

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 8, 2016.

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, 2015 and 2014, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended December 31, 2015 and 2014, 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audits 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, 2015 and 2014, and their financial performance and their cash flows for the years ended December 31, 2015 and 2014, in accordance with K-IFRS.

Deloitte.

Others

Our audits 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 8, 2016

Notice to Readers

This report is effective as of March 8, 2016, 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 auditors' report.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015 AND 2014

| | Korean won | | Indian rupee | |
|---|------------------------|------------------------|------------------------|------------------------|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| | (In thousands) | | (In thousands) | |
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents (Notes 4, 5 and 33) | ₩ 197,881,904 | ₩ 156,765,307 | Rs. 11,249,586 | Rs. 8,912,108 |
| Trade and other receivables, net (Notes 7, 32 and 33) | 160,062,466 | 176,759,654 | 9,099,551 | 10,048,786 |
| Derivative assets (Notes 25 and 33) | 1,707,695 | 1,232,650 | 97,082 | 70,076 |
| Inventories, net (Notes 8 and 24) | 247,673,244 | 260,679,204 | 14,080,224 | 14,819,613 |
| Other current assets (Note 10) | 6,567,822 | 7,792,553 | 373,381 | 443,007 |
| Total current assets | <u>613,893,131</u> | <u>603,229,368</u> | <u>34,899,824</u> | <u>34,293,590</u> |
| NON-CURRENT ASSETS: | | | | |
| Non-current financial instruments (Notes 5 and 33) | 6,000 | 6,000 | 341 | 341 |
| Non-current AFS financial assets (Notes 6 and 33) | 560,000 | 560,000 | 31,836 | 31,836 |
| Non-current other receivables, net (Notes 7 and 33) | 39,728,012 | 39,605,250 | 2,258,537 | 2,251,558 |
| Property, plant and equipment, net (Note 11) | 1,187,844,823 | 1,173,736,394 | 67,528,978 | 66,726,914 |
| Intangible assets (Note 12) | 186,944,585 | 150,915,434 | 10,627,800 | 8,579,542 |
| Deferred income tax assets (Note 23) | - | 19,069 | - | 1,084 |
| Investment in joint venture (Note 9) | 9,868,178 | - | 561,006 | - |
| Other non-current assets (Note 10) | 352,983 | 360,473 | 20,067 | 20,493 |
| Total non-current assets | <u>1,425,304,581</u> | <u>1,365,202,620</u> | <u>81,028,565</u> | <u>77,611,768</u> |
| TOTAL ASSETS | <u>₩ 2,039,197,712</u> | <u>₩ 1,968,431,989</u> | <u>Rs. 115,928,389</u> | <u>Rs. 111,905,358</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES: | | | | |
| Trade and other payables (Notes 18, 32 and 33) | ₩ 637,814,269 | ₩ 625,271,842 | Rs. 36,259,741 | Rs. 35,546,704 |
| Short-term borrowings (Notes 13, 18 and 33) | 153,224,546 | 99,540,013 | 8,710,815 | 5,658,850 |
| Derivative liabilities (Notes 25 and 33) | 24,074 | 14,974,250 | 1,369 | 851,286 |
| Provision for product warranties (Note 15) | 56,861,222 | 57,556,475 | 3,232,560 | 3,272,086 |
| Long-term employee benefits obligation | 1,960,778 | 1,770,267 | 111,470 | 100,640 |
| Other current liabilities (Note 16) | 28,884,731 | 22,493,219 | 1,642,098 | 1,278,738 |
| Total current liabilities | <u>878,769,620</u> | <u>821,606,066</u> | <u>49,958,053</u> | <u>46,708,304</u> |

(Continued)

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2015 AND 2014

| | Korean won | | Indian rupee | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| | (In thousands) | | (In thousands) | |
| NON-CURRENT LIABILITIES: | | | | |
| Long-term borrowings | ₩ 37,500,000 | ₩ 25,000,000 | Rs. 2,131,875 | Rs. 1,421,250 |
| Other non-current payables (Note 33) | 12,612,614 | 3,534,693 | 717,027 | 200,947 |
| Retirement benefit obligation (Note 17) | 292,005,725 | 246,748,389 | 16,600,525 | 14,027,646 |
| Other long-term employee benefits obligation | 14,321,821 | 13,849,312 | 814,196 | 787,333 |
| Provision for long-term product warranties (Note 15) | <u>86,932,757</u> | <u>80,309,564</u> | <u>4,942,127</u> | <u>4,565,599</u> |
| Total non-current liabilities | <u>443,372,917</u> | <u>369,441,958</u> | <u>25,205,750</u> | <u>21,002,775</u> |
| TOTAL LIABILITIES | <u>1,322,142,537</u> | <u>1,191,048,024</u> | <u>75,163,803</u> | <u>67,711,079</u> |
| SHAREHOLDERS' EQUITY: | | | | |
| Total shareholders' equity | 717,055,175 | 777,383,965 | 40,764,586 | 44,194,279 |
| Capital stock (Note 19) | 686,100,480 | 686,100,480 | 39,004,812 | 39,004,812 |
| Other capital surplus (Note 20) | 131,678,359 | 129,383,402 | 7,485,916 | 7,355,447 |
| Other capital adjustments (Notes 21 and 25) | 1,570,930 | (13,065,231) | 89,307 | (742,758) |
| Accumulated deficit (Note 22) | (102,294,594) | (25,034,686) | (5,815,449) | (1,423,222) |
| Non-controlling interests | - | - | - | - |
| TOTAL SHAREHOLDERS' EQUITY | <u>717,055,175</u> | <u>777,383,965</u> | <u>40,764,586</u> | <u>44,194,279</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>₩ 2,039,197,712</u> | <u>₩ 1,968,431,989</u> | <u>Rs. 115,928,389</u> | <u>Rs. 111,905,358</u> |

(Concluded)

See accompanying notes to consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

| | Korean won | | Indian rupee | |
|--|---|---|---|---|
| | Year ended December 31, 2015 (In thousands) | Year ended December 31, 2014 (In thousands) | Year ended December 31, 2015 (In thousands) | Year ended December 31, 2014 (In thousands) |
| SALES (Notes 31 and 32) | ₩ 3,390,065,196 | ₩ 3,326,589,426 | Rs. 192,725,206 | Rs. 189,116,609 |
| COST OF SALES (Notes 24 and 32) | <u>2,868,750,169</u> | <u>2,869,465,937</u> | <u>163,088,447</u> | <u>163,129,139</u> |
| GROSS PROFIT | 521,315,027 | 457,123,489 | 29,636,759 | 25,987,470 |
| SELLING AND ADMINISTRATIVE EXPENSES (Notes 24 and 26) | <u>557,126,822</u> | <u>534,061,074</u> | <u>31,672,660</u> | <u>30,361,372</u> |
| OPERATING LOSS | (35,811,795) | (76,937,585) | (2,035,901) | (4,373,902) |
| NON-OPERATING INCOME (Note 27) | 31,870,878 | 47,254,116 | 1,811,859 | 2,686,397 |
| NON-OPERATING EXPENSES (Note 27) | 29,824,783 | 54,097,742 | 1,695,539 | 3,075,457 |
| FINANCIAL INCOME (Note 28) | 17,402,502 | 50,130,408 | 989,332 | 2,849,914 |
| FINANCIAL COST (Note 28) | 45,215,209 | 17,041,653 | 2,570,485 | 968,818 |
| SHARE OF LOSS OF A JOINT VENTURE | <u>(331,822)</u> | <u>-</u> | <u>(18,864)</u> | <u>-</u> |
| INCOME BEFORE INCOME TAX EXPENSE | (61,910,229) | (50,692,456) | (3,519,598) | (2,881,866) |
| INCOME TAX EXPENSE (Note 23) | <u>31,945</u> | <u>226,137</u> | <u>1,816</u> | <u>12,856</u> |
| NET LOSS | (61,942,174) | (50,918,593) | (3,521,414) | (2,894,722) |
| Owners of the Company | (61,942,174) | (50,918,593) | (3,521,414) | (2,894,722) |
| Non-controlling interests | - | - | - | - |
| OTHER COMPREHENSIVE LOSS (Notes 21 and 22) | <u>(681,573)</u> | <u>(55,895,305)</u> | <u>(38,748)</u> | <u>(3,177,648)</u> |
| TOTAL COMPREHENSIVE LOSS | (62,623,747) | (106,813,898) | (3,560,162) | (6,072,370) |
| OWNERS OF THE COMPANY NON-CONTROLLING INTERESTS | (62,623,747) | (106,813,898) | (3,560,162) | (6,072,370) |
| LOSS PER SHARE (Note 29) | | | | |
| Basic and diluted income per share | <u>₩ (452)</u> | <u>₩ (371)</u> | <u>Rs. (26)</u> | <u>Rs. (21)</u> |

See accompanying notes to consolidated financial statements.

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

| | Korean won in thousands | | | | | | | | | |
|--|-------------------------|----------------------------------|---------------------------|-------------------------------|----------------|---|-----------------------|---------------------------|-------------------------------------|---------------|
| | Other capital surplus | | | | | Retained earnings (accumulated deficit) | | | | |
| | Capital stock | Paid-in capital in excess of par | Gain on capital reduction | Debt to be swapped for equity | Treasury stock | Gain on disposal of treasury stock | Other capital surplus | Other capital Adjustments | Other capital (accumulated deficit) | Total |
| 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 loss | - | - | - | - | - | - | - | - | (50,918,592) | (50,918,592) |
| Actuarial loss | - | - | - | - | - | - | - | - | (15,310,235) | (15,310,235) |
| Increase in treasury stock | - | - | - | - | (1,081,290) | - | - | - | - | (1,081,290) |
| Loss on valuation of derivatives | - | - | - | - | - | - | - | - | - | (41,000,980) |
| Overseas operations translation credit | - | - | - | - | - | - | - | (41,000,980) | - | - |
| Others | - | - | (2,162,579) | - | - | - | 3,243,869 | 415,908 | - | 415,908 |
| Balance at December 31, 2014 | ₩ 686,100,480 | ₩ 11,452,713 | ₩ 118,189,001 | ₩ 931,508 | ₩ (1,189,820) | ₩ - | ₩ - | ₩ (13,065,231) | ₩ (25,034,686) | ₩ 777,383,965 |
| Balance at January 1, 2015 | ₩ 686,100,480 | ₩ 11,452,713 | ₩ 118,189,001 | ₩ 931,508 | ₩ (1,189,820) | ₩ - | ₩ - | ₩ (13,065,231) | ₩ (25,034,686) | ₩ 777,383,965 |
| Net loss | - | - | - | - | - | - | - | - | (61,942,174) | (61,942,174) |
| Actuarial loss | - | - | - | - | - | - | - | - | (15,317,734) | (15,317,734) |
| Gain on valuation of derivatives | - | - | - | - | - | - | - | 14,394,640 | - | 14,394,640 |
| Overseas operations translation credit | - | - | - | - | - | - | - | - | 241,521 | 241,521 |
| Disposal of treasury stock | - | - | - | - | 1,189,820 | 1,105,137 | - | - | - | 2,294,957 |
| Balance at December 31, 2015 | ₩ 686,100,480 | ₩ 11,452,713 | ₩ 118,189,001 | ₩ 931,508 | ₩ - | ₩ 1,105,137 | ₩ - | ₩ 1,570,930 | ₩ (102,294,594) | ₩ 717,055,175 |

(Continued)

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

| | Indian rupee in thousands | | | | | | | | | |
|--|----------------------------------|---------------------------|-------------------------------|----------------|------------------------------------|-----------------------|---------------------------|-----------------------|-------------|-----|
| | Other capital surplus | | | | | Retained earnings | | | | |
| | Paid-in capital in excess of par | Gain on capital reduction | Debt to be swapped for equity | Treasury stock | Gain on disposal of treasury stock | Other capital surplus | Other capital adjustments | (accumulated deficit) | Total | |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Balance at January 1, 2014 | 39,004,812 | 651,087 | 6,841,987 | 52,956 | (6,170) | (184,414) | 1,564,503 | 2,341,887 | 50,266,648 | |
| Net loss | - | - | - | - | - | - | - | (2,894,722) | (2,894,722) | |
| Actuarial loss | - | - | - | - | - | - | - | (870,387) | (870,387) | |
| Increase in treasury stock | - | - | - | - | (61,471) | - | - | - | (61,471) | |
| Loss on valuation of derivatives | - | - | - | - | - | - | (2,330,905) | - | (2,330,905) | |
| Overseas operations translation credit | - | - | - | - | - | - | 23,644 | - | 23,644 | |
| Others | - | - | (122,942) | - | - | 184,414 | - | - | 61,472 | |
| Balance at December 31, 2014 | 39,004,812 | 651,087 | 6,719,045 | 52,956 | (67,641) | - | (742,758) | (1,423,222) | 44,194,279 | |
| Balance at January 1, 2015 | 39,004,812 | 651,087 | 6,719,045 | 52,956 | (67,641) | - | - | (1,423,222) | 44,194,279 | |
| Net loss | - | - | - | - | - | - | - | (3,521,414) | (3,521,414) | |
| Actuarial loss | - | - | - | - | - | - | - | (870,813) | (870,813) | |
| Gain on valuation of derivatives | - | - | - | - | - | - | 818,335 | - | 818,335 | |
| Overseas operations translation credit | - | - | - | - | - | - | - | - | - | |
| Disposal of treasury stock | - | - | - | - | 62,828 | - | 13,730 | - | 13,730 | |
| Balance at December 31, 2015 | 39,004,812 | 651,087 | 6,719,045 | 52,956 | 62,828 | - | 89,307 | (5,815,449) | 40,764,586 | |

(Concluded)

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, 2015 AND 2014

| | Korean won | | Indian rupee | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2015 | Year ended December 31, 2014 |
| | (In thousands) | | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net loss | ₩ (61,942,174) | ₩ (50,918,593) | Rs. (3,521,414) | Rs. (2,894,722) |
| Adjustment (Note 30) | 217,574,021 | 182,927,511 | 12,369,083 | 10,399,429 |
| Changes in net working capital (Note 30) | 46,166,312 | (66,191,593) | 2,624,555 | (3,762,992) |
| | 201,798,159 | 65,817,325 | 11,472,224 | 3,741,715 |
| Interests received | 3,281,174 | 6,170,138 | 186,535 | 350,772 |
| Interests paid | (3,532,373) | (3,631,001) | (200,815) | (206,422) |
| Dividend income received | 11,000 | 11,000 | 625 | 625 |
| Corporate income tax | (10,733) | (214,297) | (610) | (12,183) |
| Net cash provided by operating activities | 201,547,227 | 68,153,165 | 11,457,959 | 3,874,507 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Cash inflows from investing activities: | | | | |
| Decrease in other receivables | 7,836,123 | - | 445,485 | - |
| Disposal of property, plant and equipment | 718,827 | 1,394,112 | 40,865 | 79,255 |
| Decrease in intangible assets | - | 587,760 | - | 33,414 |
| Decrease in other assets | 113,159 | 2,125 | 6,433 | 121 |
| | 8,668,109 | 1,983,997 | 492,783 | 112,790 |
| Cash outflows for investing activities: | | | | |
| Increase in other receivables | 8,493,404 | 3,151,173 | 482,850 | 179,142 |
| Acquisition of property, plant and equipment | 151,095,940 | 183,675,339 | 8,589,804 | 10,441,943 |
| Acquisition of intangible assets | 66,873,343 | 72,703,278 | 3,801,750 | 4,133,181 |
| Acquisition of joint operation | 10,200,000 | - | 579,870 | - |
| | 236,662,687 | 259,529,790 | 13,454,274 | 14,754,266 |
| Net cash used in investing activities | (227,994,578) | (257,545,793) | (12,961,491) | (14,641,476) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Cash inflows from financing activities: | | | | |
| Increase in borrowings | 70,163,042 | 73,998,949 | 3,988,769 | 4,206,840 |
| Increased paid-in capital | 2,294,957 | - | 130,468 | - |
| Increase in government grants | 70,401 | 46,244 | 4,002 | 2,629 |
| | 72,528,400 | 74,045,193 | 4,123,239 | 4,209,469 |

(Continued)

SSANGYONG MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

| | Korean won | | Indian rupee | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2015 | Year ended December 31, 2014 |
| | (In thousands) | | (In thousands) | |
| Cash outflows for financing activities: | | | | |
| Redemption of borrowings | ₩ 5,000,000 | ₩ 95,404,765 | Rs. 284,250 | Rs. 5,423,761 |
| Stock issuance cost | - | - | - | - |
| | <u>5,000,000</u> | <u>95,404,765</u> | <u>284,250</u> | <u>5,423,761</u> |
| Net cash provided by (used in) financing activities | <u>67,528,400</u> | <u>(21,359,572)</u> | <u>3,838,989</u> | <u>(1,214,292)</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | <u>35,548</u> | <u>726,675</u> | <u>2,021</u> | <u>41,311</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 41,116,597 | (210,025,525) | 2,337,478 | (11,939,950) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR | <u>156,765,307</u> | <u>366,790,832</u> | <u>8,912,108</u> | <u>20,852,058</u> |
| CASH AND CASH EQUIVALENTS, END OF THE YEAR | <u>₩ 197,881,904</u> | <u>₩ 156,765,307</u> | <u>Rs. 11,249,586</u> | <u>Rs. 8,912,108</u> |

(Concluded)

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, 2015 AND 2014

1. GENERAL:

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

Ssangyong Motor Company (the “Company”) was incorporated on December 6, 1962, in the Republic of Korea 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, 2015, are as follows:

| <u>Name of shareholder</u> | <u>Number of shares owned</u> | <u>Percentage of ownership (%)</u> |
|----------------------------|-----------------------------------|--|
| Mahindra & Mahindra Ltd. | 99,964,502 | 72.85 |
| Others | 37,255,594 | 27.15 |
| | <u>137,220,096</u> | <u>100</u> |

2. SIGNIFICANT ACCOUNTING POLICIES:

The Company and its subsidiaries (the “Group”) maintains its official accounting records in Korean won and prepares consolidated financial statements in conformity with Korean International Financial 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 shareholders’ 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. 0.05685 at December 31, 2015), 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, 2015, to be submitted at the ordinary shareholders’ meeting were authorized for issuance at the board of directors’ meeting on February 16, 2016.

