215,389	₩ 29,273,646	₩ 2,995,717	₩ 36,570,295

(Unit: Indian rupee in thousands)

Financial Assets	December 31, 2014 Trade Receivables	Non-trade Receivables	Other Receivables	Other long-term receivables
Receivables – general	Rs. 8,964,959	Rs. 1,064,526	Rs. 162,460	Rs. 2,285,906
Less: Allowance for doubtful accounts	(5,012)	(22,617)	(636)	(8,604)
	Rs. 8,959,947	Rs. 1,041,909	Rs. 161,824	Rs. 2,277,302

Financial Assets	December 31, 2013 Trade Receivables	Non-trade Receivables	Other receivables	Other long-term receivables
Receivables – general	Rs. 10,949,385	Rs. 1,711,469	Rs. 172,254	Rs. 2,116,676
Less: Allowance for doubtful accounts	(12,000)	(28,235)	-	(13,884)
	Rs. 10,937,385	Rs. 1,683,234	Rs. 172,254	Rs. 2,102,792

(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 Group's sales, the respective dealership bears all of the risk; the Group 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 Group's trade receivables are usually collected within 30 days but some of the notes receivable are collected within 75 days. Based on the past experience, receivables that are overdue for more than one year are usually not collected, and the Group reserves the full amount of those receivables as an allowance for doubtful accounts. The Group estimates an allowance for the receivables that are overdue for more than 90 days but less than one year through an individual analysis based on each transacting party; for receivables that are not subject to individual analysis, the Group 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 Group 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 Group 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, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

Classification	December 31, 2014 3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 1,819,742	₩ 44,594	₩ -	₩ 1,864,336
Non-trade receivables	670,507	7,435	4,734,672	5,412,614
Other long-term receivables	-	-	103,250	103,250
	₩ 2,490,249	₩ 52,029	₩ 4,837,922	₩ 7,380,200

Classification	December 31, 2013 3-6 months	6-12 months	Over 1 year	Total
Trade receivables	₩ 138,629	₩ -	₩ -	₩ 138,629
Non-trade receivables	3,692,761	102,000	8,418	3,803,179
Other long-term receivables	-	-	103,250	103,250
	₩ 3,831,390	₩ 102,000	₩ 111,668	₩ 4,045,058

(Unit: Indian rupee in thousands)

Classification	December 31, 2014 3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 104,635	Rs. 2,564	Rs. -	Rs. 107,199
Non-trade receivables	38,554	428	272,244	311,226
Other long-term receivables	-	-	5,937	5,937
	Rs. 143,189	Rs. 2,992	Rs. 278,181	Rs. 424,362

Classification	December 31, 2013 3-6 months	6-12 months	Over 1 year	Total
Trade receivables	Rs. 7,971	Rs. -	Rs. -	Rs. 7,971
Non-trade receivables	212,334	5,865	484	218,683
Other long-term receivables	-	-	5,937	5,937
	Rs. 220,305	Rs. 5,865	Rs. 6,421	Rs. 232,591

Aging analysis of the trade, non-trade receivables and other long-term receivables that are overdue but are impaired as of December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

Classification	December 31, 2014 3-6 months	6-12 months	Over 1 year	Total
Non-trade receivables	₩ -	₩ -	₩ 388,237	₩ 388,237
Other long-term receivables	-	-	47,349	47,349
	₩ -	₩ -	₩ 435,586	₩ 435,586

Classification	December 31, 2013 3-6 months	6-12 months	Over 1 year	Total
Non-trade receivables	₩ -	₩ -	₩ 473,952	₩ 473,952
Other long-term receivables	-	-	44,250	44,250
	₩ -	₩ -	₩ 518,202	₩ 518,202

(Unit: Indian rupee in thousands)

Classification	December 31, 2014 3-6 months	6-12 months	Over 1 year	Total
Non-trade receivables	Rs. -	Rs. -	Rs. 22,324	Rs. 22,324
Other long-term receivables	-	-	2,723	2,723
	Rs. -	Rs. -	Rs. 25,047	Rs. 25,047

Classification	December 31, 2013 3-6 months	6-12 months	Over 1 year	Total
Non-trade receivables	Rs. -	Rs. -	Rs. 27,252	Rs. 27,252
Other long-term receivables	-	-	2,544	2,544
	Rs. -	Rs. -	Rs. 29,796	Rs. 29,796

(3) Changes in allowance for trade and other receivables for the year ended December 31, 2014, and for the year ended 2013, are as follows:

(Unit: Korean won in thousands)

Classification	Year ended December 31, 2014 Trade Receivables	Non-trade Receivables	Other Receivables	Other long-term Receivables
Beginning balance	₩ 208,701	₩ 491,039	₩ -	₩ 241,459
Bad debt expense	(121,532)	(97,703)	11,054	(91,821)
Ending balance	₩ 87,169	₩ 393,336	₩ 11,054	₩ 149,638

Classification	Year ended December 31, 2013 Trade Receivables	Non-trade Receivables	Other Receivables	Other long-term Receivables
Beginning balance	₩ 1,061,540	₩ 965,595	₩ 330	₩ 169,932
Bad debt expense	(852,839)	(12,457)	(16)	71,213
Write-offs	-	(462,099)	-	-
Transfer	-	-	(314)	314
Ending balance	₩ 208,701	₩ 491,039	₩ -	₩ 241,459

(Unit: Indian rupee in thousands)

Classification	Year ended December 31, 2014 Trade Receivables	Non-trade Receivables	Other Receivables	Other long-term Receivables
Beginning balance	Rs. 12,000	Rs. 28,235	Rs. -	Rs. 13,884
Bad debt expense	(6,988)	(5,618)	636	(5,280)
Ending balance	Rs. 5,012	Rs. 22,617	Rs. 636	Rs. 8,604

Classification	Year ended December 31, 2013 Trade Receivables	Non-trade Receivables	Other Receivables	Other long-term Receivables
Beginning balance	Rs. 61,039	Rs. 55,522	Rs. 19	Rs. 9,771
Bad debt expense	(49,039)	(716)	(1)	4,095
Write-offs	-	(26,571)	-	-
Transfer	-	-	(18)	18
Ending balance	Rs. 12,000	Rs. 28,235	Rs. -	Rs. 13,884

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

8. INVENTORIES:

Details of the inventories as of December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

	December 31, 2014		December 31, 2013	
Merchandises	₩	54,471,562	₩	55,680,940
Finished goods		43,801,591		47,989,259
Work in process		29,184,732		24,764,484
Raw materials		51,686,249		65,752,519
Submaterials		601,473		510,850
Supplies		3,821,024		4,233,041
Goods in transit		77,112,573		81,969,737
Total	₩	260,679,204	₩	280,900,830

(Unit: Indian rupee in thousands)

	December 31, 2014		December 31, 2013	
Merchandises	Rs.	3,132,115	Rs.	3,201,654
Finished goods		2,518,591		2,759,382
Work in process		1,678,122		1,423,958
Raw materials		2,971,959		3,780,770
Submaterials		34,585		29,374
Supplies		219,709		243,400
Goods in transit		4,433,973		4,713,260
Total	Rs.	14,989,054	Rs.	16,151,798

The Group is using the “lower of cost or market method” on the statements of financial position in the case of inventories’ market value decrease under the acquisition cost. On the other hand, loss on valuation of inventories that was deducted to “cost of sales” on current period due to the application of “lower of cost or market method”, is ₩ 4,202,306 thousands (Rs. 241,633 thousands).

9. CONSOLIDATED SUBSIDIARIES:

(1) Details of investments in subsidiaries

Details of investment in securities accounted for using equity method as of December 31, 2014, are as follows:

Name of subsidiary	Location	Ownership(%)	Closing Month	Industry
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 Group’s subsidiaries as of and for the year ended December 31, 2014, and for the years ended 2013, is as follows:

December 31, 2014

(Unit: Korean won in thousands)

Companies	Assets		Liabilities		Equity		Sales	
Ssangyong Motor (Shanghai) Co., Ltd.	₩	7,017,149	₩	842,529	₩	6,174,620	₩	6,512,641
Ssangyong European Parts Center B.V.		7,158,932		11,129,549		(3,970,617)		14,118,627

Companies	Net income		Comprehensive income	
Ssangyong Motor (Shanghai) Co., Ltd.	₩	491,881	₩	491,881
Ssangyong European Parts Center B.V.		116,206		116,206

(Unit: Indian rupee in thousands):

Companies	Assets	Liabilities	Equity	Sales
Ssangyong Motor (Shanghai) Co., Ltd.	Rs. 403,486	Rs. 48,445	Rs. 355,041	Rs. 374,477
Ssangyong European Parts Center B.V.	411,639	639,949	(228,310)	811,821

Companies	Net income	Comprehensive income
Ssangyong Motor (Shanghai) Co., Ltd.	Rs. 28,283	Rs. 28,283
Ssangyong European Parts Center B.V.	6,682	6,682

December 31, 2013

(Unit: Korean won in thousands)

Companies	Assets	Liabilities	Equity	Sales
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.(*)	₩ -	₩ -	₩ -	₩ -
Ssangyong Motor (Shanghai) Co., Ltd.	6,609,412	255,069	6,354,343	3,814,332
Ssangyong European Parts Center B.V.	7,940,806	12,388,132	(4,447,326)	13,852,837

Companies	Net income	Comprehensive income
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.(*)	₩ (262,511)	₩ (262,511)
Ssangyong Motor (Shanghai) Co., Ltd.	809,326	809,326
Ssangyong European Parts Center B.V.	125,145	125,145

(Unit: Indian rupee in thousands)

Companies	Assets	Liabilities	Equity	Sales
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.(*)	Rs. -	Rs. -	Rs. -	Rs. -
Ssangyong Motor (Shanghai) Co., Ltd.	380,041	14,666	365,375	219,324
Ssangyong European Parts Center B.V.	456,596	712,318	(255,721)	796,538

Companies	Net income	Comprehensive income
Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd.(*)	Rs. (15,094)	Rs. (15,094)
Ssangyong Motor (Shanghai) Co., Ltd.	46,536	46,536
Ssangyong European Parts Center B.V.	7,196	7,196

(*) Ssangyong (Yizheng) Auto-parts Manufacturing Co., Ltd. was liquidated during the prior period. Related income is from statement of comprehensive income until liqudation.