(1) Basis of preparation

The Group has prepared its consolidated financial statements in accordance with the K-IFRS.

The principal accounting policies are set out below. Except for the effect of the amendments to K-IFRSs and new interpretations set out below, the principal accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2015, are consistent with the accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2014.

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.

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

In the current year, the Group has applied a number of amendments to K-IFRSs and new interpretations were issued that are mandatorily effective for accounting periods beginning on or after January 1, 2015.

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 is independent of the number of years of service. The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

Annual Improvements to K-IFRS 2010-2012 Cycle

The amendments to K-IFRS 1002 (i) change the definitions of 'vesting condition' and 'market condition' and (ii) add definitions for 'performance condition' and 'service condition,' which were previously included within the definition of 'vesting condition.' The amendments to K-IFRS 1103, Business Combinations, clarify the classification and measurement of the contingent consideration in business combination. The amendments to K-IFRS 1108, Operating Segments, 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 application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

Annual Improvements to K-IFRS 2011-2013 Cycle

The amendments to K-IFRS 1103 clarify that it excludes the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself from the scope of K-IFRS 1103. The amendments to K-IFRS 1113, Fair Value Measurements, and K-IFRS 1040, Investment Properties, exist. The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

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 1001 – Presentation of Financial Statements

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2016.

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

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

Amendments to K-IFRS 1038 – Intangible Assets

The amendments to K-IFRS 1038 do not allow presumption that revenue is an appropriate basis for the amortization of intangible assets; the presumption can only be limited when the intangible asset is 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. The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1110 – Consolidated Financial Statements, K-IFRS 1112 – Disclosure of Interests in Other Entities and K-IFRS 1028 – Investment in Associates

The amendments clarify that on applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. The amendments are effective for annual periods beginning on or after January 1, 2016.

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

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in K-IFRS 1103. 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.

Amendments to K-IFRS 1109 – Financial Instruments

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

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

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

Annual Improvements to K-IFRS 2012-2014 cycle

The annual improvements include amendments to a number of K-IFRSs. The amendments introduce specific guidance in K-IFRS 1105, Non-current Assets Held for Sale and Discontinued Operations, when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa); such a change is considered as a continuation of the original plan of disposal, not as a change to a plan of sale. Other amendments in the annual improvements include K-IFRS 1107, Financial Instruments: Disclosures; K-IFRS 1019, Employee Benefits; and K-IFRS 1034, Interim Financial Reporting.

The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

(2) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and the entities (including structured entities) controlled by the Group (and its subsidiaries). Control is achieved when 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 statements of comprehensive income from the date the Group gains control to 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 in line with the Group's accounting policies.

All intragroup 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 the 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) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale; in which case, it is accounted for in accordance with K-IFRS 1105, Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1039. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis it would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but continues to use the equity method, it reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies K-IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The requirements of K-IFRS 1039 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036, Impairment of Assets, by comparing its recoverable amount (higher of value in use or fair value, less costs to sell) with its carrying amount, and any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(4) 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 the significant risks and rewards of ownership of the goods to the buyer.

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 the estimated total costs of the transaction, as applicable.

3) *Dividend and interest income*

Dividend income from investments is recognized when the shareholders' 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 timely 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

(5) *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) 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 whose 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 reattributed 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.

(6) Financial instruments

Financial assets and financial liabilities are recognized when 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 ("FVTPL") 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 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 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 a financial asset is a contingent consideration that may be paid by an acquirer as part of business combination to which K-IFRS 1103 applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling 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 or contingent consideration that may be paid by an acquirer as part of a business combination 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;
- 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 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 consolidated statements of comprehensive income.

3) Held-to-maturity investments

Non-derivative 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 FVTPL.

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 and 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, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For 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 includes:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- probability that the borrower will enter bankruptcy or financial re-organization; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, 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 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, it 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, it 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 asset other than in its entirety (e.g., when the Group retains an option to repurchase part of a transferred asset or retains a residual interest and such a 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.

(7) Financial liabilities and equity instruments

1) Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a 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 as 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 costs that are directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to acquisition of financial liabilities at FVTPL 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 a financial liability is a contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS 1103 applies, when it is held for trading or when it is designated as at 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;
- 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 or a contingent consideration that may be paid by an acquirer as part of a business combination 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;
- 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 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 is recognized in other gains and losses line item in the consolidated statements 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 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), 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 derecognizes financial liabilities when the Group's obligations are discharged, canceled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(8) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, 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, and 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 consolidated statements 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 when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(9) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories, except for those in transit, is measured using 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 are 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.

(10) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment 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:

| | <u>Useful lives (Years)</u> |
|-------------------------|-----------------------------|
| Buildings | 24–50 |
| Structures | 13–30 |
| Machinery and equipment | 10 |
| Vehicles | 5–10 |
| Others | 5–10 |

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.

(11) 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 of intangible assets 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 (“R&D”) 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, and 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, are recognized in profit or loss when the asset is derecognized.

(12) 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; 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, or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset 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.

(13) 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 consolidated statements of financial position with a charge or credit recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost and 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 statements 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 or when the entity recognizes any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service as follows:

If the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).

If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by K-IFRS 1019 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

(14) 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 pretax 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.

(15) Leases

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 consolidated statements 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.

(16) 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 when 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.

(17) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached 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 consolidated statements 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

(18) 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 consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The 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 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 it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized 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 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 is 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 to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.

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 taxes for the year

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity. 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.

(19) 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 realizable value in K-IFRS 1002, Inventories, or value in use in K-IFRS 1036.

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.

(20) 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.

(21) Accounting treatment related to the emission rights (cap and trade) scheme

The Group classifies the emission rights as intangible assets. Emission rights allowances that the government allocated free of charge are measured at nil, and emission rights allowances that are purchased are measured at cost, which the Group paid to purchase the allowances. If emission rights that the government allocated free of charge are sufficient to settle the emission rights allowances allotted for vintage year, the emission liabilities are measured at nil. However, for the emission liabilities that exceed the allowances allocated free of charge, the shortfall is measured at best estimate at the end of the reporting period.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

In the application of the Company's 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 consolidated 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 whose 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, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| | Financial institution | December 31, 2015 | December 31, 2014 | Notes |
|---------------------------------|-------------------------|--------------------|---------------------|--|
| Cash and cash equivalents | Shinhan Bank and others | ₩ 567,340 | ₩ 405,689 | Government subsidies and others Unconfirmed reorganization debt pledged as collateral |
| | Woori Bank and others | 957,689 | 14,147,553 | |
| Long-term financial instruments | Shinhan Bank and others | 6,000 | 6,000 | Overdraft deposit |
| | | <u>₩ 1,531,029</u> | <u>₩ 14,559,242</u> | |

(Unit: Indian rupee in thousands)

| | Financial institution | December 31, 2015 | December 31, 2014 | Notes |
|---------------------------------|-------------------------|-------------------|--------------------|--|
| Cash and cash equivalents | Shinhan Bank and others | Rs. 32,253 | Rs. 23,063 | Government subsidies and others Unconfirmed reorganization debt pledged as collateral |
| | Woori Bank and others | 54,445 | 804,288 | |
| Long-term financial instruments | Shinhan Bank and others | 341 | 341 | Overdraft deposit |
| | | <u>Rs. 87,039</u> | <u>Rs. 827,692</u> | |

6. LONG-TERM AFS FINANCIAL ASSETS:

The Group's long-term AFS financial assets as of December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| Classification | Ownership (%) | December 31, 2015 | | | December 31, 2014 |
|--|---------------|-------------------|--------------------|------------------|-------------------|
| | | 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 |
| | | <u>₩ 560,000</u> | <u>₩ 1,129,594</u> | <u>₩ 560,000</u> | <u>₩ 560,000</u> |

(Unit: Indian rupee in thousands)

| Classification | Ownership (%) | December 31, 2015 | | | December 31, 2014 |
|--|---------------|-------------------|-------------------|-------------------|-------------------|
| | | Acquisition cost | Net asset value | Book value | Book value |
| Kihyup Technology Banking Corporation (*) | 1.72% | Rs. 28,425 | Rs. 38,110 | Rs. 28,425 | Rs. 28,425 |
| Korea Management Consultants Association (*) | 1.50% | 3,411 | 26,107 | 3,411 | 3,411 |
| | | <u>Rs. 31,836</u> | <u>Rs. 64,217</u> | <u>Rs. 31,836</u> | <u>Rs. 31,836</u> |

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

7. TRADE AND OTHER RECEIVABLES:

All current trade and other receivables are due within one year from December 31, 2015, 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, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| Financial assets | December 31, 2015 | | | |
|---------------------------------------|----------------------|-----------------------|--------------------|-----------------------------|
| | Trade receivables | Non-trade receivables | Other receivables | Other long-term receivables |
| Receivables – general | ₩ 151,034,088 | ₩ 6,455,062 | ₩ 2,628,696 | ₩ 39,887,267 |
| Less: Allowance for doubtful accounts | (44,462) | (2,252) | (8,666) | (159,255) |
| | <u>₩ 150,989,626</u> | <u>₩ 6,452,810</u> | <u>₩ 2,620,030</u> | <u>₩ 39,728,012</u> |

| Financial assets | December 31, 2014 | | | |
|---------------------------------------|----------------------|-----------------------|--------------------|-----------------------------|
| | Trade receivables | Non-trade receivables | Other receivables | Other long-term receivables |
| Receivables – general | ₩ 155,912,326 | ₩ 18,513,496 | ₩ 2,825,391 | ₩ 39,754,888 |
| Less: Allowance for doubtful accounts | (87,169) | (393,336) | (11,054) | (149,638) |
| | <u>₩ 155,825,157</u> | <u>₩ 18,120,160</u> | <u>₩ 2,814,337</u> | <u>₩ 39,605,250</u> |

(Unit: Indian rupee in thousands)

| Financial assets | December 31, 2015 | | | |
|---------------------------------------|----------------------|-----------------------|--------------------|-----------------------------|
| | Trade receivables | Non-trade receivables | Other receivables | Other long-term receivables |
| Receivables – general | Rs. 8,586,288 | Rs. 366,970 | Rs. 149,442 | Rs. 2,267,591 |
| Less: Allowance for doubtful accounts | (2,528) | (128) | (493) | (9,054) |
| | <u>Rs. 8,583,760</u> | <u>Rs. 366,842</u> | <u>Rs. 148,949</u> | <u>Rs. 2,258,537</u> |

| Financial assets | December 31, 2014 | | | |
|---------------------------------------|----------------------|-----------------------|--------------------|-----------------------------|
| | Trade receivables | Non-trade receivables | Other receivables | Other long-term receivables |
| Receivables – general | Rs. 8,863,616 | Rs. 1,052,492 | Rs. 160,623 | Rs. 2,260,065 |
| Less: Allowance for doubtful accounts | (4,956) | (22,361) | (628) | (8,507) |
| | <u>Rs. 8,858,660</u> | <u>Rs. 1,030,131</u> | <u>Rs. 159,995</u> | <u>Rs. 2,251,558</u> |

- (2) Credit risk and allowance for doubtful accounts

The above-mentioned 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-mentioned trade receivables (refer to the aging analysis below); the Group did not reserve an allowance for the aforementioned receivables as 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, 2015 and 2014, is as follows:

(Unit: Korean won in thousands)

| | | December 31, 2015 | | | |
|-----------------------------|------------------|-------------------|--------------------|--------------------|--|
| Classification | 3-6 months | 6-12 months | More than 1 year | Total | |
| Trade receivables | ₩ 344,346 | ₩ 316,971 | ₩ 20,749 | ₩ 682,066 | |
| Non-trade receivables | 285,124 | 1,833 | 4,125,784 | 4,412,741 | |
| Other long-term receivables | - | - | 103,250 | 103,250 | |
| | <u>₩ 629,470</u> | <u>₩ 318,804</u> | <u>₩ 4,249,783</u> | <u>₩ 5,198,057</u> | |

| | | December 31, 2014 | | | |
|-----------------------------|--------------------|-------------------|--------------------|--------------------|--|
| Classification | 3-6 months | 6-12 months | More than 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 | |
| | <u>₩ 2,490,249</u> | <u>₩ 52,029</u> | <u>₩ 4,837,922</u> | <u>₩ 7,380,200</u> | |

(Unit: Indian rupee in thousands)

| | | December 31, 2015 | | | |
|-----------------------------|-------------------|-------------------|--------------------|--------------------|--|
| Classification | 3-6 months | 6-12 months | More than 1 year | Total | |
| Trade receivables | Rs. 19,576 | Rs. 18,020 | Rs. 1,180 | Rs. 38,776 | |
| Non-trade receivables | 16,209 | 104 | 234,551 | 250,864 | |
| Other long-term receivables | - | - | 5,870 | 5,870 | |
| | <u>Rs. 35,785</u> | <u>Rs. 18,124</u> | <u>Rs. 241,601</u> | <u>Rs. 295,510</u> | |

| | | December 31, 2014 | | | |
|-----------------------------|--------------------|-------------------|--------------------|--------------------|--|
| Classification | 3-6 months | 6-12 months | More than 1 year | Total | |
| Trade receivables | Rs. 103,452 | Rs. 2,535 | Rs. - | Rs. 105,987 | |
| Non-trade receivables | 38,118 | 423 | 269,166 | 307,707 | |
| Other long-term receivables | - | - | 5,870 | 5,870 | |
| | <u>Rs. 141,570</u> | <u>Rs. 2,958</u> | <u>Rs. 275,036</u> | <u>Rs. 419,564</u> | |

Aging analysis of the trade and non-trade receivables and other long-term receivables that are overdue but are impaired as of December 31, 2015 and 2014, is as follows:

(Unit: Korean won in thousands)

| | | December 31, 2015 | | | |
|-----------------------------|------------|-------------------|------------------|----------|--|
| Classification | 3-6 months | 6-12 months | More than 1 year | Total | |
| Other long-term receivables | ₩ - | ₩ - | ₩ 47,349 | ₩ 47,349 | |

| | | December 31, 2014 | | | |
|-----------------------------|------------|-------------------|------------------|------------------|--|
| Classification | 3-6 months | 6-12 months | More than 1 year | Total | |
| Non-trade receivables | ₩ - | ₩ - | ₩ 388,237 | ₩ 388,237 | |
| Other long-term receivables | - | - | 47,349 | 47,349 | |
| | <u>₩ -</u> | <u>₩ -</u> | <u>₩ 435,586</u> | <u>₩ 435,586</u> | |

(Unit: Indian rupee in thousands)

| December 31, 2015 | | | | |
|-----------------------------|------------|-------------|------------------|-----------|
| Classification | 3-6 months | 6-12 months | More than 1 year | Total |
| Other long-term receivables | Rs. - | Rs. - | Rs. 2,692 | Rs. 2,692 |

| December 31, 2014 | | | | |
|-----------------------------|------------|-------------|------------------|------------|
| Classification | 3-6 months | 6-12 months | More than 1 year | Total |
| Non-trade receivables | Rs. - | Rs. - | Rs. 22,071 | Rs. 22,071 |
| Other long-term receivables | - | - | 2,692 | 2,692 |
| | Rs. - | Rs. - | Rs. 24,763 | Rs. 24,763 |

(3) Changes in allowance for trade and other receivables for the years ended December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| Year ended December 31, 2015 | | | | |
|------------------------------|-------------------|-----------------------|-------------------|-----------------------------|
| Classification | Trade receivables | Non-trade receivables | Other receivables | Other long-term receivables |
| Beginning balance | ₩ 87,169 | ₩ 393,336 | ₩ 11,054 | ₩ 149,638 |
| Bad debt expense | (42,707) | (30,821) | (2,388) | 9,617 |
| Write-offs | - | (360,263) | - | - |
| Ending balance | ₩ 44,462 | ₩ 2,252 | ₩ 8,666 | ₩ 159,255 |

| Year ended December 31, 2014 | | | | |
|------------------------------|-------------------|-----------------------|-------------------|-----------------------------|
| Classification | 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 |

(Unit: Indian rupee in thousands)

| Year ended December 31, 2015 | | | | |
|------------------------------|-------------------|-----------------------|-------------------|-----------------------------|
| Classification | Trade receivables | Non-trade receivables | Other receivables | Other long-term receivables |
| Beginning balance | Rs. 4,956 | Rs. 22,361 | Rs. 628 | Rs. 8,507 |
| Bad debt expense | (2,428) | (1,751) | (135) | 547 |
| Write-offs | - | (20,482) | - | - |
| Ending balance | Rs. 2,528 | Rs. 128 | Rs. 493 | Rs. 9,054 |

| Year ended December 31, 2014 | | | | |
|------------------------------|-------------------|-----------------------|-------------------|-----------------------------|
| Classification | Trade receivables | Non-trade receivables | Other receivables | Other long-term receivables |
| Beginning balance | Rs. 11,865 | Rs. 27,915 | Rs. - | Rs. 13,727 |
| Bad debt expense | (6,909) | (5,554) | 628 | (5,220) |
| Ending balance | Rs. 4,956 | Rs. 22,361 | Rs. 628 | Rs. 8,507 |

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 inventories as of December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| | <u>December 31, 2015</u> | | <u>December 31, 2014</u> | |
|------------------|--------------------------|--------------------|--------------------------|--------------------|
| Merchandises | ₩ | 41,253,588 | ₩ | 54,471,562 |
| Finished goods | | 56,174,620 | | 43,801,591 |
| Work in process | | 29,360,159 | | 29,184,732 |
| Raw materials | | 45,354,455 | | 51,686,249 |
| Submaterials | | 454,283 | | 601,473 |
| Supplies | | 3,740,522 | | 3,821,024 |
| Goods in transit | | 71,335,617 | | 77,112,573 |
| Total | ₩ | <u>247,673,244</u> | ₩ | <u>260,679,204</u> |

(Unit: Indian rupee in thousands)

| | <u>December 31, 2015</u> | | <u>December 31, 2014</u> | |
|------------------|--------------------------|-------------------|--------------------------|-------------------|
| Merchandises | Rs. | 2,345,266 | Rs. | 3,096,708 |
| Finished goods | | 3,193,527 | | 2,490,120 |
| Work in process | | 1,669,125 | | 1,659,152 |
| Raw materials | | 2,578,401 | | 2,938,363 |
| Submaterials | | 25,826 | | 34,194 |
| Supplies | | 212,649 | | 217,226 |
| Goods in transit | | 4,055,430 | | 4,383,850 |
| Total | Rs. | <u>14,080,224</u> | Rs. | <u>14,819,613</u> |

The Group is using the “lower of cost or market method” in the consolidated statements of financial position in case inventories’ market value decreases below the acquisition cost. On the other hand, loss on valuation of inventories that was deducted from “cost of sales” in the current period due to the application of “lower of cost or market method” is ₩12,559,291 thousand (Rs. 713,996 thousand).

9. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE:

(1) Details of investments in subsidiaries and joint venture as of December 31, 2015, are as follows:

| <u>Classification</u> | <u>Entities</u> | <u>Location</u> | <u>Ownership (%)</u> | <u>Closing month</u> | <u>Industry</u> |
|-----------------------------|--------------------------------------|-----------------|----------------------|----------------------|----------------------|
| Investments in subsidiaries | Ssangyong Motor (Shanghai) Co., Ltd. | China | 100.00 | December | Car sales |
| | Ssangyong European Parts Center B.V. | Netherland | 100.00 | December | A/S and sales |
| Investment in joint venture | SY Auto Capital Co., Ltd.(*) | Korea | 51 | December | Installment fianance |

(*) SY Auto Capital Co., Ltd. was incorporated in 2015 and is a joint arrangement whereby the Group and KB Capital Co., Ltd. that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement and the results, and assets and liabilities of joint venture are incorporated in these consolidated financial statements using the equity method of accounting.

(2) Changes in the carrying amounts of investments in joint venture for the year ended December 31, 2015, are as follows:

(Unit: Korean won in thousands)

| <u>Company</u> | <u>Beginning balance</u> | <u>Acquisition</u> | <u>Share of profit of a joint venture</u> | <u>Ending balance</u> |
|---------------------------|--------------------------|--------------------|---|-----------------------|
| SY Auto Capital Co., Ltd. | ₩ - | ₩ 10,200,000 | ₩ (331,822) | ₩ 9,868,178 |

(Unit: Indian rupee in thousands)

| Company | Beginning balance | Acquisition | Share of profit of a joint venture | Ending balance |
|---------------------------|-------------------|-------------|------------------------------------|----------------|
| SY Auto Capital Co., Ltd. | Rs. - | Rs. 579,870 | Rs. (18,864) | Rs. 561,006 |

(3) Summarized financial information of subsidiaries

The summarized financial information of the Group's subsidiaries as of and for the years ended December 31, 2015 and 2014, is as follows:

December 31, 2015

(Unit: Korean won in thousands)

| Companies | Assets | Liabilities | Equity |
|--------------------------------------|-------------|-------------|-------------|
| Ssangyong Motor (Shanghai) Co., Ltd. | ₩ 4,264,069 | ₩ 990,824 | ₩ 3,273,245 |
| Ssangyong European Parts Center B.V. | 8,399,103 | 12,095,292 | (3,696,189) |
| SY Auto Capital Co., Ltd. | 19,608,715 | 259,347 | 19,349,368 |

| Companies | Sales | Net income (loss) | Comprehensive income (loss) |
|--------------------------------------|-------------|-------------------|-----------------------------|
| Ssangyong Motor (Shanghai) Co., Ltd. | ₩ 1,270,691 | ₩ (2,505,187) | ₩ (2,386,469) |
| Ssangyong European Parts Center B.V. | 14,776,015 | 105,948 | 274,428 |
| SY Auto Capital Co., Ltd. | 42,256 | (650,632) | (650,632) |

(Unit: Indian rupee in thousands)

| Companies | Assets | Liabilities | Equity |
|--------------------------------------|-------------|-------------|-------------|
| Ssangyong Motor (Shanghai) Co., Ltd. | Rs. 242,412 | Rs. 56,328 | Rs. 186,084 |
| Ssangyong European Parts Center B.V. | 477,489 | 687,617 | (210,128) |
| SY Auto Capital Co., Ltd. | 1,114,755 | 14,743 | 1,100,012 |

| Companies | Sales | Net income (loss) | Comprehensive income (loss) |
|--------------------------------------|------------|-------------------|-----------------------------|
| Ssangyong Motor (Shanghai) Co., Ltd. | Rs. 72,239 | Rs. (142,420) | Rs. (135,671) |
| Ssangyong European Parts Center B.V. | 840,016 | 6,023 | 15,601 |
| SY Auto Capital Co., Ltd. | 2,402 | (36,988) | (36,988) |

December 31, 2014

(Unit: Korean won in thousands)

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

| Companies | Sales | Net income | Comprehensive income |
|--------------------------------------|-------------|------------|----------------------|
| Ssangyong Motor (Shanghai) Co., Ltd. | ₩ 6,512,641 | ₩ 491,881 | ₩ 537,559 |
| Ssangyong European Parts Center B.V. | 14,118,627 | 116,206 | 476,709 |

(Unit: Indian rupee in thousands)

| Companies | Assets | Liabilities | Equity |
|--------------------------------------|-------------|-------------|-------------|
| Ssangyong Motor (Shanghai) Co., Ltd. | Rs. 398,925 | Rs. 47,898 | Rs. 351,027 |
| Ssangyong European Parts Center B.V. | 406,985 | 632,715 | (225,730) |

| Companies | Sales | Net income | Comprehensive income |
|--------------------------------------|-------------|------------|----------------------|
| Ssangyong Motor (Shanghai) Co., Ltd. | Rs. 370,244 | Rs. 27,963 | Rs. 30,560 |
| Ssangyong European Parts Center B.V. | 802,644 | 6,606 | 27,101 |

10. OTHER ASSETS:

Carrying values of the Group's other assets as of December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| Account | December 31, 2015 | December 31, 2014 |
|---------------------------------------|-------------------|-------------------|
| Other current assets | | |
| Advance payments | ₩ 1,077,674 | ₩ 2,196,221 |
| Less: Allowance for doubtful accounts | (663) | (10,298) |
| Prepaid expenses | 5,074,020 | 4,811,936 |
| Income taxes refundable | 416,791 | 794,694 |
| | ₩ 6,567,822 | ₩ 7,792,553 |
| Other non-current assets | ₩ 352,983 | ₩ 360,473 |

(Unit: Indian rupee in thousands)

| Account | December 31, 2015 | December 31, 2014 |
|---------------------------------------|-------------------|-------------------|
| Other current assets | | |
| Advance payments | Rs. 61,266 | Rs. 124,855 |
| Less: Allowance for doubtful accounts | (38) | (585) |
| Prepaid expenses | 288,458 | 273,559 |
| Income taxes refundable | 23,695 | 45,178 |
| | Rs. 373,381 | Rs. 443,007 |
| Other non-current assets | Rs. 20,067 | Rs. 20,493 |

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Carrying amounts of property, plant and equipment as of December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| | December 31, 2015 | | | | |
|--------------------------|-------------------|----------------------|-----------------|-------------------|-----------------|
| | Acquisition cost | Government subsidies | Depreciation | Loss on valuation | Carrying amount |
| Land | ₩ 475,531,313 | ₩ - | ₩ - | ₩ - | ₩ 475,531,313 |
| Buildings | 536,914,323 | 1,603,429 | 196,449,216 | 148,366,786 | 190,494,892 |
| Structures | 106,552,738 | 135,809 | 60,736,919 | 28,913,882 | 16,766,128 |
| Machinery | 1,312,354,742 | 453,057 | 1,027,789,268 | 98,337,509 | 185,774,908 |
| Vehicles | 8,798,376 | - | 6,479,303 | 896,350 | 1,422,723 |
| Tools and molds | 1,028,887,149 | 6,657 | 615,699,091 | 160,933,311 | 252,248,090 |
| Equipment | 67,396,593 | 6,874 | 40,517,584 | 4,056,991 | 22,815,144 |
| Construction in progress | 40,866,774 | - | - | - | 40,866,774 |
| Machinery in transit | 1,924,851 | - | - | - | 1,924,851 |
| | ₩3,579,226,859 | ₩ 2,205,826 | ₩ 1,947,671,381 | ₩ 441,504,829 | ₩ 1,187,844,823 |

| December 31, 2014 | | | | | |
|--------------------------|------------------------|-------------------------|------------------------|----------------------|------------------------|
| | Acquisition cost | Government subsidies | Depreciation | Loss on valuation | Carrying amount |
| Land | W 475,531,313 | W - | W - | W - | W 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 |
| | <u>W 3,469,689,596</u> | <u>W 2,430,063</u> | <u>W 1,848,765,448</u> | <u>W 444,757,691</u> | <u>W 1,173,736,394</u> |

(Unit: Indian rupee in thousands)

| December 31, 2015 | | | | | |
|--------------------------|------------------------|-------------------------|-----------------------------|--------------------------------|-----------------------|
| | Acquisition cost | Government subsidies | Accumulated depreciation | Accumulated impairment loss | Carrying amount |
| Land | Rs. 27,033,955 | Rs. - | Rs. - | Rs. - | Rs. 27,033,955 |
| Buildings | 30,523,579 | 91,155 | 11,168,138 | 8,434,652 | 10,829,634 |
| Structures | 6,057,523 | 7,721 | 3,452,894 | 1,643,754 | 953,154 |
| Machinery | 74,607,367 | 25,756 | 58,429,820 | 5,590,487 | 10,561,304 |
| Vehicles | 500,188 | - | 368,348 | 50,957 | 80,883 |
| Tools and molds | 58,492,234 | 378 | 35,002,493 | 9,149,059 | 14,340,304 |
| Equipment | 3,831,496 | 391 | 2,303,425 | 230,640 | 1,297,040 |
| Construction in progress | 2,323,276 | - | - | - | 2,323,276 |
| Machinery in transit | 109,428 | - | - | - | 109,428 |
| | <u>Rs. 203,479,046</u> | <u>Rs. 125,401</u> | <u>Rs. 110,725,118</u> | <u>Rs. 25,099,549</u> | <u>Rs. 67,528,978</u> |

| December 31, 2014 | | | | | |
|--------------------------|------------------------|-------------------------|-----------------------------|--------------------------------|-----------------------|
| | Acquisition cost | Government subsidies | Accumulated depreciation | Accumulated impairment loss | Carrying amount |
| Land | Rs. 27,033,955 | Rs. - | Rs. - | Rs. - | Rs. 27,033,955 |
| Buildings | 30,178,337 | 93,810 | 10,583,845 | 8,434,943 | 11,065,739 |
| Structures | 5,994,285 | 8,878 | 3,363,944 | 1,657,540 | 963,923 |
| Machinery | 71,394,013 | 33,729 | 57,323,120 | 5,619,847 | 8,417,317 |
| Vehicles | 546,983 | - | 385,747 | 67,934 | 93,302 |
| Tools and molds | 50,672,258 | 848 | 31,282,040 | 9,245,960 | 10,143,410 |
| Equipment | 3,818,409 | 884 | 2,163,619 | 258,250 | 1,395,656 |
| Construction in progress | 7,479,709 | - | - | - | 7,479,709 |
| Machinery in transit | 133,903 | - | - | - | 133,903 |
| | <u>Rs. 197,251,852</u> | <u>Rs. 138,149</u> | <u>Rs. 105,102,315</u> | <u>Rs. 25,284,474</u> | <u>Rs. 66,726,914</u> |

(2) Changes in the carrying amounts of property, plant and equipment for the years ended December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| Year ended December 31, 2015 | | | | | | |
|------------------------------|------------------------|----------------------|------------------|------------------|----------------------|------------------------|
| | Beginning balance | Acquisition | Disposal | Other(*) | Depreciation (**) | Ending balance |
| Land | W 475,531,313 | W - | W - | W - | W - | W 475,531,313 |
| Buildings | 194,648,006 | 389,551 | 1,242 | 5,698,946 | 10,240,369 | 190,494,892 |
| Structures | 16,955,550 | 401,124 | 4,441 | 1,115,663 | 1,701,768 | 16,766,128 |
| Machinery | 148,061,877 | 2,388,507 | 26,128 | 64,241,637 | 28,890,985 | 185,774,908 |
| Vehicles | 1,641,197 | 279,504 | 30,812 | 97,614 | 564,780 | 1,422,723 |
| Tools and molds | 178,424,105 | 23,730,517 | 20,107 | 120,072,558 | 69,958,983 | 252,248,090 |
| Equipment | 24,549,765 | 4,645,208 | 112,883 | 357,686 | 6,624,632 | 22,815,144 |
| Construction in progress | 131,569,206 | 97,653,494 | - | (188,355,926) | - | 40,866,774 |
| Machinery in transit | 2,355,375 | 2,181,592 | - | (2,612,116) | - | 1,924,851 |
| | <u>W 1,173,736,394</u> | <u>W 131,669,497</u> | <u>W 195,613</u> | <u>W 616,062</u> | <u>W 117,981,517</u> | <u>W 1,187,844,823</u> |

| | Year ended December 31, 2014 | | | | | |
|--------------------------|------------------------------|----------------------|------------------|------------------|---------------------|------------------------|
| | Beginning balance | Acquisition | Disposal | Other(*) | Depreciation (**) | Ending balance |
| Land | W 475,305,570 | W 225,139 | W - | W 604 | W - | W 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 |
| | <u>W 1,084,153,627</u> | <u>W 183,675,339</u> | <u>W 270,341</u> | <u>W 847,986</u> | <u>W 94,670,217</u> | <u>W 1,173,736,394</u> |

(*) Capitalization cost that has flowed into construction in progress and other accounts is W752,552 thousand (2014: W910,576 thousand) in this period.