10. OTHER ASSETS:

Carrying values of the Group's other assets as of December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

Account	December 31, 2014	December 31, 2013
Other current assets		
Advance payments	₩ 2,196,223	₩ 2,041,322
Less: Allowance for doubtful accounts	(10,298)	(1,147)
Prepaid expenses	4,811,936	4,208,777
Income tax refundable	794,694	983,619
	7,792,555	7,232,571
Other non-current assets		
Other non-current assets	₩ 360,473	₩ 357,350

(Unit: Indian rupee in thousands)

Account	December 31, 2014	December 31, 2013
Other current assets		
Advance payments	Rs. 126,283	Rs. 117,376
Less: Allowance for doubtful accounts	(592)	(66)
Prepaid expenses	276,686	242,005
Income tax refundable	45,695	56,558
	448,072	415,873
Other non-current assets		
Other non-current assets	Rs. 20,727	Rs. 20,548

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts of property, plant and equipment as of December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

	December 31, 2014				
	Acquisition Cost	Government Subsidies	Depreciation	Loss on Valuation	Carrying Amount
Land	₩ 475,531,313	₩ -	₩ -	₩ -	₩ 475,531,313
Buildings	530,841,465	1,650,125	186,171,422	148,371,912	194,648,006
Structures	105,440,373	156,164	59,172,283	29,156,376	16,955,550
Machinery	1,255,831,372	593,294	1,008,322,247	98,853,954	148,061,877
Vehicles	9,621,509	-	6,785,350	1,194,962	1,641,197
Tools and molds	891,332,596	14,909	550,255,759	162,637,823	178,424,105
Equipment	67,166,387	15,571	38,058,387	4,542,664	24,549,765
Construction in progress	131,569,206	-	-	-	131,569,206
Machinery in transit	2,355,375	-	-	-	2,355,375
	₩ 3,469,689,596	₩ 2,430,063	₩ 1,848,765,448	₩ 444,757,691	₩ 1,173,736,394

	December 31, 2013				
	Acquisition Cost	Government Subsidies	Depreciation	Loss on Valuation	Carrying Amount
Land	₩ 475,305,570	₩ -	₩ -	₩ -	₩ 475,305,570
Buildings	520,204,787	1,696,822	176,446,878	148,371,912	193,689,175
Structures	103,715,045	176,520	57,532,368	29,156,376	16,849,781
Machinery	1,229,675,167	789,603	1,030,309,009	99,310,297	99,266,258
Vehicles	10,166,641	-	6,956,132	1,263,535	1,946,974
Tools and molds	873,276,231	31,508	507,905,818	163,823,075	201,515,830
Equipment	62,805,139	26,413	34,054,232	4,924,001	23,800,493
Construction in progress	70,917,106	-	-	-	70,917,106
Machinery in transit	862,440	-	-	-	862,440
	₩ 3,346,928,126	₩ 2,720,866	₩ 1,813,204,437	₩ 446,849,196	₩ 1,084,153,627

(Unit: Indian rupee in thousands)

	December 31, 2014				
	Acquisition Cost	Government Subsidies	Depreciation	Loss on Valuation	Carrying Amount
Land	Rs. 27,343,050	Rs. -	Rs. -	Rs. -	Rs. 27,343,050
Buildings	30,523,384	94,882	10,704,857	8,531,385	11,192,260
Structures	6,062,821	8,979	3,402,406	1,676,492	974,944
Machinery	72,210,304	34,114	57,978,529	5,684,102	8,513,559
Vehicles	553,237	-	390,158	68,710	94,369
Tools and molds	51,251,624	857	31,639,706	9,351,675	10,259,386
Equipment	3,862,067	895	2,188,357	261,203	1,411,612

	December 31, 2014				
	Acquisition Cost	Government Subsidies	Depreciation	Loss on Valuation	Carrying Amount
Construction in progress	Rs. 7,565,229	Rs. -	Rs. -	Rs. -	Rs. 7,759,642
Machinery in transit	135,434	-	-	-	579,163
	Rs. 199,507,150	Rs. 139,727	Rs. 106,304,013	Rs. 25,573,567	Rs. 67,489,843

	December 31, 2013				
	Acquisition Cost	Government Subsidies	Depreciation	Loss on Valuation	Carrying Amount
Land	Rs. 27,330,070	Rs. -	Rs. -	Rs. -	Rs. 27,330,070
Buildings	29,911,775	97,567	10,145,695	8,531,385	11,137,128
Structures	5,963,615	10,150	3,308,111	1,676,492	968,862
Machinery	70,706,322	45,402	59,242,767	5,710,342	5,707,811
Vehicles	584,582	-	399,978	72,653	111,951
Tools and molds	50,213,383	1,812	29,204,584	9,419,827	11,587,160
Equipment	3,611,295	1,519	1,958,118	283,130	1,368,528
Construction in progress	4,077,734	-	-	-	4,191,201
Machinery in transit	49,590	-	-	-	50,970
	Rs. 192,448,366	Rs. 156,450	Rs. 104,259,253	Rs. 25,693,829	Rs. 62,338,834

(2) Changes in the carrying amounts of property, plant and equipment for the year ended December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

	Year ended December 31, 2014					
	Beginning Balance	Acquisition	Disposal	Other(**)	Depreciation(*)	Ending balance
Land	₩ 475,305,570	₩ 225,139	₩ -	₩ 604	₩ -	₩ 475,531,313
Buildings	193,689,175	735,337	-	9,901,341	9,677,847	194,648,006
Structures	16,849,781	260,922	1	1,472,406	1,627,558	16,955,550
Machinery	99,266,258	1,127,364	108,685	75,018,431	27,241,491	148,061,877
Vehicles	1,946,974	160,767	27,884	85,382	524,042	1,641,197
Tools and molds	201,515,830	5,871,711	3,743	20,788,505	49,748,198	178,424,105
Equipment	23,800,493	4,032,888	32,861	2,600,326	5,851,081	24,549,765
Construction in progress	70,917,106	157,588,772	97,167	(96,839,505)	-	131,569,206
Machinery in transit	862,440	13,672,439	-	(12,179,504)	-	2,355,375
	₩ 1,084,153,627	₩ 183,675,339	₩ 270,341	₩ 847,986	₩ 94,670,217	₩1,173,736,394

(*) Depreciation cost of suspended assets amount of ₩20,066 (Rs. 1,154 thousands) in thousands is included from the depreciation cost.

(**) Capitalization cost that has flowed into Construction in progress and other accounts is ₩910,576 (Rs.52,358 thousand) in thousands in this period.

	Year ended December 31, 2013					
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	₩ 469,644,702	₩ 19,360	₩ 154,021	₩ 5,795,529	₩ -	₩ 475,305,570
Buildings	200,432,599	1,335,708	129,642	1,447,294	9,396,784	193,689,175
Structures	17,632,819	93,830	120,297	835,011	1,591,582	16,849,781
Machinery	111,035,013	4,401,773	91,672	20,116,918	36,195,774	99,266,258
Vehicles	2,158,748	450,316	112,466	9,537	559,161	1,946,974
Tools and molds	196,280,440	28,206,687	41,641	42,669,045	65,598,701	201,515,830
Equipment	16,895,388	10,379,522	59,809	1,237,727	4,652,335	23,800,493
Construction in progress	37,322,042	106,584,628	134,907	(72,854,657)	-	70,917,106
Machinery in transit	-	862,440	-	-	-	862,440
	₩ 1,051,401,751	₩ 152,334,264	₩ 844,455	₩ (743,596)	₩ 117,994,337	₩1,084,153,627

(*) Depreciation cost of suspended assets amount of ₩36,025 (Rs. 2,071 thousands) in thousands is included from the depreciation cost.

(Unit: Indian rupee in thousands)

	Year ended December 31, 2014					
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	Rs. 27,330,070	Rs. 12,945	Rs. -	Rs. 35	Rs. -	Rs. 27,343,050
Buildings	11,137,128	42,282	-	569,326	556,476	11,192,260
Structures	968,862	15,003	-	84,664	93,585	974,944
Machinery	5,707,811	64,824	6,249	4,313,559	1,566,386	8,513,559
Vehicles	111,951	9,244	1,603	4,909	30,132	94,369
Tools and molds	11,587,160	337,623	215	1,195,339	2,860,521	10,259,386
Equipment	1,368,528	231,892	1,890	149,519	336,437	1,411,612
Construction in progress	4,077,734	9,061,354	5,587	(5,568,272)	-	7,565,229
Machinery in transit	49,590	786,165	-	(700,321)	-	135,434
	Rs. 62,338,834	Rs. 10,561,332	Rs. 15,544	Rs. 48,758	Rs. 5,443,537	Rs. 67,489,843

	Year ended December 31, 2013					
	Beginning balance	Acquisition	Disposal	Other	Depreciation(*)	Ending balance
Land	Rs. 27,004,570	Rs. 1,113	Rs. 8,856	Rs. 333,243	Rs. -	Rs. 27,330,070
Buildings	11,524,874	76,803	7,454	83,219	540,315	11,137,127
Structures	1,013,887	5,395	6,917	48,013	91,516	968,862
Machinery	6,384,513	253,102	5,271	1,156,723	2,081,257	5,707,810
Vehicles	124,128	25,893	6,467	548	32,152	111,950
Tools and molds	11,286,125	1,621,885	2,394	2,453,470	3,771,925	11,587,161
Equipment	971,485	596,823	3,439	71,169	267,509	1,368,529
Construction in progress	2,146,017	6,128,616	7,757	(4,189,143)	-	4,077,733
Machinery in transit	-	49,592	-	-	-	49,592
	Rs. 60,455,599	Rs. 8,759,222	Rs. 48,555	Rs. (42,758)	Rs. 6,784,674	Rs. 62,338,834

(3) The assets pledged as collateral for the Group’s borrowings as of December 31, 2014, are as follows:

(Unit: Korean won in thousands)

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	₩ 340,071,778	231 billion
Buildings & Structures	150-3 (factory site) and others	65,378,681	Korean won
Machinery	Pyeongtaek plant production facilities	9,659,386	
		₩ 415,109,845	

(Unit: Indian rupee in thousands)

Assets pledged as Collaterals	Details	Book value	Maximum amount
Land	Chilgoe-dong Pyeongtaek, Gyeonggi-do	Rs. 19,554,127	13.3 billion rupee
Buildings &	150-3 (factory site) and others	3,759,274	
Structures Machinery	Pyeongtaek plant production facilities	555,415	
		Rs. 23,868,816	

(4) Borrowing costs and capitalized interest, which is the capital of the fiscal year and electrical are as follows.