(**) Depreciation cost of suspended assets of W19,080 thousand (2014: W20,066 thousand) is included in the depreciation cost.

(Unit: Indian rupee in thousands)

| | Year ended December 31, 2015 | | | | | |
|--------------------------|------------------------------|----------------------|-------------------|-------------------|----------------------|-----------------------|
| | Beginning balance | Acquisition | Disposal | Other(*) | Depreciation (**) | Ending balance |
| Land | Rs. 27,033,955 | Rs. - | Rs. - | Rs. - | Rs. - | Rs. 27,033,955 |
| Buildings | 11,065,739 | 22,146 | 71 | 323,985 | 582,165 | 10,829,634 |
| Structures | 963,923 | 22,803 | 252 | 63,426 | 96,746 | 953,154 |
| Machinery | 8,417,317 | 135,787 | 1,486 | 3,652,138 | 1,642,452 | 10,561,304 |
| Vehicles | 93,302 | 15,890 | 1,751 | 5,550 | 32,108 | 80,883 |
| Tools and molds | 10,143,410 | 1,349,080 | 1,143 | 6,826,125 | 3,977,168 | 14,340,304 |
| Equipment | 1,395,656 | 264,080 | 6,417 | 20,331 | 376,610 | 1,297,040 |
| Construction in progress | 7,479,709 | 5,551,601 | - | (10,708,034) | - | 2,323,276 |
| Machinery in transit | 133,903 | 124,024 | - | (148,499) | - | 109,428 |
| | <u>Rs. 66,726,914</u> | <u>Rs. 7,485,411</u> | <u>Rs. 11,120</u> | <u>Rs. 35,022</u> | <u>Rs. 6,707,249</u> | <u>Rs. 67,528,978</u> |

| | Year ended December 31, 2014 | | | | | |
|--------------------------|------------------------------|-----------------------|-------------------|-------------------|----------------------|-----------------------|
| | Beginning balance | Acquisition | Disposal | Other(*) | Depreciation (**) | Ending balance |
| Land | Rs. 27,021,122 | Rs. 12,799 | Rs. - | Rs. 34 | Rs. - | Rs. 27,033,955 |
| Buildings | 11,011,230 | 41,804 | - | 562,891 | 550,186 | 11,065,739 |
| Structures | 957,910 | 14,833 | - | 83,707 | 92,527 | 963,923 |
| Machinery | 5,643,287 | 64,091 | 6,179 | 4,264,797 | 1,548,679 | 8,417,317 |
| Vehicles | 110,685 | 9,140 | 1,585 | 4,854 | 29,792 | 93,302 |
| Tools and molds | 11,456,175 | 333,807 | 213 | 1,181,826 | 2,828,185 | 10,143,410 |
| Equipment | 1,353,058 | 229,269 | 1,867 | 147,829 | 332,633 | 1,395,656 |
| Construction in progress | 4,031,637 | 8,958,922 | 5,524 | (5,505,326) | - | 7,479,709 |
| Machinery in transit | 49,030 | 777,278 | - | (692,405) | - | 133,903 |
| | <u>Rs. 61,634,134</u> | <u>Rs. 10,441,943</u> | <u>Rs. 15,368</u> | <u>Rs. 48,207</u> | <u>Rs. 5,382,002</u> | <u>Rs. 66,726,914</u> |

(*) Capitalization cost that has flowed into construction in progress and other accounts is Rs. 42,783 thousand (2014: Rs. 51,767 thousand) in this period.

(**) Depreciation cost of suspended assets amount of Rs. 1,084 thousand (2014: Rs. 1,141 thousand) is included from the depreciation cost.

(3) The assets pledged as collateral for the Group's borrowings as of December 31, 2015, are as follows:

(Unit: Korean won in thousands)

| Assets pledged as collaterals | Details | Book value | Maximum amount |
|----------------------------------|--|---------------|----------------|
| Land | Chilgoe-dong Pyeongtaek, Gyeonggi-do | ₩ 366,132,440 | |
| Buildings and Structures | 150-3 (factory site) and others | 77,352,503 | 267,000,000 |
| Machinery | Pyeongtaek plant production facilities | 6,498,799 | |
| | | ₩ 449,983,742 | |

(Unit: Indian rupee in thousands)

| Assets pledged as collaterals | Details | Book value | Maximum amount |
|----------------------------------|--|----------------|----------------|
| Land | Chilgoe-dong Pyeongtaek, Gyeonggi-do | Rs. 20,814,629 | |
| Buildings and Structures | 150-3 (factory site) and others | 4,397,490 | 15,178,950 |
| Machinery | Pyeongtaek plant production facilities | 369,457 | |
| | | Rs. 25,581,576 | |

(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, 2015 | December 31, 2014 |
|----------------------------------|-------------------|-------------------|
| Capitalized interest expenses(*) | ₩ 2,335,308 | ₩ 1,667,679 |
| Capitalization interest rate | 3.84% | 4.72% |

(*) Borrowing costs that have been capitalized during the year in development costs is ₩ 1,582,756 thousand (2014: ₩ 757,103 thousand).

(Unit: Indian rupee in thousands)

| Account | December 31, 2015 | December 31, 2014 |
|----------------------------------|-------------------|-------------------|
| Capitalized interest expenses(*) | Rs. 132,762 | Rs. 94,808 |
| Capitalization interest rate | 3.84% | 4.72% |

(*) Borrowing costs that have been capitalized during the year in development costs is Rs. 89,980 thousand (2014: Rs. 43,041 thousand).

12. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| | December 31, 2015 | | | | |
|----------------------------|---------------------|-------------------------|-----------------------------|--------------------------------|---------------|
| | Acquisition cost | Government subsidies | Accumulated depreciation | Accumulated impairment loss | Book value |
| Development cost | ₩ 148,086,281 | ₩ - | ₩ 38,550,140 | ₩ - | ₩ 109,536,141 |
| Patents | 2,816,199 | 22,335 | 1,170,064 | 39,190 | 1,584,610 |
| Other intangible assets | 93,908,276 | 21,283 | 17,487,054 | 576,105 | 75,823,834 |
| | ₩ 244,810,756 | ₩ 43,618 | ₩ 57,207,258 | ₩ 615,295 | ₩ 186,944,585 |

| 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 | |
| | <u>₹ 177,389,548</u> | <u>₹ 48,529</u> | <u>₹ 25,805,171</u> | <u>₹ 620,414</u> | <u>₹ 150,915,434</u> | |

(Unit: Indian rupee in thousands)

| December 31, 2015 | | | | | | |
|-------------------------|---------------------|----------------------|--------------------------|-----------------------------|---------------------|--|
| | Acquisition cost | Government subsidies | Accumulated depreciation | Accumulated impairment loss | Book value | |
| Development cost | ₹ 8,418,705 | ₹ - | ₹ 2,191,575 | ₹ - | ₹ 6,227,130 | |
| Patents | 160,101 | 1,270 | 66,518 | 2,228 | 90,085 | |
| Other intangible assets | 5,338,685 | 1,210 | 994,138 | 32,752 | 4,310,585 | |
| | <u>₹ 13,917,491</u> | <u>₹ 2,480</u> | <u>₹ 3,252,231</u> | <u>₹ 34,980</u> | <u>₹ 10,627,800</u> | |

| December 31, 2014 | | | | | | |
|-------------------------|---------------------|----------------------|--------------------------|-----------------------------|--------------------|--|
| | Acquisition cost | Government subsidies | Accumulated depreciation | Accumulated impairment loss | Book value | |
| Development cost | ₹ 1,623,896 | ₹ - | ₹ 815,317 | ₹ - | ₹ 808,579 | |
| Patents | 106,496 | 1,249 | 42,997 | 1,784 | 60,466 | |
| Other intangible assets | 8,354,204 | 1,509 | 608,710 | 33,488 | 7,710,497 | |
| | <u>₹ 10,084,596</u> | <u>₹ 2,758</u> | <u>₹ 1,467,024</u> | <u>₹ 35,272</u> | <u>₹ 8,579,542</u> | |

(2) Changes in intangible assets for the years ended December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| Year ended December 31, 2015 | | | | | | | | |
|------------------------------|----------------------|---------------------|---------------|------------|---------------------|-----------------|--------------------|----------------------|
| | Beginning balance | Acquisition (*) | Transfer | Disposal | Depreciation | Impairment loss | Other(**) | Ending balance |
| Development cost | ₩ 14,223,033 | ₩ 1,881,970 | ₩ 118,722,632 | ₩ - | ₩ 25,298,599 | ₩ - | ₩ 7,105 | ₩ 109,536,141 |
| Patents | 1,063,611 | 940,187 | - | - | 411,376 | 7,812 | - | 1,584,610 |
| Other intangible assets | 135,628,790 | 64,038,417 | (118,722,632) | - | 6,769,957 | - | 1,649,216 | 75,823,834 |
| | <u>₩ 150,915,434</u> | <u>₩ 66,860,574</u> | <u>₩ -</u> | <u>₩ -</u> | <u>₩ 32,479,932</u> | <u>₩ 7,812</u> | <u>₩ 1,656,321</u> | <u>₩ 186,944,585</u> |

| 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 |
| | <u>₩ 89,527,262</u> | <u>₩ 72,657,034</u> | <u>₩ -</u> | <u>₩ 587,760</u> | <u>₩ 11,502,729</u> | <u>₩ (66,382)</u> | <u>₩ 755,245</u> | <u>₩ 150,915,434</u> |

(*) Of the acquisition amount of other intangible assets, the amount that you obtained in government subsidy is ₩12,769 thousand (2014:₩46,244 thousand).

(**) Of the current year development costs, the amount that has flowed into the capital of the cost is ₩1,582,756 thousand (2014:₩757,103 thousand) including difference of change of exchange rate.

(Unit: Indian rupee in thousands)

| Year ended December 31, 2015 | | | | | | | | |
|------------------------------|--------------------|--------------------|-------------|------------|--------------------|-----------------|-----------------|---------------------|
| | Beginning balance | Acquisition (*) | Transfer | Disposal | Depreciation | Impairment loss | Other(**) | Ending balance |
| Development cost | ₹ 808,579 | ₹ 106,990 | ₹ 6,749,382 | ₹ - | ₹ 1,438,225 | ₹ - | ₹ 404 | ₹ 6,227,130 |
| Patents | 60,466 | 53,450 | - | - | 23,387 | 444 | - | 90,085 |
| Other intangible assets | 7,710,497 | 3,640,584 | (6,749,382) | - | 384,872 | - | 93,758 | 4,310,585 |
| | <u>₹ 8,579,542</u> | <u>₹ 3,801,024</u> | <u>₹ -</u> | <u>₹ -</u> | <u>₹ 1,846,484</u> | <u>₹ 444</u> | <u>₹ 94,162</u> | <u>₹ 10,627,800</u> |

| | Year ended December 31, 2014 | | | | | | | |
|-------------------------|------------------------------|----------------------|--------------|-------------------|--------------------|--------------------|-------------------|----------------------|
| | Beginning balance | Acquisition (*) | Transfer | Disposal | Depreciation | Impairment loss | Other(**) | Ending balance |
| Development cost | Rs. 290,350 | Rs. - | Rs. 796,621 | Rs. - | Rs. 282,553 | Rs. - | Rs. 4,161 | Rs. 808,579 |
| Patents | 41,856 | 36,289 | - | - | 15,896 | 1,783 | - | 60,466 |
| Other intangible assets | 4,757,418 | 4,094,263 | (796,621) | 33,414 | 355,481 | (5,558) | 38,774 | 7,710,497 |
| | <u>Rs. 5,089,624</u> | <u>Rs. 4,130,552</u> | <u>Rs. -</u> | <u>Rs. 33,414</u> | <u>Rs. 653,930</u> | <u>Rs. (3,775)</u> | <u>Rs. 42,935</u> | <u>Rs. 8,579,542</u> |

(*) Of the acquisition amount of other intangible assets, the amount that you obtained in government subsidy is Rs.726 thousand (2014: Rs.2,629 thousand).

(**) Of the current year development costs, the amount that has flowed into the capital of the cost is Rs.89,980 thousand (2014: Rs.43,041 thousand) including difference of change of exchange rate.

(3) Amortization of the Group's intangible assets for the year ended December 31, 2015 and 2014, is as follows:

| Account | Korean won in thousands | | Indian rupee in thousands | |
|-------------------------------------|-------------------------|---------------------|---------------------------|--------------------|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Cost of goods manufactured | ₩ 25,298,599 | ₩ 4,696,440 | Rs. 1,438,225 | Rs. 266,992 |
| Selling and administrative expenses | 7,181,333 | 6,806,289 | 408,259 | 386,938 |
| | <u>₩ 32,479,932</u> | <u>₩ 11,502,729</u> | <u>Rs. 1,846,484</u> | <u>Rs. 653,930</u> |

(4) Changes in volume and book value of emission rights for the year ended December 31, 2015 and 2016, 2017, are as follows:

(Unit: tCo2 / Korean won in thousands)

| | 2015 | | 2016 | | 2017 | | Total | |
|------------------------------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|
| | Volume | Book value | Volume | Book value | Volume | Book value | Volume | Book value |
| Beginning balance | - | ₩ - | - | ₩ - | - | ₩ - | - | ₩ - |
| Allowance allocated free of charge | 129,076 | - | 127,422 | - | 124,838 | - | 381,336 | - |
| Ending balance | <u>129,076</u> | <u>₩ -</u> | <u>127,422</u> | <u>₩ -</u> | <u>124,838</u> | <u>₩ -</u> | <u>381,336</u> | <u>₩ -</u> |

There are no pledged emission rights for the Company's borrowings as of December 31, 2015.

(5) Changes in emission liability for the year ended December 31, 2015 is as follows:

(Unit: Korean won in thousands)

| Account | Beginning balance | Increase | Decrease | Ending balance |
|--------------------|-------------------|-----------|----------|----------------|
| Emission liability | ₩ - | ₩ 153,050 | ₩ - | ₩ 153,050 |

(Unit: Indian rupee in thousands)

| Account | Beginning balance | Increase | Decrease | Ending balance |
|--------------------|-------------------|-----------|----------|----------------|
| Emission liability | Rs. - | Rs. 8,701 | Rs. - | Rs. 8,701 |

Estimated amount of greenhouse gas that is discharged during the year is 142,271 tCo2.