(Unit: Korean won in thousands)

Account	December 31, 2014	December 31, 2013
Capitalized interest expenses(*)	₩ 1,667,679	₩ -
Capitalization interest rate	4.72%	-

(*) Borrowing costs that have been capitalized during the year in development costs is 757,103(Rs. 43,533 thousand) thousand won.

(Unit: Indian rupee in thousands)

Account	December 31, 2014	December 31, 2013
Capitalized interest expenses(*)	Rs. 95,892	Rs. -
Capitalization interest rate	4.72%	-

12. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

	December 31, 2014				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 28,564,573	₩ -	₩ 14,341,540	₩ -	₩ 14,223,033
Patents	1,873,286	21,966	756,331	31,378	1,063,611
Other intangible assets	146,951,689	26,563	10,707,300	589,036	135,628,790
	₩ 177,389,548	₩ 48,529	₩ 25,805,171	₩ 620,414	₩ 150,915,434

	December 31, 2013				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	₩ 14,478,684	₩ -	₩ 9,371,382	₩ -	₩ 5,107,302
Patents	1,217,210	5,802	475,150	-	736,258
Other intangible assets	88,832,542	21,609	4,440,435	686,796	83,683,702
	₩ 104,528,436	₩ 27,411	₩ 14,286,967	₩ 686,796	₩ 89,527,262

(Unit: Indian rupee in thousands):

	December 31, 2014				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 1,642,463	Rs. -	Rs. 824,639	Rs. -	Rs. 817,824
Patents	107,714	1,263	43,489	1,804	61,158
Other intangible assets	8,449,722	1,527	615,670	33,870	7,798,655
	Rs. 10,199,899	Rs. 2,790	Rs. 1,483,798	Rs. 35,674	Rs. 8,677,637

	December 31, 2013				
	Acquisition cost	Government subsidies	Accumulated depreciation	Accumulated impairment loss	Book value
Development cost	Rs. 832,524	Rs. -	Rs. 538,854	Rs. -	Rs. 293,670
Patents	69,990	334	27,321	-	42,335
Other intangible assets	5,107,871	1,242	255,325	39,491	4,811,813
	Rs. 6,010,385	Rs. 1,576	Rs. 821,500	Rs. 39,491	Rs. 5,147,818

(2) Changes in intangible assets for the years ended December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

	Year ended December 31, 2014							
	Beginning balance	Acquisition (*)	Transfer	Disposal	Depreciation	Impairment loss	Other(**)	Ending balance
Development cost	₩ 5,107,302	₩ -	₩ 14,012,691	₩ -	₩ 4,970,159	₩ -	₩ 73,199	₩ 14,223,033
Patents	736,258	638,336	-	-	279,605	31,378	-	1,063,611
Other intangible assets	83,683,702	72,018,698	(14,012,691)	587,760	6,252,965	(97,760)	682,046	135,628,790
	₩ 89,527,262	₩ 72,657,034	₩ -	₩ 587,760	₩ 11,502,729	₩ (66,382)	₩ 755,245	₩ 150,915,434

(*) Of the acquisition amount of other intangible assets, the amount that you obtained in government subsidy is ₩46,244 (Rs. 2,659 thousands) in thousands.

(**) Of the current year development costs, the amount that has flowed into the capital of the cost is ₩757,103 (Rs. 43,533)thousand won including difference of change of exchange rate

	Year ended December 31, 2013						
	Beginning balance	Acquisition	Transfer	Depreciation	Impairment loss	Other	Ending balance
Development cost	₩ 47,996,313	₩ -	₩ (21,240,402)	₩ 21,648,609	₩ -	₩ -	₩ 5,107,302
Patents	658,066	344,860	-	231,598	35,070	-	736,258
Other intangible assets	7,960,633	57,266,957	21,240,402	3,503,920	5,194	724,824	83,683,702
	₩ 56,615,012	₩ 57,611,817	₩ -	₩ 25,384,127	₩ 40,264	₩ 724,824	₩ 89,527,262

(Unit: Indian rupee in thousands)

	Year ended December 31, 2014							
	Beginning balance	Acquisition	Transfer	Disposal	Depreciation	Impairment loss	Other	Ending balance
Development cost	Rs. 293,670	Rs. -	Rs. 805,730	Rs. -	Rs. 285,784	Rs. -	Rs. 4,208	Rs. 817,824
Patents	42,335	36,704	-	-	16,077	1,804	-	61,158
Other intangible assets	4,811,813	4,141,075	(805,730)	33,796	359,546	(5,621)	39,218	7,798,655
	Rs. 5,147,818	Rs. 4,177,779	Rs. -	Rs. 33,796	Rs. 661,407	Rs. (3,817)	Rs. 43,426	Rs. 8,677,637

	Year ended December 31, 2013						
	Beginning balance	Acquisition	Transfer	Depreciation	Impairment loss	Other	Ending balance
Development cost	Rs. 2,759,788	Rs. -	Rs. (1,221,323)	Rs. 1,244,795	Rs. -	Rs. -	Rs. 2,736,316
Patents	37,839	19,829	-	13,317	2,017	-	42,334
Other intangible assets	457,736	3,292,850	1,221,323	201,475	299	41,679	2,369,168
	Rs. 3,255,363	Rs. 3,312,679	Rs. -	Rs. 1,459,587	Rs. 2,316	Rs. 41,679	Rs. 5,147,818

(3) Amortization of the Group's intangible assets for the year ended December 31, 2014 and 2013, is as follows:

	Korean won in thousands		Indian rupee in thousands	
Account	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cost of goods manufactured	₩ 4,696,439	₩ 21,307,066	Rs. 270,045	Rs. 1,225,156
Selling and administrative expenses	6,806,290	4,077,061	391,362	234,431
	₩ 11,502,729	₩ 25,384,127	Rs. 661,407	Rs. 1,459,587

13. BORROWINGS:

(1) The Group's short-term borrowings as of December 31, 2014 and 2013, consist of the following.

(Unit: Korean won in thousands)

Creditor	Type	Interest rate	December 31, 2014	December 31,2013
Korea Development Bank	Operating fund	CD + 2.26%	₩ 30,000,000	₩ 30,000,000
Woori Bank	Operating fund	CD + 2.00%	5,000,000	-
Besides BOA	Banker's usance	0.49% ~ 1.27%	64,540,013	21,608,036
			₩ 99,540,013	₩ 51,608,036

(Unit: Indian rupee in thousands)

Creditor	Type	Interest rate	December 31, 2014	December 31,2013
Korea Development Bank	Operating fund	CD + 2.26%	Rs. 1,725,000	Rs. 1,725,000
Woori Bank	Operating fund	CD + 2.00%	287,500	-
Besides BOA	Banker's usance	0.49% ~ 1.27%	3,711,051	1,242,462
			Rs. 5,723,551	Rs. 2,967,462

(2) The Group's long-term borrowings as of December 31, 2014, and 2013, consist of the following:

(Unit: Korean won in thousands)

Creditor	Type	Interest rate	December 31, 2014	December 31,2013
Woori Bank	Operating fund	CD + 2.0%	₩ 30,000,000	₩ -
Net: within one year arrival worth			5,000,000	-
			₩ 25,000,000	₩ -

(Unit: Indian rupee in thousands)

Creditor	Type	Interest rate	December 31, 2014	December 31,2013
Woori Bank	Operating fund	CD + 2.0%	Rs. 1,725,000	Rs. -
Net: within one year arrival worth			287,500	-
			Rs. 1,437,500	Rs. -

(3) The Group's bonds and current portion of long-term borrowings as of December 31, 2014 and 2013, consist of the following:

(Unit: Korean won in thousands)

Type	Issue date	Maturity date	Interest rate (%)	December 31, 2014	December 31, 2013
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00	₩ -	₩ 95,404,765

Private non-guaranteed bonds is reimbursed current year.

(Unit: Indian rupee in thousands)

Type	Issue date	Maturity date	Interest rate (%)	December 31, 2014	December 31, 2013
Private non-guaranteed bonds	2011-02-09	2014-02-09	7.00	Rs. -	Rs. 5,485,774

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

Creditor	Assets pledged as collaterals	Pledged date	Maximum credit amou
Korea Development Bank	Land, buildings and machinery	2009-08-13	195 billion Korean won (11 billion Rupee)
Woori Bank	Land, buildings and machinery	2014-10-29	36 billion Korean won (2.3 billion Rupee)

14. OTHER FINANCIAL LIABILITIES:

Carrying amounts of the Group's other financial liabilities as of December 31, 2014 and 2013, are as follows:

Classification	Korean won in thousands		Indian rupee in thousands	
	December 31,2014	December 31,2013	December 31,2014	December 31,2013
Other current financial liabilities:				
Accrued expenses	₩ 29,715,325	₩ 20,352,993	Rs. 1,708,631	Rs. 1,170,297

15. PROVISION FOR PRODUCT WARRANTIES:

The Group 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, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

	Beginning Balance	Increase	Decrease	Ending Balance	Current	Non-current
Dec.31, 2014	₩ 125,479,981	₩ 113,075,513	₩ 100,689,455	₩ 137,866,039	₩ 57,556,475	₩ 80,309,564
Dec.31, 2013	₩ 118,598,929	₩ 82,634,200	₩ 75,753,148	₩ 125,479,981	₩ 48,780,982	₩ 76,698,999

(Unit: Indian rupee in thousands)

	Beginning Balance	Increase	Decrease	Ending Balance	Current	Non-current
Dec.31, 2014	Rs. 7,215,099	Rs. 6,501,842	Rs. 5,789,644	Rs. 7,927,297	Rs. 3,309,497	Rs. 4,617,800
Dec.31, 2013	Rs. 6,819,438	Rs. 4,751,466	Rs. 4,355,806	Rs. 7,215,098	Rs. 2,804,906	Rs. 4,410,192

16. OTHER LIABILITIES AND OTHER LONG-TERM LIABILITIES:

Carrying amounts of the Group's other liabilities as of December 31, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
Classification	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Other liabilities				
Advances from customers	₩ 2,982,710	₩ 5,689,992	Rs. 171,506	Rs. 327,175
Deposits received	763,400	1,507,995	43,896	86,710
Withholdings	18,747,108	19,554,631	1,077,958	1,124,391
	₩ 22,493,218	₩ 26,752,618	Rs. 1,293,360	Rs. 1,538,276

17. RETIREMENT BENEFIT OBLIGATION:

(1) Defined benefit plans and related liabilities arising from the Group's consolidated financial statements configuration items as of December 31, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
Classification	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Present value of defined benefit obligation	₩ 248,189,001	₩ 176,130,156	Rs. 14,270,867	Rs. 10,127,484
Fair value of plan assets	(1,440,612)	(1,474,038)	(82,835)	(84,757)
	₩ 246,748,389	₩ 174,656,118	Rs. 14,188,032	Rs. 10,042,727

(2) Changes in the Group's defined benefit obligation for the year ended December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

	Year ended December 31, 2014		
	Present value of defined benefit obligations	Fair value of scheme Assets	Total
Beginning balance	₩ 176,130,156	₩ (1,474,038)	₩ 174,656,118
Net current service cost	31,645,593	-	31,645,593
Interest cost(income) on DBO	7,853,867	(64,185)	7,789,682
Past service cost	26,353,104	-	26,353,104
Subtotal	241,982,720	(1,538,223)	240,444,497
Remeasurements			
Asset (Gain)/Loss	-	34,064	34,064
DBO (Gain)/Loss due to Experience	(14,629,891)	-	(14,629,891)
DBO (Gain)/Loss due to Changes in Financial Assumptions	32,480,964	-	32,480,964
DBO (Gain)/Loss due to Changes in Demographic Assumptions	(2,574,903)	-	(2,574,903)
Total remeasurements recognised in other comprehensive income	15,276,170	34,064	15,310,234
Payments			
Benefit payment from plan assets	(63,547)	63,547	-
Benefit payment from company	(6,958,637)	-	(6,958,637)
Replaced with accounts payable.	(2,047,705)	-	(2,047,705)
Ending balance	₩ 248,189,001	₩ (1,440,612)	₩ 246,748,389

	Year ended December 31, 2013		
	Present value of defined benefit obligations	Fair value of scheme Assets	Total
Beginning balance	₩ 144,823,054	₩ (1,524,841)	₩ 143,298,213
Net current service cost	28,664,682	-	28,664,682
Interest cost(income) on DBO	5,629,710	(59,122)	5,570,588
Past service cost	1,689,737	-	1,689,737
Subtotal	180,807,183	(1,583,963)	179,223,220
Remeasurements			
Asset (Gain)/Loss	-	23,883	23,883
DBO (Gain)/Loss due to Experience	9,191,487	-	9,191,487
DBO (Gain)/Loss due to Changes in Demographic Assumptions	2,767,538	-	2,767,538
DBO (Gain)/Loss due to Changes in Financial Assumptions	(10,732,545)	-	(10,732,545)
Total remeasurements recognised in other comprehensive income	1,226,480	23,883	1,250,363
Payments			
Benefit payment from plan assets	(86,042)	86,042	-
Benefit payment from company	(5,817,465)	-	(5,817,465)
Ending balance	₩ 176,130,156	₩ (1,474,038)	₩ 174,656,118

	Year ended December 31, 2014		
	Present value of defined benefit obligations	Fair value of scheme Assets	Total
Beginning balance	Rs. 10,127,484	Rs. (84,757)	Rs. 10,042,727
Net current service cost	1,819,622	-	1,819,622
Interest cost(income) on DBO	451,597	(3,691)	447,906
Past service cost	1,515,304	-	1,515,304
Subtotal	13,914,007	(88,448)	13,825,559
Remeasurements			
Asset (Gain)/Loss	-	1,959	1,959
DBO (Gain)/Loss due to Experience	(841,219)	-	(841,219)
DBO (Gain)/Loss due to Changes in Financial Assumptions	1,867,655	-	1,867,655
DBO (Gain)/Loss due to Changes in Demographic Assumptions	(148,057)	-	(148,056)
Total remeasurements recognised in other comprehensive income	878,379	1,959	880,338
Payments			
Benefit payment from plan assets	(3,654)	3,654	-
Benefit payment from company	(400,122)	-	(400,122)
Replaced with accounts payable.	(117,743)	-	(117,743)
Ending balance	Rs. 14,270,867	Rs. (82,835)	Rs. 14,188,032

	Year ended December 31, 2013		
	Present value of defined benefit obligations	Fair value of scheme Assets	Total
Beginning balance	Rs. 8,327,326	Rs. (87,678)	Rs. 8,239,648
Net current service cost	1,648,219	-	1,648,219
Interest cost(income) on DBO	323,708	(3,400)	320,308
Past service cost	97,160	-	97,160
Subtotal	10,396,413	(91,078)	10,305,335
Remeasurements	-	-	-
Asset (Gain)/Loss	-	1,373	1,373
DBO (Gain)/Loss due to Experience	528,511	-	528,511
DBO (Gain)/Loss due to Changes in Demographic Assumptions	159,133	-	-
DBO (Gain)/Loss due to Changes in Financial Assumptions	(617,121)	-	(617,121)

	Year ended December 31, 2013					
	Present value of defined benefit obligations		Fair value of scheme Assets		Total	
Total remeasurements recognised in other comprehensive income	Rs.	70,523	Rs.	1,373	Rs.	71,896
Payments		-		-		-
Benefit payment from plan assets		(4,947)		4,947		-
Benefit payment from company		(334,504)		-		(334,504)
Ending balance	Rs.	10,127,485	Rs.	(84,758)	Rs.	10,042,727

(3) Actuarial assumptions used as of December 31, 2014 and 2013, are as follows:

	December 31, 2014	December 31, 2013
Discount rate (%)	3.41	4.39
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.

(4) As of December 31, 2014, if the significant actuarial assumption changes reasonably and acceptably while the others remain unchanged, the defined benefit obligation will be affected as follows:

	Korean won in thousands				Indian rupee in thousands			
Classification	Increase		Decrease		Increase		Decrease	
Change 1% in Discount rate	₩	(31,873,113)	₩	38,082,514	Rs.	(1,832,704)	Rs.	2,189,745
Changes 1% in Expected rate of salary increase	₩	35,905,880	₩	(30,718,978)	Rs.	2,064,588	Rs.	(1,766,341)

As the actuarial assumptions are correlated and not changed independently, the sensitivity analysis does not indicate the actual change in the amounts of defined benefit obligation. The present value of defined benefit obligations on the sensitivity analysis is measured by the same method as the projected unit credit method used in calculating net defined benefit liability recognized in the consolidated statements of financial position.

18. CONTINGENCIES AND COMMITMENTS:

The major commitments and contingent liabilities as of December 31, 2014, are as follows:

(1) The Group carries product liability insurance for all products that it sells.

(2) As of December 31, 2014, the Group has been providing guarantees from Korea Development Bank and etc. amounting to USD 268 million(amount execution USD 101 million) related to import L/C.

(3) The followings are the major loan arrangements with the financial institutions as of December 31, 2014.

(Unit: Korean won in thousands)

Financial institution	Classification	Limit		Exercise price	
KDB	Operating purpose loans	₩	30,000,000	₩	30,000,000
Woori	Operating purpose loans		30,000,000		30,000,000
JP Morgan	Current purpose loans		50,000,000		-
Nonghyup Bank	Limit purpose loans		15,000,000		-
Total		₩	125,000,000	₩	60,000,000

(Unit: Indian rupee in thousands)

Financial institution	Classification	Limit		Exercise price	
KDB	Operating purpose loans	Rs.	1,725,000	Rs.	1,725,000
Woori	Operating purpose loans		1,725,000		1,725,000
JP Morgan	Current purpose loans		2,875,000		-
NH	Limit purpose loans		862,500		-
Total		Rs.	7,187,500	Rs.	3,450,000

(4) Pending litigations

As of December 31, 2014, the Group has 5 pending litigations as a plaintiff with claims amounting to ₩6,069 million (Rs. 349 million) and 29 pending litigations as a defendant with claims amounting to ₩23,277 million (Rs. 1,338 million). The Group recognized other payables amounting to ₩25,424 million (Rs. 1,462 million) that are expected to be a probable loss and can be reasonably estimated as of December 31, 2014.

19. CAPITAL STOCK:

As of December 31, 2014 and 2013, the number of authorized shares is 3 billion shares. Details of capital stock are as follows:

(Unit: won in thousands except par value)

Classification	No. of shares Authorized	Shares outstanding		Par value		Capital stock
December 31, 2014	3,000,000,000	137,220,096	₩	5,000	₩	686,100,480
December 31, 2013	3,000,000,000	137,220,096	₩	5,000	₩	686,100,480

(Unit: Rupee in thousands except par value)

Classification	No. of shares Authorized	Shares outstanding		Par value		Capital stock
December 31, 2014	3,000,000,000	137,220,096	Rs.	288	Rs.	39,450,778
December 31, 2013	3,000,000,000	137,220,096	Rs.	288	Rs.	39,450,778

20. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

Details of other capital surplus and retained earnings as of December 31, 2014 and 2013, are as follows:

		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
		(Korean won in thousands)		(Indian rupee in thousands)	
Other Capital Surplus	Paid-in capital in excess of par value	₩ 11,452,713	₩ 11,452,713	RS. 658,531	RS. 658,531
	Gain on retirement of capital stock	118,189,001	120,351,580	6,795,868	6,920,216
	Debt converted to equity	931,508	931,508	53,562	53,562
	Treasury stock	(1,189,820)	(108,530)	(68,415)	(6,240)
	Other capital surplus	-	(3,243,869)	-	(186,522)
		₩ 129,383,402	₩ 129,383,402	RS. 7,439,546	RS. 7,439,547

(*) The Group, during the year, to reflect the results of the investigation final and binding decision of equity swap debt based on the 2009 regeneration plan, has been adjusted recorded a treasury stock and capital reduction gains.