13. BORROWINGS:

(1) The Group's short-term borrowings as of December 31, 2015 and 2014, consist of the following.

(Unit: Korean won in thousands)

| Creditor | Type | Interest rate | December 31, 2015 | December 31, 2014 |
|---------------------------------|-----------------|---------------|----------------------|---------------------|
| Korea Development Bank | Operating fund | CD + 2.12% | ₩ 30,000,000 | ₩ 30,000,000 |
| Woori Bank | Operating fund | CD + 2.00% | 17,500,000 | 5,000,000 |
| Besides Bank of America ("BOA") | Banker's usance | 0.30%–1.42% | <u>105,724,546</u> | <u>64,540,013</u> |
| | | | <u>₩ 153,224,546</u> | <u>₩ 99,540,013</u> |

(Unit: Indian rupee in thousands)

| Creditor | Type | Interest rate | December 31, 2015 | December 31, 2014 |
|------------------------|-----------------|---------------|----------------------|----------------------|
| Korea Development Bank | | | | |
| Bank | Operating fund | CD + 2.26% | Rs. 1,705,500 | Rs. 1,705,500 |
| Woori Bank | Operating fund | CD + 2.00% | 994,875 | 284,250 |
| Besides BOA | Banker's usance | 0.49%–1.27% | 6,010,440 | 3,669,100 |
| | | | <u>Rs. 8,710,815</u> | <u>Rs. 5,658,850</u> |

(2) The Group's long-term borrowings as of December 31, 2015, and 2014, consist of the following:

(Unit: Korean won in thousands)

| Creditor | Type | Interest rate | December 31, 2015 | December 31, 2014 |
|------------------------------------|----------------|---------------|---------------------|---------------------|
| Woori Bank | Operating fund | CD + 2.0% | ₩ 55,000,000 | ₩ 30,000,000 |
| Net: within one year arrival worth | | | (17,500,000) | (5,000,000) |
| | | | <u>₩ 37,500,000</u> | <u>₩ 25,000,000</u> |

(Unit: Indian rupee in thousands)

| Creditor | Type | Interest rate | December 31, 2015 | December 31, 2014 |
|------------------------------------|----------------|---------------|----------------------|----------------------|
| Woori Bank | Operating fund | CD + 2.0% | Rs. 3,126,750 | Rs. 1,705,500 |
| Net: within one year arrival worth | | | (994,875) | (284,250) |
| | | | <u>Rs. 2,131,875</u> | <u>Rs. 1,421,250</u> |

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

| Creditor | Assets pledged as collaterals | Pledged date | Maximum credit amount |
|------------------------|-------------------------------|--------------|---|
| Korea Development Bank | Land, buildings and machinery | 2009-08-13 | 195 billion Korean won (11 billion Rupee) |
| Woori Bank | Land, buildings and machinery | 2014-10-29 | 36 billion Korean won (2 billion Rupee) |
| | Land, buildings and machinery | 2015-08-07 | 36 billion Korean won (2 billion Rupee) |

14. OTHER FINANCIAL LIABILITIES:

Carrying amounts of the Group's other financial liabilities as of December 31, 2015 and 2014, are as follows:

| Classification | Korean won in thousands | | Indian rupee in thousands | |
|--------------------------------------|-------------------------|-------------------|---------------------------|-------------------|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Other current financial liabilities: | | | | |
| Accrued expenses | ₩ 32,484,211 | ₩ 29,715,325 | Rs. 1,846,727 | Rs. 1,689,316 |

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, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| | Beginning Balance | Increase | Decrease | Ending Balance | Current | Non-current |
|--------------|-------------------|---------------|---------------|----------------|--------------|--------------|
| Dec.31, 2015 | ₩ 137,866,039 | ₩ 116,275,567 | ₩ 110,347,627 | ₩ 143,793,979 | ₩ 56,861,222 | ₩ 86,932,757 |
| Dec.31, 2014 | ₩ 125,479,981 | ₩ 113,075,513 | ₩ 100,689,455 | ₩ 137,866,039 | ₩ 57,556,475 | ₩ 80,309,564 |

(Unit: Indian rupee in thousands)

| | Beginning Balance | Increase | Decrease | Ending Balance | Current | Non-current |
|--------------|----------------------|---------------|---------------|-------------------|---------------|---------------|
| Dec.31, 2015 | Rs. 7,837,684 | Rs. 6,610,266 | Rs. 6,273,263 | Rs. 8,174,687 | Rs. 3,232,560 | Rs. 4,942,127 |
| Dec.31, 2014 | Rs. 7,133,537 | Rs. 6,428,343 | Rs. 5,724,195 | Rs. 7,837,685 | Rs. 3,272,086 | Rs. 4,565,599 |

16. OTHER LIABILITIES AND OTHER LONG-TERM LIABILITIES:

Carrying amounts of the Group's other liabilities as of December 31, 2015 and 2014, are as follows:

| Classification | Korean won in thousands | | Indian rupee in thousands | |
|-------------------------|-------------------------|----------------------|---------------------------|----------------------|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Other liabilities | | | | |
| Advances from customers | ₩ 2,572,498 | ₩ 2,982,710 | Rs. 146,247 | Rs. 169,567 |
| Deposits received | 733,742 | 763,400 | 41,714 | 43,398 |
| Withholdings | 25,578,491 | 18,747,109 | 1,454,137 | 1,065,773 |
| | <u>₩ 28,884,731</u> | <u>₩ 22,493,219</u> | <u>Rs. 1,642,098</u> | <u>Rs. 1,278,738</u> |

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, 2015 and 2014, are as follows:

| Classification | Korean won in thousands | | Indian rupee in thousands | |
|---|-------------------------|----------------------|---------------------------|-----------------------|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Present value of defined benefit obligation | ₩ 293,343,081 | ₩ 248,189,001 | Rs. 16,676,554 | Rs. 14,109,545 |
| Fair value of plan assets | (1,337,356) | (1,440,612) | (76,029) | (81,899) |
| | <u>₩ 292,005,725</u> | <u>₩ 246,748,389</u> | <u>Rs. 16,600,525</u> | <u>Rs. 14,027,646</u> |

(2) Changes in the Group's defined benefit obligation for the year ended December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| | Year ended December 31, 2015 | | |
|---|--|-----------------------------|----------------------|
| | Present value of defined benefit obligations | Fair value of scheme Assets | Total |
| Beginning balance | ₩ 248,189,001 | ₩ (1,440,612) | ₩ 246,748,389 |
| Net current service cost | 37,641,084 | - | 37,641,084 |
| Interest cost (income) on DBO | 8,400,978 | (48,648) | 8,352,330 |
| Subtotal | 294,231,063 | (1,489,260) | 292,741,803 |
| Remeasurements | | | |
| Asset (gain) loss | - | 29,230 | 29,230 |
| DBO (gain) loss due to experience | 8,334,817 | - | 8,334,817 |
| DBO (gain) loss due to changes in financial assumptions | 4,103,602 | - | 4,103,602 |
| DBO (gain) loss due to changes in demographic assumptions | 2,850,084 | - | 2,850,084 |
| Total remeasurements recognised in other comprehensive income | 15,288,503 | 29,230 | 15,317,733 |
| Payments | | | |
| Benefit payment from plan assets | (122,674) | 122,674 | - |
| Benefit payment from company | (16,053,811) | - | (16,053,811) |
| Ending balance | <u>₩ 293,343,081</u> | <u>₩ (1,337,356)</u> | <u>₩ 292,005,725</u> |

| Year ended December 31, 2014 | | | |
|---|--------------------------|----------------------|---------------|
| | Present value of defined | Fair value of scheme | |
| | benefit obligations | Assets | Total |
| Beginning balance | W 176,130,156 | W (1,474,038) | W 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 | W 248,189,001 | W (1,440,612) | W 246,748,389 |

| Year ended December 31, 2015 | | | |
|---|--------------------------|----------------------|----------------|
| | Present value of defined | Fair value of scheme | |
| | benefit obligations | Assets | Total |
| Beginning balance | Rs. 14,109,545 | Rs. (81,899) | Rs. 14,027,646 |
| Net current service cost | 2,139,896 | - | 2,139,896 |
| Interest cost (income) on DBO | 477,596 | (2,766) | 474,830 |
| Subtotal | 16,727,037 | (84,665) | 16,642,372 |
| Remeasurements | | | |
| Asset (gain) loss | - | 1,662 | 1,662 |
| DBO (gain) loss due to experience | 473,834 | - | 473,834 |
| DBO (gain) loss due to changes in financial assumptions | 233,289 | - | 233,289 |
| DBO (gain) loss due to changes in demographic assumptions | 162,027 | - | 162,027 |
| Total remeasurements recognised in other comprehensive income | 869,150 | 1,662 | 870,812 |
| Payments | | | |
| Benefit payment from plan assets | (6,974) | 6,974 | - |
| Benefit payment from company | (912,659) | - | (912,659) |
| Ending balance | Rs. 16,676,554 | Rs. (76,029) | Rs. 16,600,525 |

| Year ended December 31, 2014 | | | |
|---|--------------------------|----------------------|---------------|
| | Present value of defined | Fair value of scheme | |
| | benefit obligations | Assets | Total |
| Beginning balance | Rs. 10,012,999 | Rs. (83,799) | Rs. 9,929,200 |
| Net current service cost | 1,799,052 | - | 1,799,052 |
| Interest cost (income) on DBO | 446,492 | (3,649) | 442,843 |
| Past service cost | 1,498,174 | - | 1,498,174 |
| Subtotal | 13,756,717 | (87,448) | 13,669,269 |
| Remeasurements | | | |
| Asset (gain) loss | - | 1,937 | 1,937 |
| DBO (gain) loss due to experience | (831,709) | - | (831,709) |
| DBO (gain) loss due to changes in financial assumptions | 1,846,543 | - | 1,846,543 |
| DBO (gain) loss due to changes in demographic assumptions | (146,383) | - | (146,383) |
| Total remeasurements recognized in other comprehensive income | 868,451 | 1,937 | 870,388 |

| | Year ended December 31, 2014 | | |
|----------------------------------|--|-----------------------------|-----------------------|
| | Present value of defined benefit obligations | Fair value of scheme Assets | Total |
| Payments | | | |
| Benefit payment from plan assets | Rs. (3,612) | Rs. 3,612 | Rs. - |
| Benefit payment from company | (395,599) | - | (395,599) |
| Replaced with accounts payable. | (116,412) | - | (116,412) |
| Ending balance | <u>Rs. 14,109,545</u> | <u>Rs. (81,899)</u> | <u>Rs. 14,027,646</u> |

(3) Actuarial assumptions used as of December 31, 2015 and 2014, are as follows:

| | December 31, 2015 | December 31, 2014 |
|--------------------------------------|-------------------|-------------------|
| Discount rate (%) | 2.92 | 3.41 |
| Expected rate of salary increase (%) | 4.92 | 5.31 |

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, 2015, if the significant actuarial assumption changes reasonably and acceptably while the others remain unchanged, the defined benefit obligation will be affected as follows:

| Classification | Korean won in thousands | | Indian rupee in thousands | |
|--|-------------------------|----------------|---------------------------|-----------------|
| | Increase | Decrease | Increase | Decrease |
| Change 1% in discount rate | ₩ (37,023,724) | ₩ 44,026,862 | Rs. (2,104,799) | Rs. 2,502,927 |
| Changes 1% in expected rate of salary increase | ₩ 41,470,421 | ₩ (35,654,563) | Rs. 2,357,593 | Rs. (2,026,962) |

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, 2015, are as follows:

- (1) The Group carries product liability insurance for all products that it sells.
- (2) As of December 31, 2015, the Group has been providing guarantees from Korea Development Bank, etc., amounting to USD 264 million (amount execution USD 126 million) related to import L/C.
- (3) The followings are the major loan arrangements with the financial institutions as of December 31, 2015.

(Unit: Korean won in thousands)

| Financial institution | Classification | Limit | Exercise price |
|-----------------------|-------------------------|----------------------|---------------------|
| KDB | Operating purpose loans | ₩ 30,000,000 | ₩ 30,000,000 |
| Woori Bank | Operating purpose loans | 55,000,000 | 55,000,000 |
| JP Morgan | Current purpose loans | 50,000,000 | - |
| Nonghyup Bank | Limit purpose loans | 15,000,000 | - |
| BNP Paribas | Limit purpose loans | 15,000,000 | - |
| Deutsche Bank | Limit purpose loans | 17,000,000 | - |
| BOA | Limit purpose loans | 15,000,000 | - |
| Total | | <u>₩ 197,000,000</u> | <u>₩ 85,000,000</u> |

(Unit: Indian rupee in thousands)

| Financial institution | Classification | Limit | Exercise price |
|-----------------------|-------------------------|----------------|----------------|
| KDB | Operating purpose loans | Rs. 1,705,500 | Rs. 1,705,500 |
| Woori Bank | Operating purpose loans | 3,126,750 | 3,126,750 |
| JP Morgan | Current purpose loans | 2,842,500 | - |
| Nonghyup Bank | Limit purpose loans | 852,750 | - |
| BNP Paribas | Limit purpose loans | 852,750 | - |
| Deutsche Bank | Limit purpose loans | 966,450 | - |
| BOA | Limit purpose loans | 852,750 | - |
| Total | | Rs. 11,199,450 | Rs. 4,832,250 |

(4) Pending litigations

As of December 31, 2015, the Group has two pending litigations as a plaintiff with claims amounting to ₩2,385 million (Rs. 136 million) and 29 pending litigations as a defendant with claims amounting to ₩19,856 million (Rs. 1,129 million). The Group recognized other payables amounting to ₩27,489 million (Rs. 1,563 million) that are expected to be a probable loss and can be reasonably estimated as of December 31, 2015.