21. OTHER CAPITAL ADJUSTMENTS:

(1) Details of the Group's other capital adjustments as of December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

Classification			December 31, 2014		December 31, 2013
Other capital adjustments	Gains (Losses) on valuation of derivatives	₩	(14,167,300)	₩	26,833,680
	Gains on overseas operation translation		1,102,069		686,161
		₩	(13,065,231)	₩	27,519,841

(Unit: Indian rupee in thousands)

Classification		December 31, 2014	December 31, 2013
Other capital adjustments	Gains (Losses) on valuation of derivatives	Rs. (814,619)	Rs. 1,542,937
	Gains on overseas operation translation	63,368	39,454
		Rs. (751,251)	Rs. 1,582,391

(2) Changes in the Group's gains on valuation of derivatives for the year ended December 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	₩ 26,833,680	₩ 18,999,750	Rs. 1,542,937	Rs. 1,092,486
Gains (losses) on valuation of derivatives	(14,167,300)	26,833,680	(814,619)	1,542,937
Reclassified to net income	(26,833,680)	(18,999,750)	(1,542,937)	(1,092,486)
Ending balance	₩ (14,167,300)	₩ 26,833,680	Rs. (814,619)	Rs. 1,542,937

(3) Changes in the Group's gains (losses) on overseas operation translation credit for the year ended December 31, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	₩ 686,161	₩ 862,490	Rs. 39,454	Rs. 49,593
Cumulative effect of foreign currency translation	415,908	(176,329)	23,914	(10,139)
Ending balance	₩ 1,102,069	₩ 686,161	Rs. 63,368	Rs. 39,454

22. RETAINED Earnings (DEFICIT):

(1) Details of retained earnings (deficit) as of December 31, 2014 and December 31 ,2013, are as follows:

(Unit: won in thousands)

	December 31, 2014	December 31, 2013
Retained earnings(deficit)	₩ (25,034,685)	₩ 41,194,141

(Unit: Rupee in thousands)

	December 31, 2014	December 31, 2013
Retained earnings(deficit)	Rs. (1,439,495)	Rs. 2,368,663

(2) Changes in retained earnings (deficit) for the year ended December 31 ,2014 and 2013 are as follows:

(Unit: won in thousands)

	December 31, 2014	December 31, 2013
Beginning balance	₩ 41,194,141	₩ 44,842,295
Net loss	(50,918,592)	(2,397,791)
Actuarial losses	(15,310,234)	(1,250,363)
Ending balance	₩ (25,034,685)	₩ 41,194,141

(Unit: Rupee in thousands)

	December 31, 2014	December 31, 2013
Beginning balance	Rs. 2,368,664	Rs. 2,578,432
Net loss	(2,927,819)	(137,873)
Actuarial losses	(880,340)	(71,896)
Ending balance	Rs. (1,439,495)	Rs. 2,368,663

23. INCOME TAX:

(1) Composition of income tax expense for the years ended December 31, 2014 and 2013 are as follows:

	Korean won in thousands				Indian rupee in thousands			
	Year ended December 31, 2014		Year ended December 31, 2013		Year ended December 31, 2014		Year ended December 31, 2013	
Income tax expense of Parent Company	₩	-	₩	-	Rs.	-	Rs.	-
Income tax expense of Subsidiary Company		226,136		348,173		13,003		20,020
Income tax expense of Consolidated Company	₩	226,136	₩	348,173	Rs.	13,003	Rs.	20,020

(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, 2014 and 2013 are as follows:

(Unit: Korean Won in thousands)

	Year ended December 31, 2014							
Description	Beginning balance		Decrease		Increase		Ending balance	
(Temporary differences)								
Allowance for doubtful accounts	₩	-	₩	-	₩	-	₩	-
Government subsidies		4,560,013		2,085,976		1,090,789		3,564,826
Provision for product warranties		125,479,981		125,479,981		137,866,039		137,866,039
Accrued severance indemnities		207,848,904		51,994,890		91,771,157		247,625,171
Loss on revaluation of property, plant and equipment		145,782,462		17,557,676		56,182		128,280,968
Development cost		60,050,587		14,900,531		-		45,150,056
Depreciation		14,675,862		3,800,285		5,398,227		16,273,804
Other payables		75,439,294		75,501,755		50,428,684		50,366,223
Accrued expenses		19,385,586		19,385,586		29,561,974		29,561,974
Investment in subsidiaries		4,184,519		-		-		4,184,519
Gain (loss) on foreign currency translation		26,620		26,620		-		-
Gain (loss) on valuation of derivatives		(31,488,313)		(30,255,663)		14,974,250		13,741,600
Other long-term employee benefit		16,281,616		16,281,616		15,619,578		15,619,578
Land		(260,707,239)		-		(6,289)		(260,713,528)
Others		(512,276)		(1,039,267)		309,826		836,817
Deficit carried over		1,056,127,630		-		48,816,458		1,104,944,088
Total		1,437,135,246						1,537,302,135
Not recognized as deferred tax assets		1,437,135,246						1,537,302,135
Recognized as deferred tax assets		-						-
Statutory tax rate		22%						22%
Deferred tax assets resulting from temporary differences		-						-
Tax credit carry forwards		16,186,266		4,434,622		-		11,751,644
Not recognized as deferred tax assets		16,186,266		4,434,622		-		11,751,644
Recognized as deferred tax assets		-				-		-
Deferred tax assets resulting from tax credit carry forwards		-						-
Deferred income tax of Parent Company		-						-
Deferred income tax of Subsidiary Company		57,407		38,338		-		19,069
Total deferred income tax	₩	57,407	₩	38,338	₩	-	₩	19,069

(Unit: Indian rupee in thousands)

	Year ended December 31, 2014							
Description	Beginning balance		Decrease		Increase		Ending balance	
(Temporary differences)								
Allowance for doubtful accounts	Rs.	-	Rs.	-	Rs.	-	Rs.	-
Government subsidies		262,201		119,944		62,720		204,977
Provision for product warranties		7,215,099		7,215,099		7,927,297		7,927,297
Accrued severance indemnities		11,951,312		2,989,706		5,276,842		14,238,447
Loss on revaluation of property, plant and equipment		8,382,492		1,009,566		3,230		7,376,156

Description	Year ended December 31, 2014 Beginning balance	Decrease	Increase	Ending balance
Development cost	Rs. 3,452,909	Rs. 856,781	Rs. -	Rs. 2,596,128
Depreciation	843,862	218,516	310,398	935,744
Other payables	4,337,759	4,341,351	2,899,649	2,896,058
Accrued expenses	1,114,671	1,114,671	1,699,814	1,699,814
Investments in subsidiaries	240,610	-	-	240,610
Gain (loss) on foreign currency translation	1,531	1,531	-	-
Gain (loss) on valuation of derivatives	(1,810,578)	(1,739,701)	861,019	790,142
Other long-term employee benefit	936,193	936,193	898,126	898,126
Land	(14,990,666)	-	(362)	(14,991,028)
Others	(29,456)	(59,758)	17,815	48,117
Deficit carried over	60,727,339		2,806,946	63,534,285
Total	82,635,278			88,394,873
Not recognized as deferred tax assets	82,635,277			88,394,873
Recognized as deferred tax assets	-			-
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	930,710	254,991	-	675,720
Not recognized as deferred tax assets	930,710	254,991	-	675,720
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-
Deferred income tax of Parent Company	-			-
Deferred income tax of Subsidiary Company	3,301	2,204	-	1,096
Total deferred income tax	Rs. 3,301	Rs. 2,204	Rs. -	Rs. 1,096

The Group 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.

(Unit: Korean Won in thousands)

Description	Year ended December 31, 2013 Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	₩ 48,289	₩ -	₩ (48,289)	₩ -
Government subsidies	4,312,255	1,222,435	1,470,193	4,560,013
Provision for product warranties	118,598,929	118,598,929	125,479,981	125,479,981
Accrued severance indemnities	133,641,815	17,264,982	91,472,071	207,848,904
Loss on revaluation of property, plant and equipment	161,756,602	23,470,585	7,496,445	145,782,462
Development cost	60,725,467	10,344,539	9,669,659	60,050,587
Depreciation	10,416,303	292,063	4,551,622	14,675,862
Other payables	16,669,524	33,171,381	91,941,151	75,439,294
Accrued expenses	15,439,413	15,439,413	19,385,586	19,385,586
Investment in subsidiaries	2,863,690	(1,320,829)	-	4,184,519
Gain (loss) on foreign currency translation	(2,220)	(28,840)	-	26,620
Gain (loss) on valuation of derivatives	(18,999,750)	-	(12,488,563)	(31,488,313)
Other long-term employee benefit	13,107,758	13,107,758	16,281,616	16,281,616
Land	(260,707,239)	-	-	(260,707,239)
Others	(834,260)	(772,950)	(450,966)	(512,276)
Deficit carried over	1,313,655,359	-	(257,527,729)	1,056,127,630
Total	1,570,691,935			1,437,135,246
Not recognized as deferred tax assets	1,570,691,935			1,437,135,246
Recognized as deferred tax assets	-			-
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carry forwards	17,263,892	1,077,626	-	16,186,266
Not recognized as deferred tax assets	17,263,892	1,077,626	-	16,186,266
Recognized as deferred tax assets	-			-
Deferred tax assets resulting from tax credit carry forwards	-			-

Description	Year ended December 31, 2013 Beginning balance	Decrease	Increase	Ending balance
Deferred income tax of Parent Company	₩ -			₩ -
Deferred income tax of Subsidiary Company	95,525	38,118	-	57,407
Total deferred income tax	₩ 95,525	₩ 38,118	₩ -	₩ 57,407

(Unit: Indian rupee in thousands)