19. CAPITAL STOCK:

As of December 31, 2015 and 2014, the number of authorized shares is three billion shares. Details of capital stock are as follows:

(Unit: won in thousands except par value)

| Classification | No. of shares | | Par value | Capital stock |
|-------------------|---------------|--------------------|-----------|---------------|
| | Authorized | Shares outstanding | | |
| December 31, 2015 | 3,000,000,000 | 137,220,096 | ₩ 5,000 | ₩ 686,100,480 |
| December 31, 2014 | 3,000,000,000 | 137,220,096 | ₩ 5,000 | ₩ 686,100,480 |

(Unit: Rupee in thousands except par value)

| Classification | No. of shares | | Par value | Capital stock |
|-------------------|---------------|--------------------|-----------|----------------|
| | Authorized | Shares outstanding | | |
| December 31, 2015 | 3,000,000,000 | 137,220,096 | Rs. 284 | Rs. 39,004,812 |
| December 31, 2014 | 3,000,000,000 | 137,220,096 | Rs. 284 | Rs. 39,004,812 |

20. OTHER CAPITAL SURPLUS AND RETAINED EARNINGS:

Details of other capital surplus and retained earnings as of December 31, 2015 and 2014, are as follows:

| | December 31, | | December 31, | |
|--|---------------------------|---------------|-----------------------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| | (Korean won in thousands) | | (Indian rupee in thousands) | |
| Other Capital Surplus | ₩ 11,452,713 | ₩ 11,452,713 | RS. 651,087 | RS. 651,087 |
| Paid-in capital in excess of par value | | | | |
| Gain on capital reduction | 118,189,001 | 118,189,001 | 6,719,045 | 6,719,045 |
| Debt to be swapped for equity | 931,508 | 931,508 | 52,956 | 52,956 |
| Treasury stock | - | (1,189,820) | - | (67,641) |
| Gain on disposal of treasury stocks | 1,105,137 | - | 62,828 | - |
| | ₩ 131,678,359 | ₩ 129,383,402 | RS. 7,485,916 | RS. 7,355,447 |

21. OTHER CAPITAL ADJUSTMENTS:

(1) Details of the Group's other capital adjustments as of December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| | Classification | December 31, 2015 | December 31, 2014 |
|---------------------------|--|--------------------|-----------------------|
| Other capital adjustments | Gains (losses) on valuation of derivatives | ₩ 227,340 | ₩ (14,167,300) |
| | Gains on overseas operation translation | 1,343,590 | 1,102,069 |
| | | <u>₩ 1,570,930</u> | <u>₩ (13,065,231)</u> |

(Unit: Indian rupee in thousands)

| | Classification | December 31, 2015 | December 31, 2014 |
|---------------------------|--|-------------------|----------------------|
| Other capital adjustments | Gains (losses) on valuation of derivatives | Rs. 12,924 | Rs. (805,411) |
| | Gains on overseas operation translation | 76,383 | 62,653 |
| | | <u>Rs. 89,307</u> | <u>Rs. (742,758)</u> |

(2) Changes in the Group's gains on valuation of derivatives for the years ended December 31, 2015 and 2014, are as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2015 | Year ended December 31, 2014 |
| Beginning balance | ₩ (14,167,300) | ₩ 26,833,680 | Rs. (805,411) | Rs. 1,525,495 |
| Gains (losses) on valuation of derivatives | 227,340 | (14,167,300) | 12,924 | (805,411) |
| Reclassified to net income | 14,167,300 | (26,833,680) | 805,411 | (1,525,495) |
| Ending balance | <u>₩ 227,340</u> | <u>₩ (14,167,300)</u> | <u>Rs. 12,924</u> | <u>Rs. (805,411)</u> |

(3) Changes in the Group's gains (losses) on overseas operation translation credit for the year ended December 31, 2015 and 2014, are as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2015 | Year ended December 31, 2014 |
| Beginning balance | ₩ 1,102,069 | ₩ 686,161 | Rs. 62,653 | Rs. 39,008 |
| Cumulative effect of foreign currency translation | 241,521 | 415,908 | 13,730 | 23,645 |
| Ending balance | <u>₩ 1,343,590</u> | <u>₩ 1,102,069</u> | <u>Rs. 76,383</u> | <u>Rs. 62,653</u> |

22. RETAINED EARNINGS (DEFICIT):

(1) Details of retained deficit as of December 31, 2015 and 2014, are as follows:

(Unit: won in thousands)

| | December 31, 2015 | December 31, 2014 |
|---------|-------------------|-------------------|
| Deficit | ₩ (102,294,594) | ₩ (25,034,686) |

(Unit: Rupee in thousands)

| | December 31, 2015 | December 31, 2014 |
|---------|-------------------|-------------------|
| Deficit | Rs. (5,815,449) | Rs. (1,423,222) |

(2) Changes in retained earnings (deficit) for the years ended December 31, 2015 and 2014, are as follows:

(Unit: won in thousands)

| | December 31, 2015 | | December 31, 2014 | |
|-------------------|-------------------|---------------|-------------------|--------------|
| Beginning balance | ₩ | (25,034,686) | ₩ | 41,194,141 |
| Net loss | | (61,942,174) | | (50,918,593) |
| Actuarial losses | | (15,317,734) | | (15,310,234) |
| Ending balance | ₩ | (102,294,594) | ₩ | (25,034,686) |

(Unit: Rupee in thousands)

| | December 31, 2015 | | December 31, 2014 | |
|-------------------|-------------------|-------------|-------------------|-------------|
| Beginning balance | Rs. | (1,423,222) | Rs. | 2,341,887 |
| Net loss | | (3,521,414) | | (2,894,722) |
| Actuarial losses | | (870,813) | | (870,387) |
| Ending balance | Rs. | (5,815,449) | Rs. | (1,423,222) |

23. INCOME TAX:

(1) Composition of income tax expense for the years ended December 31, 2015 and 2014, is as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|--|-------------------------|-------------------|---------------------------|-------------------|
| | Year ended | Year ended | Year ended | Year ended |
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Income tax expense of parent company | ₩ | - | ₩ | - |
| Income tax expense of subsidiary company | | 31,945 | | 226,137 |
| Income tax expense of consolidated company | ₩ | 31,945 | ₩ | 226,137 |
| | | | Rs. | 1,816 |
| | | | Rs. | 12,856 |

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

The changes in temporary differences and deferred income tax assets for the years ended December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| Description | Year ended December 31, 2015 | | | |
|--|------------------------------|---------------|----------|----------------|
| | Beginning balance | Decrease | Increase | Ending balance |
| (Temporary differences) | | | | |
| Allowance for doubtful accounts | ₩ | - | ₩ | - |
| Government subsidies | | 3,564,826 | | 4,638,187 |
| Provision for product warranties | | 137,866,039 | | 143,793,978 |
| Accrued severance indemnities | | 247,625,171 | | 15,151,272 |
| Loss on revaluation of property, plant and equipment | | 128,280,968 | | 51,775,125 |
| Development cost | | 45,150,056 | | 5,226 |
| Depreciation | | 16,273,804 | | 1,445 |
| Other payables | | 50,366,223 | | 2,931,825 |
| Accrued expenses | | 29,561,974 | | 39,537,402 |
| Investment in subsidiaries | | 4,184,519 | | 32,207,735 |
| Gain (loss) on foreign currency translation | | - | | - |
| Gain (loss) on valuation of derivatives | | 13,741,600 | | (1,683,621) |
| Other long-term employee benefit | | 15,619,578 | | 16,282,599 |
| Land | | (260,713,528) | | (260,713,528) |
| Others | | 836,817 | | 1,795,498 |
| Deficit carried over | | 1,104,944,088 | | 70,555,940 |
| Total | | 1,537,302,135 | | 1,590,383,610 |
| Not recognized as deferred tax assets | | 1,537,302,135 | | 1,590,383,610 |
| Recognized as deferred tax assets | | - | | - |
| Statutory tax rate | | 22% | | 22% |

| Description | Year ended December 31, 2015 | | | |
|--|------------------------------|-----------|----------|----------------|
| | Beginning balance | Decrease | Increase | Ending balance |
| Deferred tax assets resulting from temporary differences | - | - | - | - |
| Tax credit carry forwards | 11,751,644 | 2,515,810 | - | 9,235,834 |
| Not recognized as deferred tax assets | 11,751,644 | 2,515,810 | - | 9,235,834 |
| 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 | 19,069 | 19,069 | - | - |
| Total deferred income tax | ₹ 19,069 | ₹ 19,069 | ₹ - | ₹ - |

(Unit: Indian rupee in thousands)

| Description | Year ended December 31, 2015 | | | |
|--|------------------------------|-----------|-----------|----------------|
| | Beginning balance | Decrease | Increase | Ending balance |
| (Temporary differences) | | | | |
| Allowance for doubtful accounts | Rs. - | Rs. - | Rs. - | Rs. - |
| Government subsidies | 202,660 | 263,681 | 216,329 | 155,308 |
| Provision for product warranties | 7,837,684 | 7,837,684 | 8,174,688 | 8,174,688 |
| Accrued severance indemnities | 14,077,491 | 861,350 | 2,943,416 | 16,159,557 |
| Loss on revaluation of property, plant and equipment | 7,292,773 | 1,108,950 | 297 | 6,184,120 |
| Development cost | 2,566,781 | 1,013,484 | 82 | 1,553,379 |
| Depreciation | 925,166 | 159,823 | 166,674 | 932,017 |
| Other payables | 2,863,320 | 2,863,320 | 2,247,701 | 2,247,701 |
| Accrued expenses | 1,680,598 | 1,680,598 | 1,831,010 | 1,831,010 |
| Investment in subsidiaries | 237,890 | - | - | 237,890 |
| Gain (loss) on foreign currency translation | - | - | - | - |
| Gain (loss) on valuation of derivatives | 781,210 | 781,210 | (95,714) | (95,714) |
| Other long-term employee benefit | 887,973 | 887,973 | 925,666 | 925,666 |
| Land | (14,821,564) | - | - | (14,821,564) |
| Others | 47,573 | 16,161 | 70,662 | 102,074 |
| Deficit carried over | 62,816,071 | - | 4,011,105 | 66,827,176 |
| Total | 87,395,626 | - | - | 90,413,308 |
| Not recognized as deferred tax assets | 87,395,626 | - | - | 180,826,617 |
| Recognized as deferred tax assets | - | - | - | - |
| Statutory tax rate | 22.00% | - | - | 22.00% |
| Deferred tax assets resulting from temporary differences | - | - | - | - |
| Tax credit carry forwards | 668,081 | 143,024 | - | 525,057 |
| Not recognized as deferred tax assets | 668,081 | 143,024 | - | 525,057 |
| 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 | 1,084 | 1,084 | - | - |
| Total deferred income tax | ₹ 1,084 | ₹ 1,084 | ₹ - | ₹ - |

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, 2014 | | | |
|--|------------------------------|-------------|-------------|----------------|
| | 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 |

| Year ended December 31, 2014 | | | | |
|--|-------------------|--------------|-------------|----------------|
| Description | Beginning balance | Decrease | Increase | Ending balance |
| 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 | 259,237 | 118,588 | 62,011 | 202,660 |
| Provision for product warranties | 7,133,537 | 7,133,537 | 7,837,684 | 7,837,684 |
| Accrued severance indemnities | 11,816,210 | 2,955,909 | 5,217,190 | 14,077,491 |
| Loss on revaluation of property, plant and equipment | 8,287,733 | 998,154 | 3,194 | 7,292,773 |
| Development cost | 3,413,876 | 847,095 | - | 2,566,781 |
| Depreciation | 834,323 | 216,046 | 306,889 | 925,166 |
| Other payables | 4,288,724 | 4,292,275 | 2,866,871 | 2,863,320 |
| Accrued expenses | 1,102,071 | 1,102,071 | 1,680,598 | 1,680,598 |
| Investments in subsidiaries | 237,890 | - | - | 237,890 |
| Gain (loss) on foreign currency translation | 1,513 | 1,513 | - | - |
| Gain (loss) on valuation of derivatives | (1,790,111) | (1,720,035) | 851,286 | 781,210 |
| Other long-term employee benefit | 925,610 | 925,610 | 887,973 | 887,973 |
| Land | (14,821,207) | - | (357) | (14,821,564) |
| Others | (29,123) | (59,082) | 17,614 | 47,573 |
| Deficit carried over | 60,040,856 | - | 2,775,215 | 62,816,071 |
| Total | 81,701,139 | - | - | 87,395,626 |
| Not recognized as deferred tax assets | 81,701,139 | - | - | 87,395,626 |
| Recognized as deferred tax assets | - | - | - | - |
| Statutory tax rate | 22% | - | - | 22% |
| Deferred tax assets resulting from temporary differences | - | - | - | - |
| Tax credit carry forwards | 920,189 | 252,108 | - | 668,081 |
| Not recognized as deferred tax assets | 920,189 | 252,108 | - | 668,081 |
| 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 | 3,264 | 2,180 | - | 1,084 |
| Total deferred income tax | ₹ 3,264 | ₹ 2,180 | ₹ - | ₹ 1,084 |

24. EXPENSES BY CATEGORY:

Details of expenses classified by category for the the year ended December 31, 2015 and 2014 are as follows

| | Korean won in thousands | | Indian rupee in thousands | |
|--|-------------------------|------------------------|---------------------------|------------------------|
| | Year ended | Year ended | Year ended | Year ended |
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Changes in inventories | ₩ 419,757 | ₩ (2,443,919) | Rs. 23,863 | Rs. (138,937) |
| Raw materials and merchandise goods used | 2,300,878,166 | 2,378,597,898 | 130,804,924 | 135,223,291 |
| Salaries | 483,105,884 | 483,084,025 | 27,464,570 | 27,463,327 |
| Depreciation | 117,981,517 | 94,670,217 | 6,707,249 | 5,382,002 |
| Amortization | 32,479,932 | 11,502,729 | 1,846,484 | 653,930 |
| Other | 491,011,736 | 438,116,061 | 27,914,017 | 24,906,898 |
| | <u>₩ 3,425,876,992</u> | <u>₩ 3,403,527,011</u> | <u>Rs. 194,761,107</u> | <u>Rs. 193,490,511</u> |

25. DERIVATIVES FINANCIAL INSTRUMENTS:

The Group has a derivative contract with financial institutions, such as Korea Development Bank, to minimize the risks of exchange rate fluctuation by fitting the amount and period of expected foreign currency transactions (hedged items). Gain on valuation of derivatives for ₩227,340 thousand (Rs. 12,924 thousand) applied to cash flow risk aversion accounting treatment is recognized as other capital components, and gain (loss) on valuation of derivatives for ₩51,267 thousand (Rs. 2,915 thousand), which is an inefficient part, is recognized as current income for the year ended December 31, 2015. Gain (loss) on valuation of derivatives for ₩1,405,014 thousand (Rs. 79,875 thousand) applied to financial asset at FVTPL is recognized as current income for the year ended December 31, 2015.

26. SELLING AND ADMINISTRATIVE EXPENSES:

(1) Selling expenses for the years ended December 31, 2015 and 2014, are as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|----------------------|-------------------------|----------------------|---------------------------|-----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Warranty expenses | ₩ 76,242,467 | ₩ 76,801,197 | Rs. 4,334,384 | Rs. 4,366,148 |
| Sales commissions | 205,359,570 | 168,109,296 | 11,674,692 | 9,557,013 |
| Advertising expenses | 17,723,231 | 17,436,678 | 1,007,566 | 991,275 |
| Export expenses | 44,323,023 | 61,419,389 | 2,519,764 | 3,491,692 |
| Others | 38,998,571 | 41,334,190 | 2,217,069 | 2,349,849 |
| | <u>₩ 382,646,862</u> | <u>₩ 365,100,750</u> | <u>Rs. 21,753,475</u> | <u>Rs. 20,755,977</u> |

(2) Administrative expenses for the years ended December 31, 2015 and 2014, are as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|-------------------------------|-------------------------|----------------------|---------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Salaries | ₩ 50,145,756 | ₩ 48,163,279 | Rs. 2,850,786 | Rs. 2,738,082 |
| Postemployment benefits | 7,649,820 | 6,892,145 | 434,892 | 391,818 |
| Employee benefits | 11,661,024 | 12,725,732 | 662,929 | 723,458 |
| Rent expense | 11,505,209 | 10,520,173 | 654,071 | 598,072 |
| Service fees | 27,216,014 | 23,741,683 | 1,547,230 | 1,349,715 |
| Depreciation | 11,569,270 | 7,365,553 | 657,713 | 418,732 |
| R&D expenses | 15,830,768 | 19,898,965 | 899,979 | 1,131,256 |
| Amortization | 7,181,333 | 6,806,289 | 408,259 | 386,938 |
| Bad debt expense | (42,707) | (121,532) | (2,428) | (6,909) |
| Other administrative expenses | 31,763,473 | 32,968,037 | 1,805,754 | 1,874,233 |
| | <u>₩ 174,479,960</u> | <u>₩ 168,960,324</u> | <u>Rs. 9,919,185</u> | <u>Rs. 9,605,395</u> |

27. NON-OPERATING INCOME (EXPENSES):

(1) Details of the Group's non-operating income for the years ended December 31, 2015 and 2014 are as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|---|-------------------------|---------------------|---------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Commission income | ₩ 580,724 | ₩ 1,989,428 | Rs. 33,014 | Rs. 113,099 |
| Gain on foreign currency transactions | 11,270,925 | 12,819,814 | 640,752 | 728,806 |
| Gain on foreign currency translation | 631,365 | 869,419 | 35,893 | 49,426 |
| Gain on disposal of property, plant and equipment | 697,191 | 1,209,846 | 39,635 | 68,780 |
| Others | 18,690,673 | 30,365,609 | 1,062,565 | 1,726,286 |
| | <u>₩ 31,870,878</u> | <u>₩ 47,254,116</u> | <u>Rs. 1,811,859</u> | <u>Rs. 2,686,397</u> |

(2) Details of the Group's other non-operating expense for the years ended December 31, 2015 and 2014, are as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|---|-------------------------|---------------------|---------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Loss on foreign currency transactions | ₩ 11,297,206 | ₩ 10,620,978 | Rs. 642,246 | Rs. 603,803 |
| Loss on foreign currency translation | 241,518 | 782,062 | 13,730 | 44,460 |
| Loss on disposal of property, plant and equipment | 173,970 | 86,068 | 9,890 | 4,893 |
| Loss on disposal of trade receivables | 11,769,712 | 13,469,988 | 669,108 | 765,769 |
| Others | 6,342,377 | 29,138,646 | 360,565 | 1,656,532 |
| | <u>₩ 29,824,783</u> | <u>₩ 54,097,742</u> | <u>Rs. 1,695,539</u> | <u>Rs. 3,075,457</u> |

28. FINANCIAL INCOME AND COST:

(1) Details of the Group's financial income for the years ended December 31, 2015 and 2014, are as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|---------------------------------------|-------------------------|---------------------|---------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Interest income | ₩ 3,354,655 | ₩ 5,060,120 | Rs. 190,712 | Rs. 287,668 |
| Dividend income | 11,000 | 11,000 | 625 | 625 |
| Gain on foreign currency transactions | 9,335,566 | 6,247,850 | 530,727 | 355,190 |
| Gain on foreign currency translation | 793,823 | 1,362,633 | 45,129 | 77,466 |
| Gain on disposal of derivatives | 2,427,103 | 36,832,905 | 137,981 | 2,093,951 |
| Gain on valuation of derivatives | 1,480,355 | 615,900 | 84,158 | 35,014 |
| | <u>₩ 17,402,502</u> | <u>₩ 50,130,408</u> | <u>Rs. 989,332</u> | <u>Rs. 2,849,914</u> |

(2) Details of the Group's financial cost for the years ended December 31, 2015 and 2014, are as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|--|-------------------------|---------------------|---------------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Interest expense | ₩ 1,320,189 | ₩ 1,149,266 | Rs. 75,053 | Rs. 65,336 |
| Loss on foreign currency transactions | 11,643,653 | 6,754,679 | 661,942 | 384,004 |
| Loss on foreign currency translation | 1,811,414 | 289,132 | 102,979 | 16,437 |
| Loss on disposal of AFS financial assets | 10,089 | 9,576 | 574 | 544 |
| Loss on disposal of derivatives | 30,405,790 | 8,648,800 | 1,728,569 | 491,684 |
| Loss on valuation of derivatives | 24,074 | 190,200 | 1,368 | 10,813 |
| | <u>₩ 45,215,209</u> | <u>₩ 17,041,653</u> | <u>Rs. 2,570,485</u> | <u>Rs. 968,818</u> |

(3) Details of the Group's financial net profit for the years ended December 31, 2015 and 2014, are as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|-----------------------------|-------------------------|---------------------|---------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Loan and receivables | ₩ (1,291,212) | ₩ 4,477,526 | Rs. (73,406) | Rs. 254,548 |
| AFS financial assets | 911 | 1,424 | 52 | 81 |
| Other financial liabilities | (26,522,406) | 28,609,805 | (1,507,799) | 1,626,467 |
| | <u>₩ (27,812,707)</u> | <u>₩ 33,088,755</u> | <u>Rs. (1,581,153)</u> | <u>Rs. 1,881,096</u> |

29. INCOME(LOSS) PER SHARE:

(1) Basic income (loss) per share for the years ended December 31, 2015 and 2014, 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 | |
|--------------------------------------|-------------------------|--------------------|---------------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net loss | ₩ (61,942,174) | ₩ (50,918,593) | Rs. (3,521,414) | Rs. (2,894,722) |
| Loss contributed to common stocks | (61,942,174) | (50,918,593) | (3,521,414) | (2,894,722) |
| Number of common stocks outstanding | <u>137,182,087</u> | <u>137,193,650</u> | <u>137,182,087</u> | <u>137,193,650</u> |
| Basic and diluted loss per share(*1) | <u>₩ (452)</u> | <u>₩ (371)</u> | <u>Rs. (26)</u> | <u>Rs. (21)</u> |

(*1) Basic and diluted losses per share for the years ended December 31, 2015 and 2014, are identical since there are no dilutive potential common shares.

(2) The numbers of shares outstanding for the years ended December 31, 2015 and 2014, are calculated as follows:

| December 31, 2015 | | | | | | |
|----------------------------|---------------|------------|-------------|-------------------------|-------------------------|--------------------|
| | Time interval | | Outstanding | Accumulated outstanding | Weighted average impact | Outstanding |
| | Common stock | 2015-01-01 | 2015-12-31 | 137,220,096 | 137,220,096 | 365/365 |
| Treasury stock | 2015-01-01 | 2015-02-22 | (237,964) | (237,964) | 53/365 | (34,554) |
| | 2015-02-23 | 2015-02-23 | (221,997) | (221,997) | 1/365 | (608) |
| | 2015-02-24 | 2015-02-24 | (191,997) | (191,997) | 1/365 | (526) |
| | 2015-02-25 | 2015-02-25 | (161,997) | (161,997) | 1/365 | (444) |
| | 2015-02-26 | 2015-02-26 | (121,997) | (121,997) | 1/365 | (334) |
| | 2015-02-27 | 2015-03-01 | (71,997) | (71,997) | 3/365 | (592) |
| | 2015-03-02 | 2015-03-17 | (21,706) | (21,706) | 16/365 | (951) |
| Total | | | | | | <u>137,182,087</u> |
| December 31, 2014 | | | | | | |
| | Time interval | | Outstanding | Accumulated outstanding | Weighted average impact | Outstanding |
| | 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 | | | | | | <u>137,193,650</u> |

30. CASH FLOWS FROM OPERATING ACTIVITIES:

Details of cash flows from operating activities for the years ended December 31, 2015 and 2014, are as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|-------------------------|-------------------------|----------------|---------------------------|-----------------|
| | 2015 | 2014 | 2015 | 2014 |
| 1. Net loss | ₩ (61,942,174) | ₩ (50,918,592) | Rs. (3,521,414) | Rs. (2,894,722) |
| 2. Adjustments | 217,574,021 | 182,927,511 | 12,369,083 | 10,399,429 |
| Postemployment benefits | 45,993,414 | 42,130,935 | 2,614,726 | 2,395,144 |
| Depreciation | 117,962,437 | 94,650,151 | 6,706,165 | 5,380,861 |

| | Korean won in thousands | | Indian rupee in thousands | |
|--|-------------------------|-----------------------|---------------------------|------------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Amortization | ₩ 32,479,932 | ₩ 11,502,729 | Rs. 1,846,484 | Rs. 653,930 |
| Loss on disposal of trade receivables | 11,769,712 | 13,469,988 | 669,108 | 765,769 |
| Gain/loss on foreign currency translation | 627,744 | (1,160,858) | 35,687 | (65,995) |
| Gain/loss on disposal of property, plant and equipment | (523,221) | (1,123,778) | (29,745) | (63,887) |
| Interest income/expense | (2,034,466) | (3,910,854) | (115,659) | (222,332) |
| Gain on dividends | (11,000) | (11,000) | (625) | (625) |
| Loss on valuation of inventories | 12,559,291 | 4,202,306 | 713,996 | 238,901 |
| Others | (1,249,822) | 23,177,892 | (71,054) | 1,317,663 |
| 3. Changes in working capital | ₩ 46,166,312 | ₩ (66,191,593) | Rs. 2,624,555 | Rs. (3,762,992) |
| Decrease (increase) in trade receivables, net | (6,581,488) | 20,680,236 | (374,158) | 1,175,672 |
| Decrease in non-trade receivables, net | 12,180,345 | 11,539,982 | 692,453 | 656,048 |
| Decrease in inventories | 250,514 | 15,547,940 | 14,242 | 883,900 |
| Increase in other assets | 2,840,022 | 844,078 | 161,455 | 47,986 |
| Decrease (increase) in trade payables | 64,613,936 | (87,938,970) | 3,673,302 | (4,999,330) |
| Decrease in other payables | (31,183,104) | (40,019,723) | (1,772,759) | (2,275,121) |
| Increase in accrued charges | 2,645,761 | 10,176,388 | 150,412 | 578,528 |
| Increase in provision of product warranties | 5,927,939 | 12,386,059 | 337,003 | 704,147 |
| Payment of severance indemnities | (16,053,811) | (6,958,637) | (912,659) | (395,599) |
| Increase(decrease) in other liabilities | 11,526,198 | (2,448,946) | 655,264 | (139,223) |
| Net cash (used in) provided by operating activities | ₩ 201,798,159 | ₩ 65,817,326 | Rs. 11,472,224 | Rs. 3,741,715 |

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 years ended December 31, 2015 and 2014, is as follows:

(Unit: Korean won and Indian rupee in thousands)

| Sales region | Year ended December 31, 2015 | |
|--------------------------|------------------------------|------------------------|
| Republic of Korea | ₩ 2,500,492,302 | Rs. 142,152,987 |
| Europe | 474,610,303 | 26,981,596 |
| Asia Pacific | 163,702,437 | 9,306,484 |
| Others | 262,797,261 | 14,940,024 |
| Consolidation adjustment | (11,537,107) | (655,885) |
| | <u>₩ 3,390,065,196</u> | <u>Rs. 192,725,206</u> |
| Sales region | Year ended December 31, 2014 | |
| Republic of Korea | ₩ 1,993,511,258 | Rs. 113,331,115 |
| Europe | 648,279,395 | 36,854,684 |
| Asia Pacific | 283,389,215 | 16,110,677 |
| Others | 410,346,962 | 23,328,224 |
| Consolidation adjustment | (8,937,404) | (508,091) |
| | <u>₩ 3,326,589,426</u> | <u>Rs. 189,116,609</u> |

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 years ended December 31, 2015 and 2014, is as follows:

(Unit: Korean won and Indian rupee in thousands)

| Sales | | Year ended December 31, 2015 | |
|------------|---|------------------------------|-----------------|
| Automobile | ₩ | 3,014,054,040 | Rs. 171,348,972 |
| Products | | 350,057,770 | 19,900,784 |
| Others | | 25,953,386 | 1,475,450 |
| | ₩ | 3,390,065,196 | Rs. 192,725,206 |

| Sales | | Year ended December 31, 2014 | |
|------------|---|------------------------------|-----------------|
| Automobile | ₩ | 2,945,297,419 | Rs. 167,440,158 |
| Products | | 356,045,310 | 20,241,176 |
| Others | | 25,246,697 | 1,435,275 |
| | ₩ | 3,326,589,426 | Rs. 189,116,609 |

32. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2015, are as follows:

| | Related parties |
|---------------------------|--|
| Controlling company | Mahindra & Mahindra Ltd. |
| Joint venture company | SY Auto Capital Co., 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 years ended December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

| | Company | Description | Year ended | |
|---------------------------------------|--|----------------|-------------------|-------------------|
| | | | December 31, 2015 | December 31, 2014 |
| Transactions with controlling company | Mahindra & Mahindra Ltd. | Sales | ₩ 2,014,865 | ₩ 1,409,962 |
| | | Other income | 58,513 | 81,738 |
| | | Purchases | 1,793,813 | 302,048 |
| | | Other expenses | 151,410 | 2,239,024 |
| Transaction with other affiliates | Mahindra Vehicle Manufacturing Ltd. Mahindra & Mahindra South Africa Ltd. | Sales | ₩ 5,790,253 | ₩ 13,641,777 |
| | | Other income | 9,937 | 77,504 |
| | | Other expenses | 234,044 | 101,928 |

(Unit: Indian rupee in thousands):

| | Company | Description | Year ended | |
|---------------------------------------|--|----------------|-------------------|-------------------|
| | | | December 31, 2015 | December 31, 2014 |
| Transactions with controlling company | Mahindra & Mahindra Ltd. | Sales | Rs. 114,545 | Rs. 80,156 |
| | | Other income | 3,326 | 4,647 |
| | | Purchases | 101,978 | 17,171 |
| | | Other expenses | 8,608 | 127,289 |
| Transaction with other affiliates | Mahindra Vehicle Manufacturing Ltd. Mahindra & Mahindra South Africa Ltd. | Sales | Rs. 329,176 | Rs. 775,535 |
| | | Other income | 565 | 4,406 |
| | | Other expenses | 13,305 | 5,795 |

The bad debt expense recognized for the years ended December 31, 2015 and 2014, does not exist.

- (3) Outstanding receivables and payables from transactions with related parties as of December 31, 2015, and 2014, are as follows:

(Unit: Korean won in thousands)

| | December 31, 2015 | | December 31, 2014 | |
|---|-------------------|---------|-------------------|-----------|
| Receivables from and payables to controlling company: | | | | |
| Trade receivables | ₩ | 89,823 | ₩ | 40,507 |
| Non-trade receivables | | 54,959 | | 159,510 |
| Trade payables | | 207,149 | | 205,628 |
| Non-trade payables | | 2,808 | | 982,293 |
| Receivables from and payables to joint venture: | | | | |
| Non-trade receivables | ₩ | 96,000 | ₩ | - |
| Receivables from and payables to affiliates: | | | | |
| Trade receivables | | 20,769 | | 1,459,978 |
| Non-trade receivables | | - | | 23,435 |
| Non-trade payables | | 89,314 | | 125,892 |

(Unit: Indian rupee in thousands)

| | December 31, 2015 | | December 31, 2014 | |
|---|-------------------|--------|-------------------|--------|
| Receivables from and payables to controlling company: | | | | |
| Trade receivables | Rs. | 5,106 | Rs. | 2,303 |
| Non-trade receivables | | 3,124 | | 9,068 |
| Trade payables | | 11,776 | | 11,690 |
| Non-trade payables | | 160 | | 55,843 |
| Receivables from and payables to joint venture: | | | | |
| Non-trade receivables | Rs. | 5,458 | Rs. | - |
| Receivables from and payables to affiliates: | | | | |
| Trade receivables | Rs. | 1,181 | Rs. | 83,000 |
| Non-trade receivables | | - | | 1,332 |
| Non-trade payables | | 5,078 | | 7,157 |

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, 2015.