Description	Year ended December 31, 2013 Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Allowance for doubtful accounts	Rs. 2,777	Rs. -	Rs. (2,777)	Rs. -
Government subsidies	247,955	70,290	84,536	262,201
Provision for product warranties	6,819,438	6,819,438	7,215,099	7,215,099
Accrued severance indemnities	7,684,404	992,736	5,259,644	11,951,312
Loss on revaluation of property, plant and equipment	9,301,005	1,349,559	431,046	8,382,492
Development cost	3,491,714	594,811	556,005	3,452,909
Depreciation	598,937	16,794	261,718	843,862
Other payables	958,498	1,907,354	5,286,616	4,337,759
Accrued expenses	887,766	887,766	1,114,671	1,114,671
Investments in subsidiaries	164,662	(75,948)	-	240,610
Gain (loss) on foreign currency translation	(128)	(1,658)	-	1,531
Gain (loss) on valuation of derivatives	(1,092,486)	-	(718,092)	(1,810,578)
Other long-term employee benefit	753,696	753,696	936,193	936,193
Land	(14,990,666)	-	-	(14,990,666)
Others	(47,970)	(44,445)	(25,931)	(29,456)
Deficit carried over	75,535,183	-	(14,807,844)	60,727,339
Total	90,314,785			82,635,278
Not recognized as deferred tax assets	90,314,786			82,635,277
Recognized as deferred tax assets	-			-
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences				
Tax credit carry forwards	992,674	61,963	-	930,710
Not recognized as deferred tax assets	992,674	61,963	-	930,710
Recognized as deferred tax assets	-	-	-	-
Deferred tax assets resulting from tax credit carry forwards	-	-	-	-
Deferred income tax of Parent Company				
Deferred income tax of Subsidiary Company	5,493	2,192	-	3,301
Total deferred income tax	Rs. 5,493	Rs. 2,192	Rs. -	Rs. 3,301

24. EXPENSES BY CATEGORY:

Details of expenses classified by category for the the year ended December 31, 2014 and 2013 are as follows

	Korean won in thousands		Indian rupee in thousands	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Changes in inventories	₩ (2,443,919)	₩ (21,423,470)	Rs. (140,525)	Rs. (1,231,850)
Raw materials and merchandise goods used	2,378,597,898	2,522,419,179	136,769,379	145,039,103
Salaries	483,084,025	411,223,518	27,777,331	23,645,352
Depreciation	94,670,217	117,994,337	5,443,536	6,784,674
Amortization	11,502,729	25,384,127	661,407	1,459,587
Other	438,116,061	438,220,609	25,191,674	25,197,685
	₩ 3,403,527,011	₩ 3,493,818,300	Rs. 195,702,802	Rs. 200,894,551

25. DERIVATIVES FINANCIAL INSTRUMENTS:

The Group has a derivative contract with financial institutions such as Korea Development Bank to avoid the risks of exchange rate fluctuation by fitting the amount and period of expected foreign currency sales (hedged items). Gain on valuation of derivatives for ₩1,328,350 thousand (Rs. 76,380 thousand) and Loss on valuation of derivatives for ₩15,495,650 thousand (Rs. 89,105 thousand) applied to cash flow risk aversion accounting treatment is recognized as other capital components, and gain on valuation of derivatives for ₩425,700 thousand (Rs. 24,478 thousand) which is an inefficient part is recognized as current income for the year ended December 31, 2014

26. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the years ended December 31, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2014	2013	2014	2013
Warranty expenses	₩ 76,801,197	₩ 62,867,373	Rs. 4,416,069	Rs. 3,614,874
Sales commissions	168,109,296	151,138,511	9,666,285	8,690,464
Advertising expenses	17,436,678	19,407,650	1,002,609	1,115,940
Export expenses	61,419,389	74,766,881	3,531,615	4,299,096
Others	41,334,190	39,085,026	2,376,716	2,247,389
	₩ 365,100,750	₩ 347,265,441	Rs. 20,993,294	Rs. 19,967,763

(2) Administrative expenses for the years ended December 31, 2014 and 2013, are as follows :

	Korean won in thousands		Indian rupee in thousands	
	2014	2013	2014	2013
Salaries	₩ 48,163,279	₩ 48,075,887	Rs. 2,769,389	Rs. 2,764,364
Postemployment benefits	6,892,145	6,125,022	396,298	352,189
Employee benefits	12,725,732	13,306,044	731,730	765,098
Rent expense	10,520,173	10,554,190	604,910	606,866
Service fees	23,741,683	23,307,737	1,365,147	1,340,195
Depreciation	7,365,553	5,719,079	423,519	328,847
R&D expenses	19,898,965	18,321,478	1,144,190	1,053,485
Amortization	6,806,289	4,077,061	391,362	234,431
Bad debt expense	(121,532)	(685,177)	(6,988)	(39,398)
Other administrative expenses	32,968,037	35,798,799	1,895,661	2,058,430
	₩ 168,960,324	₩ 164,600,120	Rs. 9,715,218	Rs. 9,464,507

27. NON-OPERATING INCOME (EXPENSES):

(1) Details of the Group’s non-operating income for the years ended December 31, 2014 and 2013 are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2014	2013	2014	2013
Commission income	₩ 1,989,428	₩ 14,797,763	Rs. 114,392	Rs. 850,871
Gain on foreign currency transactions	12,819,814	12,899,231	737,139	741,706
Gain on foreign currency translation	869,419	389,131	49,992	22,375
Gain on disposal of property, plant and equipment	1,209,846	279,557	69,566	16,075
Others	30,365,609	17,652,874	1,746,023	1,015,040
	₩ 47,254,116	₩ 46,018,556	Rs. 2,717,112	Rs. 2,646,067

(2) Details of the Group's other non-operating expense for the years ended December 31, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2014	2013	2014	2013
Loss on foreign currency transactions	₩ 10,620,978	₩ 13,234,225	Rs. 610,706	Rs. 760,968
Loss on foreign currency translation	782,062	753,724	44,969	43,339
Loss on disposal of property, plant and equipment	86,068	448,170	4,949	25,770
Loss on disposal of trade receivables	13,469,988	12,682,235	774,524	729,229
Others	29,138,646	33,813,931	1,675,472	1,944,300
	₩ 54,097,742	₩ 60,932,285	Rs. 3,110,620	Rs. 3,503,606

28. FINANCIAL INCOME AND COST:

(1) Details of the Group's financial income for the years ended December 31, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2014	2013	2014	2013
Interest income	₩ 5,060,120	₩ 7,669,188	Rs. 290,957	Rs. 440,979
Dividend income	11,000	8,500	633	489
Gain on foreign currency transactions	6,247,850	5,776,888	359,251	332,171
Gain on foreign currency translation	1,362,633	294,450	78,351	16,931
Gain on disposal of derivatives	36,832,905	25,648,865	2,117,892	1,474,810
Gain on valuation of derivatives	615,900	2,150,880	35,414	123,674
	₩ 50,130,408	₩ 41,548,771	Rs. 2,882,498	Rs. 2,389,054

(2) Details of the Group's financial cost for the years ended December 31, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2014	2013	2014	2013
Interest expense	₩ 1,149,266	₩ 8,732,427	Rs. 66,083	Rs. 502,115
Loss on foreign currency transactions	6,754,679	6,264,455	388,394	360,206
Loss on foreign currency translation	289,132	463,126	16,625	26,630
Loss on disposal of Available-for-sale financial assets	9,576	-	551	-
Loss on disposal of derivatives	8,648,800	4,276,898	497,306	245,922
Loss on valuation of derivatives	190,200	-	10,936	-
	₩ 17,041,653	₩ 19,736,906	Rs. 978,895	Rs. 1,134,873

(3) Details of the Group's financial net profit for the years ended December 31, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2014	2013	2014	2013
Loan and receivables	₩ 4,477,526	₩ 300,907	Rs. 257,458	Rs. 17,302
Available-for-sale financial assets	1,424	6,000	82	345
Other financial liabilities	28,609,805	21,504,958	1,645,064	1,236,535
	₩ 33,088,755	₩ 21,811,865	Rs. 1,902,604	Rs. 1,254,182

29. INCOME(LOSS) PER SHARE:

(1) Basic income (loss) per share for the years ended December 31, 2014 and 2013, is calculated as follows (Unit: Korean won and Indian rupee in thousands, except for earnings per share):

	Korean won in thousands		Indian rupee in thousands	
	2014	2013	2014	2013
Net income(loss)	₩ (50,918,592)	₩ (2,397,791)	Rs. (2,927,819)	Rs. (137,873)
Loss contributed to common stocks	(50,918,592)	(2,397,791)	(2,927,819)	(137,873)
Number of common stocks outstanding	137,193,650	131,584,991	2,927,819	137,873
Basic and diluted income (loss) per share(*1)	₩ (371)	₩ (18)	Rs. (21)	Rs. (1)

(*1) Basic and diluted losses per share for the years ended December 31, 2014 and 2013, are identical since there are no dilutive potential common shares.

(2) The numbers of shares outstanding for the years ended December 31, 2014 and 2013, are calculated as follows:

	December 31, 2014					
	Time interval		Outstanding	Accumulated outstanding	Weighted-average impact	Outstanding
Common stock	2014-01-01	2014-12-31	137,220,096	137,220,096	365/365	137,220,096
Treasury stock	2014-01-01	2014-12-31	(21,706)	(21,706)	365/365	(21,706)
Increase in Treasury stock	2014-12-24	2014-12-31	(216,258)	(216,258)	8/365	(4,740)
Total						137,193,650

	December 31, 2013					
	Time interval		Outstanding	Accumulated outstanding	Weighted-average impact	Outstanding
Common stock	2013-01-01	2013-04-03	122,674,641	122,674,641	93/365	31,256,826
Treasury stock	2013-04-04	2013-05-21	(21,706)	122,652,935	48/365	16,129,701
Additional Share	2013-05-22	2013-12-31	14,545,455	137,198,390	224/365	84,198,464
Total						131,584,991

30. CASH FLOWS FROM OPERATING ACTIVITIES:

Details of cash flows from operating activities for the year ended December 31, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	2014	2013	2014	2013
1. Net loss	₩ (50,918,592)	₩ (2,397,791)	Rs. (2,927,820)	Rs. (137,874)
2. Adjustments	182,927,511	203,678,680	10,518,332	11,711,524
Postemployment benefits	42,130,935	35,925,008	2,422,529	2,065,688
Depreciation	94,650,151	117,958,312	5,442,384	6,782,603
Amortization	11,502,729	25,384,127	661,407	1,459,587
Loss on disposal of trade receivables	13,469,988	12,682,235	774,524	729,229
Gain / Loss on foreign currency translation	(1,160,859)	533,269	(66,749)	30,663
Gain / Loss on disposal of property, plant and equipment	(1,123,778)	168,612	(64,617)	9,695
Interest income / expense	(3,910,853)	1,063,239	(224,874)	61,136
Gain on dividends	(11,000)	(8,500)	(633)	(489)
Loss on valuation of inventories	4,202,306	11,102,920	241,633	638,418
Others	23,177,892	(1,130,542)	1,332,728	(65,006)

	Korean won in thousands				Indian rupee in thousands			
	2014		2013		2014		2013	
3. Changes in working capital	₩	(66,191,593)	₩	74,215,423	₩	(3,806,017)	₩	4,267,387
Decrease (increase) in trade receivables, net		20,680,236		(26,568,392)		1,189,114		(1,527,683)
Decrease (increase) in non-trade receivables, net		11,539,982		(10,127,485)		663,549		(582,330)
Decrease (increase) in inventories		15,547,940		(23,167,569)		894,007		(1,332,135)
Increase (decrease) in other assets		844,078		(1,263,062)		48,534		(72,626)
Decrease (increase) in trade payables		(87,938,970)		86,225,214		(5,056,491)		4,957,950
Decrease (increase) in other payables		(40,019,723)		44,242,062		(2,301,134)		2,543,919
Decrease in accrued charges		10,176,388		-		585,142		-
Increase in provision of product warranties		12,386,059		6,881,052		712,198		395,660
Payment of severance indemnities		(6,958,637)		(5,817,466)		(400,122)		(334,504)
Increase in other liabilities		(2,448,946)		3,811,069		(140,814)		219,136
Net cash (used in) provided by operating activities	₩	65,817,326	₩	275,496,312	Rs.	3,784,495	Rs.	15,841,037

31. SEGMENT INFORMATION:

(1) The Group determined itself as a single reportable segment in light of nature of goods or service creating operating income and trait of assets providing service. Therefore, writing disclosure according to reportable segment's operating income, income before income tax and its assets and liabilities is omitted.

(2) Information of each sales region for the year ended December 31, 2014 and 2013, is as follows:

(Unit: Korean won and Indian rupee in thousands)

Sales region	Year ended December 31, 2014			
Republic of Korea	₩	1,993,511,258	Rs.	114,626,897
Europe		648,279,395		37,276,065
Asia Pacific		283,389,215		16,294,880
Others		410,346,962		23,594,950
Consolidation adjustment		(8,937,404)		(513,901)
	₩	3,326,589,426	Rs.	191,278,891

Sales region	Year ended December 31, 2013			
Republic of Korea	₩	1,920,660,629	Rs.	110,437,986
Europe		862,505,402		49,594,061
Asia Pacific		269,650,176		15,504,885
Others		440,036,945		25,302,124
Consolidation adjustment		(7,982,606)		(459,000)
	₩	3,484,870,546	Rs.	200,380,056

Non-current assets are not separately disclosed as all are located in Korea, and main customer information is not disclosed as most of the Group sales are generated through contracting with individuals and foreign authorized agencies.

(3) Information of each sales product and service for the Year ended December 31, 2014 and 2013, is as follows:

(Unit: Korean won and Indian rupee in thousands)

Sales	Year ended December 31, 2014			
Automobile	₩	2,945,297,419	Rs.	169,354,602
Products		356,608,145		20,504,968
Others		24,683,862		1,419,322
	₩	3,326,589,426	Rs.	191,278,892

Sales	Year ended December 31, 2013			
Automobile	₩	3,053,604,697	Rs.	175,582,270
Products		409,756,801		23,561,016
Others		21,509,048		1,236,770
	₩	3,484,870,546	Rs.	200,380,056

32. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2014, are as follows:

	Related parties
Controlling company	Mahindra & Mahindra Ltd.
Other affiliate companies	Mahindra Vehicle Manufacturing Ltd.
	Mahindra & Mahindra South Africa Ltd.

The transactions between the Company and its subsidiaries are eliminated in the consolidated financial statements and not separately disclosed in the Notes related to receivables and payables.

(2) Major transactions with related parties for the year ended December 31, 2014 and 2013, are as follows:

(Unit: Korean won in thousands)

	Company	Description	Year ended December 31,2014		Year ended December 31,2013	
Transactions with controlling company	Mahindra & Mahindra Ltd.	Sales	₩	1,409,962	₩	2,773,104
		Other income		81,738		135,921
		Purchases		302,048		-
		Intangible asset purchases		-		566,867
		Other expenses		2,239,024		7,643,541
Transaction with other affiliates	Mahindra Vehicle Manufacturing Ltd.	Sales	₩	13,641,777	₩	60,765,429
	Mahindra & Mahindra South Africa Ltd.	Other income		77,504		1,162,203
		Purchases		-		-
		Intangible asset purchases		-		-
		Other expenses		101,928		161,017

(Unit: Indian rupee in thousands):

	Company	Description	Year ended December 31,2014		Year ended December 31,2013	
Transactions with controlling company	Mahindra & Mahindra Ltd.	Sales	Rs.	81,073	Rs.	159,453
		Other income		4,700		7,815
		Purchases		17,368		-
		Intangible asset purchases		-		32,595
		Other expenses		128,744		439,504
Transaction with other affiliates	Mahindra Vehicle Manufacturing Ltd.	Sales	Rs.	784,402	Rs.	3,494,012
	Mahindra & Mahindra South Africa Ltd.	Other income		4,456		66,827
		Purchases		-		-
		Intangible asset purchases		-		-
		Other expenses		5,861		9,258

The bad debt expense recognized for the year ended December 31, 2014 and 2013 does not exist.

(3) Outstanding receivables and payables from transactions with related parties as of December 31, 2014, and 2013, are as follows:

(Unit: Korean won in thousands)

	December 31, 2014		December 31, 2013	
Receivables from and payables to controlling company:				
Trade Receivables	₩	40,507	₩	63,646
Non-trade Receivables		159,510		698,142
Trade Payables		205,628		-
Non-trade Payables		982,293		972,916

		December 31, 2014		December 31, 2013
Receivables from and payables to affiliates:				
Trade Receivables	₩	1,459,978	₩	460,182
Non-trade Receivables		23,435		6,118
Trade Payables		-		-
Non-trade Payables		125,892		47,315

(Unit: Indian rupee in thousands)

		December 31, 2014		December 31, 2013
Receivables from and payables to controlling company:				
Trade Receivables	Rs.	2,329	Rs.	3,660
Non-trade Receivables		9,172		40,143
Trade Payables		11,824		-
Non-trade Payables		56,482		55,943
Receivables from and payables to affiliates:				
Trade Receivables	Rs.	83,949	Rs.	26,460
Non-trade Receivables		1,348		352
Trade Payables		-		-
Non-trade Payables		7,239		2,721

The Group did not recognize allowance for the above-mentioned receivables, and no bad debt expense was recognized for the three months ended December 31, 2014.

(4) Loan and borrowing transactions with related parties for year ended December 31, 2014 and for the year ended 2013 are as follows:

(Unit: Korean won in thousands)

Year ended December 31, 2014		Beginning balance	Increase	Decrease	Ending balance
Controlling company					
Mahindra & Mahindra Ltd	Bonds	₩ 95,404,765	₩ -	₩ 95,404,765	₩ -

Year ended December 31, 2013		Beginning balance	Increase	Decrease	Ending balance
Controlling company					
Mahindra & Mahindra Ltd	Bonds	₩ 95,404,765	₩ -	₩ -	₩ 95,404,765

(Unit: Indian rupee in thousands)

Year ended December 31, 2014		Beginning balance	Increase	Decrease	Ending balance
Controlling company					
Mahindra & Mahindra Ltd	Bonds	Rs. 5,485,774	Rs. -	Rs. 5,485,774	Rs. -

Year ended December 31, 2013		Beginning balance	Increase	Decrease	Ending balance
Controlling company					
Mahindra & Mahindra Ltd	Bonds	Rs. 5,485,774	Rs. -	Rs. -	Rs. 5,485,774

(5) Stock trading with the related parties for the year ended December 31, 2014 and the year ended 2013 is as follows:

(Unit: Korean won in thousands)

	Company	Description	Year ended December 31, 2014	Year ended December 31, 2014
Controlling company	Mahindra & Mahindra Ltd.	Paid in capital increase	₩ -	₩ 79,634,232

(Unit: Indian rupee in thousands)

	Company	Description	Year ended December 31, 2014	Year ended December 31, 2014
Controlling company	Mahindra & Mahindra Ltd.	Paid in capital increase	Rs. -	Rs. 4,578,968

(6) Details of compensation for key executives for the years ended December 31, 2014 and 2013, are as follows:

	Korean won in thousands		Indian rupee in thousands	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Short-term employee benefits	₩ 808,724	₩ 491,531	Rs. 46502	Rs. 28,263
Postemployment benefits	39,582	14,575	2,276	838

33. FINANCIAL INSTRUMENTS:

(1) Capital risk management

The Group 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. There is no change in the overall capital risk management strategy of the Group compared to last year.

The Group 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 separate financial statements.
The Group is not subject to externally enforced capital regulation.

Debt-to-equity ratio as of December 31, 2014, and 2013, is as follows:

(Unit: Korean won in thousands)

	December 31, 2014	December 31, 2013
Debt (A)	₩ 1,191,048,023	₩ 1,233,427,622
Equity (B)	777,383,966	884,197,864
Debt ratio (A/ B)	153.21%	139.50%

(Unit: Indian rupee in thousands)

	December 31, 2014	December 31, 2013
Debt (A)	Rs. 68,485,260	Rs. 70,922,088
Equity (B)	44,699,578	50,841,379
Debt ratio (A/ B)	153.21%	139.50%

(2) The significant accounting policies adopted by classifications such as financial assets, financial liabilities, and equities are disclosed in Note 2.

(3) Details of financial assets and liabilities by category as of December 31, 2014, and 2013, are as follows:

1) Financial assets

(Unit: Korean won in thousands)

	December 31, 2014				
Financial assets	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 156,765,307	₩ -	₩ -	₩ 156,765,307	₩ 156,765,307
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and other receivables	216,364,903	-	-	216,364,903	216,364,903
Long-term AFS financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	-	1,232,650	1,232,650	1,232,650
	₩ 373,136,210	₩ 560,000	₩ 1,232,650	₩ 374,928,860	₩ 374,928,860

	December 31, 2013				
Financial assets	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 366,790,832	₩ -	₩ -	₩ 366,790,832	₩ 366,790,832
Long-term financial instruments	6,000	-	-	6,000	6,000
Trade receivables and other receivables	259,055,047	-	-	259,055,047	259,055,047
Long-term AFS financial assets	-	560,000	-	560,000	560,000
Derivative assets	-	-	28,984,560	28,984,560	28,984,560
	₩ 625,851,879	₩ 560,000	₩ 28,984,560	₩ 655,396,439	₩ 655,396,439

(Unit: Indian rupee in thousands)

	December 31, 2014				
Financial assets	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 9,014,005	Rs. -	Rs. -	Rs. 9,014,005	Rs. 9,014,005
Long-term financial instruments	345	-	-	345	345
Trade receivables and other receivables	12,440,982	-	-	12,440,982	12,440,982
Long-term AFS financial assets	-	32,200	-	32,200	32,200
Derivative assets	-	-	70,877	70,877	70,877
	Rs. 21,455,332	Rs. 32,200	Rs. 70,877	Rs. 21,558,409	Rs. 21,558,409

	December 31, 2013				
Financial assets	Loans and receivables	AFS financial assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 21,090,473	Rs. -	Rs. -	Rs. 21,090,473	Rs. 21,090,473
Long-term financial instruments	345	-	-	345	345
Trade receivables and other receivables	14,895,665	-	-	14,895,665	14,895,665
Long-term AFS financial assets	-	32,200	-	32,200	32,200
Derivative assets	-	-	1,666,612	1,666,612	1,666,612
	Rs. 35,986,483	Rs. 32,200	Rs. 1,666,612	Rs. 37,685,295	Rs. 37,685,295

2) Financial liabilities

	Financial liabilities measured at amortized cost			
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(Korean won in thousands)		(Indian rupee in thousands)	
Trade payables and other payables	₩ 628,806,535	₩ 743,244,488	Rs. 36,156,376	Rs. 42,736,558
Debt	124,540,013	147,012,801	7,161,051	8,453,236
Derivatives iabilities	14,974,250	-	861,019	-
Total	₩ 768,320,798	₩ 890,257,289	Rs. 44,178,446	Rs. 51,189,794

(4) Financial risk management

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

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

1) Market risk

a. Foreign currency risk

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

The table below shows the sensitivity for each foreign currency when exchange rates change 10 %. Sensitivity analysis only includes foreign currency monetary items that are not paid, and it adjusts the translation assuming exchange rate changes 10% at the period-end of December 31, 2014.

Current income will increase when FX rate increases (weaker KRW); likewise, current loss will increase, when FX rate decreases (stronger KRW) with respect to the relevant currency as per following table.

(Unit: Korean won in thousands)

	Korean won in thousands		Indian rupee in thousands	
Currency	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 3,989,526	₩ (3,989,526)	Rs. 229,398	Rs. (229,398)
EUR	(5,556,030)	5,556,030	(319,472)	319,472
JPY	(1,988,916)	1,988,916	(114,363)	114,363
Others	137,287	(137,287)	7,894	(7,894)
	₩ (3,418,133)	₩ 3,418,133	Rs. (196,543)	Rs. 196,543

In order to minimize the risk of foreign exchange fluctuation, the Group has a policy of entering into foreign exchange forward agreement, which is accounted for as hedge accounting for future expected transactions.

Details of non-payment forward contracts for the year ended December 31, 2014 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	₩ 1,081.19	USD 160,000,000	₩ 172,236,400	₩ (4,081,300)
	1,084.32	180,000,000	194,767,300	(4,194,550)
	1,084.53	160,000,000	172,920,250	(4,297,300)
	1,100.44	110,000,000	120,808,050	(1,168,450)
		USD 610,000,000	₩ 660,732,000	₩ (13,741,600)

(Unit: Indian rupee in thousands)

		Average exchange rate contracted		Amount of foreign currency		Amount of Contract		Fair value
Cash flow hedges								
USD	Rs.	62.1684	USD	160,000,000	Rs.	9,903,593	Rs.	(234,675)
		62.3484		180,000,000		11,199,120		(241,187)
		62.3605		160,000,000		9,942,914		(247,095)
		63.2753		110,000,000		6,946,463		(67,186)
			USD	610,000,000	Rs.	37,992,090	Rs.	(790,142)

The cumulative benefits of cash flow hedging related to forward contracts deferred to equity, amount to 14,167,300 thousand won (Rs. 814,620 thousands), and this amount will be reclassified as current income or loss, when the contracts are settled. Future transactions related to forward transactions will occur within twelve months at the latest starting from the end of current period.

b. Interest rate risk.

Sensitivity analysis was conducted assuming 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 possible 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 Group's current income will decrease/increase ₩176,301 thousand (Rs. 10,137 thousand) for the year ended December 31, 2014, due to floating rate debt’s interest rate risk.

2) Credit risk

Credit risk arises from transactions in the 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 Group 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, 2014, and 2013, the maximum exposed amounts of credit risk for financial assets maintained by the Group are as follows.

	December 31, 2014		December 31, 2013		December 31, 2014		December 31, 2013	
	(Korean won in thousands)				(Indian rupee in thousands)			
Trade and other receivables	₩	216,364,904	₩	259,055,047	Rs.	12,440,982	Rs.	14,895,665

3) Liquidity risk

The Group establishes short-term and long-term fund management plans; consequently, exposures to liquidity risk. The Group 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 Group 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 Group 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, 2014, and 2013, is as follows:

(Unit: Korean won in thousands)

	December 31, 2014		
	Within a year	More than 1 year	Total
Trade payables	₩ 367,063,797	₩ -	₩ 367,063,797
Non-trade payables	228,492,719	-	228,492,719
Short-term borrowings	100,926,284	-	100,926,284
Derivatives Liabilities	14,974,250	-	14,974,250
Other payables	29,715,325	-	29,715,325
Long-term borrowings	-	27,212,632	27,212,632
Long-term Non-trade payables	-	3,534,693	3,534,693
	₩ 741,172,375	₩ 30,747,325	₩ 771,919,700

	December 31, 2013		
	Within a year	More than 1 year	Total
Trade payables	₩ 456,011,418	₩ -	₩ 456,011,418
Non-trade payables	246,656,612	-	246,656,612
Short-term borrowings	51,971,981	-	51,971,981
Other payables	20,352,993	-	20,352,993
Long-term other payables	-	20,223,465	20,223,465
Bonds	96,136,637	-	96,136,637
	₩ 871,129,641	₩ 20,223,465	₩ 891,353,106

(Unit: Indian rupee in thousands)

	December 31, 2014		
	Within a year	More than 1 year	Total
Trade payables	Rs. 21,106,168	Rs. -	Rs. 21,106,168
Non-trade payables	13,138,331	-	13,138,331
Short-term borrowings	5,803,261	-	5,803,261
Derivatives Liabilities	861,019	-	861,019
Other payables	1,708,631	-	1,708,631
Long-term borrowings	-	1,564,726	1,564,726
Long-term Non-trade payables	-	203,245	203,245
	Rs. 42,617,410	Rs. 1,767,971	Rs. 44,385,381

	December 31, 2013		
	Within a year	More than 1 year	Total
Trade payables	Rs. 26,220,657	Rs. -	Rs. 26,220,657
Non-trade payables	14,182,755	-	14,182,755
Short-term borrowings	2,988,389	-	2,988,389
Other payables	1,170,297	-	1,170,297
Long-term other payables	-	1,162,849	1,162,849
Bonds	5,527,857	-	5,527,857
	Rs. 50,089,955	Rs. 1,162,849	Rs. 51,252,804

Funding arrangements as of December 31, 2014, and 2013, are as follows:

(Unit: Korean won in thousands)

		December 31, 2014	December 31, 2013
Borrowing limit commitments	Used	₩ 60,000,000	₩ 30,000,000
	Unused	65,000,000	-
	Total	₩ 125,000,000	₩ 30,000,000

(Unit: Indian rupee in thousands)

		December 31, 2014	December 31, 2013
Borrowing limit commitments	Used	Rs. 3,450,000	Rs. 1,725,000
	Unused	3,737,500	-
	Total	Rs 7,187,500	Rs. 1,725,000

(5) Fair value of financial instruments

1) The Group's management deems that the differences between carrying value and fair value of financial assets and financial liabilities recognized as amortized cost on consolidated financial statements is not significant.

2) Valuation methods and assumptions applied in fair value measurement

The fair values of financial instruments (i.e., government bonds and unsecured corporate bonds) traded on active markets are determined with reference to quoted market prices. The Group uses the closing price as the quoted market price for its financial assets.

The fair values of derivatives where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. Non-option derivatives are evaluated by discounted cash flow method using the yield curve available. Options are evaluated by option-pricing models. Foreign exchange forward contracts are determined using the yield curve derived from market interest rates with the same maturity of forward contracts. To measure interest rate swaps, the cash flows are estimated by the yield curve derived from market interest rate and discounted to calculate the present value of swaps.

Fair values of other financial assets and liabilities (except those stated above) are calculated by generally accepted valuation models based on discounted cash flow analysis.

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

Fair values of financial instruments by heirarchy level as of December 31, 2014, and 2013, are as follows:

(Unit: Korean won in thousands)

	December 31, 2014			
Type	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	₩ -	₩ 1,232,650	₩ -	₩ 1,232,650
Derivatives Liabilities designated to hedge item	-	14,974,250	-	14,974,250

	December 31, 2013			
Type	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	₩ -	₩ 28,984,560	₩ -	₩ 28,984,560

(Unit: Indian rupee in thousands)

	December 31, 2014			
Type	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	Rs. -	Rs. 70,877	Rs. -	Rs. 70,877
Derivatives Liabilities designated to hedge item	-	861,019	-	861,019

	December 31, 2013			
Type	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	Rs. -	Rs. 1,666,612	Rs. -	Rs. 1,666,612

4) The Group measures the foreign exchange forward contract (derivative assets: ₩1,232,650 thousand (Rs. 70,877 thousand), derivative liabilities : ₩14,974,250 thousand (Rs. 861,019 thousand)) based on the forward rate announced officially in the market as of December 31, 2014. In the event that no corresponding forward rate with residual period of the foreign exchange forward contract in the market exists, the

Group measured the market value through interpolation method.
As input factors used in measuring market value of foreign exchange forward are from observable exchange forward rate, the Group classified the fair value of the foreign exchange forward as Level 2.