- (4) Loan and borrowing transactions with related parties for year ended December 31, 2014, 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 | ₩ - |

(Unit: Indian rupee in thousands)

| Year ended December 31, 2014 | | Beginning balance | Increase | Decrease | Ending balance |
|------------------------------|-------|-------------------|----------|---------------|----------------|
| Controlling company | | | | | |
| Mahindra & Mahindra Ltd | Bonds | Rs. 5,423,761 | Rs. - | Rs. 5,423,761 | Rs. - |

- (5) Stock trading with the related parties for the years ended December 31, 2015 and 2014, is as follows:

(Unit: Korean won in thousands)

| | Company | Description | Year ended December 31, 2015 | Year ended December 31, 2014 |
|---------------|---------------------------|--------------------------|------------------------------|------------------------------|
| Joint venture | SY Auto Capital Co., Ltd. | Paid in capital increase | ₩ 10,200,000 | ₩ - |

(Unit: Indian rupee in thousands)

| | Company | Description | Year ended December 31, 2015 | Year ended December 31, 2014 |
|---------------|---------------------------|--------------------------|------------------------------|------------------------------|
| Joint venture | SY Auto Capital Co., Ltd. | Paid in capital increase | Rs. 579,870 | Rs. - |

- (6) Details of compensation for key executives for the years ended December 31, 2015 and 2014, are as follows:

| | Korean won in thousands | | Indian rupee in thousands | |
|------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2015 | Year ended December 31, 2014 |
| Short-term employee benefits | ₩ 688,877 | ₩ 808,724 | Rs. 39,163 | Rs. 45,976 |
| Postemployment benefits | 28,507 | 39,582 | 1,621 | 2,250 |

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, 2015, and 2014, is as follows:

(Unit: Korean won in thousands)

| | December 31, 2015 | | December 31, 2014 | |
|-------------------|-------------------|-----------------|-------------------|--|
| Debt (A) | ₩ 1,322,142,537 | ₩ 1,191,048,024 | | |
| Equity (B) | 717,055,175 | 777,383,965 | | |
| Debt ratio (A/ B) | 184.39% | 153.21% | | |

(Unit: Indian rupee in thousands)

| | December 31, 2015 | | December 31, 2014 | |
|-------------------|-------------------|----------------|-------------------|--|
| Debt (A) | Rs. 75,163,803 | Rs. 67,711,079 | | |
| Equity (B) | 40,764,586 | 44,194,279 | | |
| Debt ratio (A/ B) | 184.39% | 153.21% | | |

- (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, 2015, and 2014, are as follows:

1) Financial assets

(Unit: Korean won in thousands)

| Financial assets | December 31, 2015 | | | | | |
|--|--------------------------|-------------------------|---------------------------------|-----------------------------|---------------|---------------|
| | Loans and Receivables | AFS financial Assets | Financial assets at FVTPL | Designated to hedge item | Total | Fair value |
| Cash and cash equivalents | ₩ 197,881,904 | ₩ - | ₩ - | ₩ - | ₩ 197,881,904 | ₩ 197,881,904 |
| Long-term financial instruments | 6,000 | - | - | - | 6,000 | 6,000 |
| Trade receivables and other receivables | 199,790,478 | - | - | - | 199,790,478 | 199,790,478 |
| Long-term AFS financial assets | - | 560,000 | - | - | 560,000 | 560,000 |
| Derivative assets | - | - | 1,429,088 | 278,607 | 1,707,695 | 1,707,695 |
| | ₩ 397,678,382 | ₩ 560,000 | ₩ 1,429,088 | ₩ 278,607 | ₩ 399,946,077 | ₩ 399,946,077 |

| 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 | 216,364,904 | - | - | 216,364,904 | 216,364,904 |
| Long-term AFS financial assets | - | 560,000 | - | 560,000 | 560,000 |
| Derivative assets | - | - | 1,232,650 | 1,232,650 | 1,232,650 |
| | <u>₩ 373,136,211</u> | <u>₩ 560,000</u> | <u>₩ 1,232,650</u> | <u>₩ 374,928,861</u> | <u>₩ 374,928,861</u> |

(Unit: Indian rupee in thousands)

| December 31, 2015 | | | | | | |
|---|-----------------------|----------------------|---------------------------|--------------------------|-----------------------|-----------------------|
| Financial assets | Loans and Receivables | AFS financial Assets | Financial assets at FVTPL | Designated to hedge item | Total | Fair value |
| Cash and cash equivalents | Rs. 11,249,586 | Rs. - | Rs. - | Rs. - | Rs. 11,249,586 | Rs. 11,249,586 |
| Long-term financial instruments | 341 | - | - | - | 341 | 341 |
| Trade receivables and other receivables | 11,358,088 | - | - | - | 11,358,088 | 11,358,088 |
| Long-term AFS financial assets | - | 31,836 | - | - | 31,836 | 31,836 |
| Derivative assets | - | - | 81,243 | 15,839 | 97,082 | 97,082 |
| | <u>Rs. 22,608,015</u> | <u>Rs. 31,836</u> | <u>Rs. 81,243</u> | <u>Rs. 15,839</u> | <u>Rs. 22,736,933</u> | <u>Rs. 22,736,933</u> |

| December 31, 2014 | | | | | |
|---|-----------------------|----------------------|--------------------------|-----------------------|-----------------------|
| Financial assets | Loans and receivables | AFS financial assets | Designated to hedge item | Total | Fair value |
| Cash and cash equivalents | Rs. 8,912,108 | Rs. - | Rs. - | Rs. 8,912,108 | Rs. 8,912,108 |
| Long-term financial instruments | 341 | - | - | 341 | 341 |
| Trade receivables and other receivables | 12,300,344 | - | - | 12,300,344 | 12,300,344 |
| Long-term AFS financial assets | - | 31,836 | - | 31,836 | 31,836 |
| Derivative assets | - | - | 70,076 | 70,076 | 70,076 |
| | <u>Rs. 21,212,793</u> | <u>Rs. 31,836</u> | <u>Rs. 70,076</u> | <u>Rs. 21,314,705</u> | <u>Rs. 21,314,705</u> |

2) Financial liabilities

(Unit: Korean won in thousands):

| December 31, 2015 | | | | |
|-----------------------------------|--|--------------------------------|----------------------|----------------------|
| Financial liabilities | Financial liability measured at amortized cost | Financial liabilities at FVTPL | Total | Fair value |
| Trade payables and other payables | ₩ 650,426,883 | ₩ - | ₩ 650,426,883 | ₩ 650,426,883 |
| Debt | 190,724,546 | - | 190,724,546 | 190,724,546 |
| Derivative liabilities | - | 24,074 | 24,074 | 24,074 |
| | <u>₩ 841,151,429</u> | <u>₩ 24,074</u> | <u>₩ 841,175,503</u> | <u>₩ 841,175,503</u> |

| December 31, 2014 | | | | |
|-----------------------------------|--|--------------------------------------|----------------------|----------------------|
| Financial liabilities | Financial liability measured at amortized cost | Derivatives designated to hedge item | Total | Fair value |
| Trade payables and other payables | ₩ 628,806,535 | ₩ - | ₩ 628,806,535 | ₩ 628,806,535 |
| Debt | 124,540,013 | - | 124,540,013 | 124,540,013 |
| Derivative liabilities | - | 14,974,250 | 14,974,250 | 14,974,250 |
| | <u>₩ 753,346,548</u> | <u>₩ 14,974,250</u> | <u>₩ 768,320,798</u> | <u>₩ 768,320,798</u> |

(Unit: Indian rupee in thousands):

| December 31, 2015 | | | | | |
|-----------------------------------|---------------------------------|-------------------|-----------------------|--------------|-----------------------|
| Financial liabilities | Financial liability measured at | | Financial liabilities | | Fair value |
| | amortized cost | | at FVTPL | | |
| | | | | Total | |
| Trade payables and other payables | Rs. | 36,976,768 | Rs. | - | Rs. 36,976,768 |
| Debt | | 10,842,690 | | - | 10,842,690 |
| Derivative liabilities | | - | | 1,369 | 1,369 |
| | <u>Rs.</u> | <u>47,819,458</u> | <u>Rs.</u> | <u>1,369</u> | <u>Rs. 47,820,827</u> |

| December 31, 2014 | | | | | |
|-----------------------------------|---------------------------------|-------------------|--------------------------|----------------|-----------------------|
| Financial liabilities | Financial liability measured at | | Derivatives | | Fair value |
| | amortized cost | | designated to hedge item | | |
| | | | | Total | |
| Trade payables and other payables | Rs. | 35,747,651 | Rs. | - | Rs. 35,747,651 |
| Debt | | 7,080,100 | | - | 7,080,100 |
| Derivative liabilities | | - | | 851,286 | 851,286 |
| | <u>Rs.</u> | <u>42,827,751</u> | <u>Rs.</u> | <u>851,286</u> | <u>Rs. 43,679,037</u> |

(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, 2015.

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)

| Currency | Korean won in thousands | | Indian rupee in thousands | |
|----------|-------------------------|--------------------|---------------------------|--------------------|
| | 10% increase | 10% decrease | 10% increase | 10% decrease |
| USD | ₩ 1,319,208 | ₩ (1,319,208) | Rs. 74,997 | Rs. (74,997) |
| EUR | (4,945,304) | 4,945,304 | (281,141) | 281,141 |
| JPY | (6,132,395) | 6,132,395 | (348,627) | 348,627 |
| Others | 1,600,791 | (1,600,791) | 91,005 | (91,005) |
| | <u>₩ (8,157,700)</u> | <u>₩ 8,157,700</u> | <u>Rs. (463,766)</u> | <u>Rs. 463,766</u> |

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, 2015, are as follows:

(Unit: Korean won in thousands)

| | | | Average exchange rate contracted | | Amount of foreign Currency | | Amount of Contract | | Fair value |
|--|-----------------|---|--|-----|-------------------------------|-----|-----------------------|---|------------|
| Cash flow hedges | | | | | | | | | |
| Short position in EUR | Within 3 months | ₩ | 1,303.73 | EUR | 6,000,000 | ₩ | 7,822,380 | ₩ | 121,709 |
| Long position in KRW | 3-6 months | | 1,307.06 | EUR | 6,000,000 | ₩ | 7,842,330 | ₩ | 113,703 |
| | 6-9 months | | 1,309.84 | EUR | 2,000,000 | ₩ | 2,619,680 | ₩ | 43,195 |
| Held for trading | | | | | | | | | |
| Short position in EUR | Within 3 months | | 1.1436 | EUR | 6,000,000 | USD | 6,862 | ₩ | 348,177 |
| Long position in USD | 3-6 months | | 1.1273 | EUR | 14,000,000 | USD | 15,672 | ₩ | 368,822 |
| | 6-9 months | | 1.1136 | EUR | 18,000,000 | USD | 20,045 | ₩ | 278,671 |
| | 9-12 months | | 1.1432 | EUR | 2,000,000 | USD | 2,287 | ₩ | 94,341 |
| Short position in KRW, Long position in JPY | Within 3 months | | 9.38 | JPY | 900,000,000 | ₩ | 8,443,060 | ₩ | 315,003 |

(Unit: Indian rupee in thousands)

| | | | Average exchange rate contracted | | Amount of foreign Currency | | Amount of Contract | | Fair value |
|--|-----------------|---|--|-----|-------------------------------|-----|-----------------------|-----|------------|
| Cash flow hedges | | | | | | | | | |
| Short position in EUR | Within 3 months | ₩ | 1,303.73 | EUR | 6,000,000 | Rs. | 444,702 | Rs. | 6,919 |
| Long position in KRW | 3-6 months | | 1,307.06 | EUR | 6,000,000 | Rs. | 445,836 | Rs. | 6,464 |
| | 6-9 months | | 1,309.84 | EUR | 2,000,000 | Rs. | 148,929 | Rs. | 2,456 |
| Held for trading | | | | | | | | | |
| Short position in EUR | Within 3 months | | 1.1436 | EUR | 6,000,000 | USD | 6,862 | Rs. | 19,794 |
| Long position in USD | 3-6 months | | 1.1273 | EUR | 14,000,000 | USD | 15,672 | Rs. | 20,968 |
| | 6-9 months | | 1.1136 | EUR | 18,000,000 | USD | 20,045 | Rs. | 15,842 |
| | 9-12 months | | 1.1432 | EUR | 2,000,000 | USD | 2,287 | Rs. | 5,363 |
| Short position in KRW, Long position in JPY | Within 3 months | | 9.38 | JPY | 900,000,000 | Rs. | 479,988 | Rs. | 17,908 |

The cumulative benefits of cash flow hedging related to forward contracts deferred to equity, amount to 227,340 thousand won (Rs. 12,924 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 12 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 ₩181,301 thousand (Rs. 10,307 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, 2015, and 2014, the maximum exposed amounts of credit risk for financial assets maintained by the Group are as follows.

| | December 31, 2015 (Korean won in thousands) | | December 31, 2014 (Indian rupee in thousands) | |
|-----------------------------|---|-------------|---|-------------|
| Trade and other receivables | ₩ | 199,790,478 | ₩ | 216,364,904 |
| | | | Rs. | 11,358,088 |
| | | | Rs. | 12,300,344 |

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, 2015, and 2014, is as follows:

(Unit: Korean won in thousands)

| | December 31, 2015 | | |
|------------------------------|-------------------|------------------|---------------|
| | Within a year | More than 1 year | Total |
| Trade payables | ₩ 432,432,182 | ₩ - | ₩ 432,432,182 |
| Non-trade payables | 172,897,876 | - | 172,897,876 |
| Short-term borrowings | 154,713,544 | - | 154,713,544 |
| Derivatives liabilities | 24,074 | - | 24,074 |
| Other payables | 32,484,211 | - | 32,484,211 |
| Long-term borrowings | - | 40,037,205 | 40,037,205 |
| Long-term non-trade payables | - | 12,612,614 | 12,612,614 |
| | ₩ 792,551,887 | ₩ 52,649,819 | ₩ 845,201,706 |
| | 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 | 29,715,326 | - | 29,715,326 |
| Long-term borrowings | - | 27,212,632 | 27,212,632 |
| Long-term non-trade payables | - | 3,534,693 | 3,534,693 |
| | ₩ 741,172,376 | ₩ 30,747,325 | ₩ 771,919,701 |

(Unit: Indian rupee in thousands)

| | December 31, 2015 | | |
|------------------------------|-----------------------|----------------------|-----------------------|
| | Within a year | More than 1 year | Total |
| Trade payables | Rs. 24,583,770 | Rs. - | Rs. 24,583,770 |
| Non-trade payables | 9,829,244 | - | 9,829,244 |
| Short-term borrowings | 8,795,465 | - | 8,795,465 |
| Derivatives liabilities | 1,369 | - | 1,369 |
| Other payables | 1,846,727 | - | 1,846,727 |
| Long-term borrowings | - | 2,276,115 | 2,276,115 |
| Long-term non-trade payables | - | 717,027 | 717,027 |
| | <u>Rs. 45,056,575</u> | <u>Rs. 2,993,142</u> | <u>Rs. 48,049,717</u> |

| | December 31, 2014 | | |
|------------------------------|-----------------------|----------------------|-----------------------|
| | Within a year | More than 1 year | Total |
| Trade payables | Rs. 20,867,577 | Rs. - | Rs. 20,867,577 |
| Non-trade payables | 12,989,811 | - | 12,989,811 |
| Short-term borrowings | 5,737,659 | - | 5,737,659 |
| Derivatives liabilities | 851,286 | - | 851,286 |
| Other payables | 1,689,316 | - | 1,689,316 |
| Long-term borrowings | - | 1,547,038 | 1,547,038 |
| Long-term non-trade payables | - | 200,947 | 200,947 |
| | <u>Rs. 42,135,649</u> | <u>Rs. 1,747,985</u> | <u>Rs. 43,883,634</u> |

Funding arrangements as of December 31, 2015, and 2014, are as follows:

(Unit: Korean won in thousands)

| | December 31, 2015 | December 31, 2014 |
|----------------------------------|----------------------|----------------------|
| Borrowing limit commitments Used | ₩ 85,000,000 | ₩ 60,000,000 |
| Unused | 112,000,000 | 65,000,000 |
| Total | <u>₩ 197,000,000</u> | <u>₩ 125,000,000</u> |

(Unit: Indian rupee in thousands)

| | December 31, 2015 | December 31, 2014 |
|----------------------------------|-----------------------|----------------------|
| Borrowing limit commitments Used | Rs. 4,832,250 | Rs. 3,411,000 |
| Unused | 6,367,200 | 3,695,250 |
| Total | <u>Rs. 11,199,450</u> | <u>Rs. 7,106,250</u> |

(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 in 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, 2015, and 2014, are as follows:

(Unit: Korean won in thousands)

| Type | December 31, 2015 | | | | Fair value | |
|--|-------------------|---------|-------------|---|------------|-------------|
| | Level 1 | Level 2 | Level 3 | | | |
| Derivatives designated to hedge item | ₩ | - | ₩ 1,707,695 | ₩ | - | ₩ 1,707,695 |
| Derivatives Liabilities designated to hedge item | | - | 24,074 | | - | 24,074 |

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

(Unit: Indian rupee in thousands)

| Type | December 31, 2015 | | | | Fair value | |
|--|-------------------|---------|------------|-----|------------|------------|
| | Level 1 | Level 2 | Level 3 | | | |
| Derivatives designated to hedge item | Rs. | - | Rs. 97,082 | Rs. | - | Rs. 97,082 |
| Derivatives Liabilities designated to hedge item | | - | 1,369 | | - | 1,369 |

| Type | December 31, 2014 | | | | Fair value | |
|--|-------------------|---------|------------|-----|------------|------------|
| | Level 1 | Level 2 | Level 3 | | | |
| Derivatives designated to hedge item | Rs. | - | Rs. 70,076 | Rs. | - | Rs. 70,076 |
| Derivatives Liabilities designated to hedge item | | - | 51,286 | | - | 851,286 |

- 4) The Group measures the foreign exchange-forward contract (derivative assets: ₩1,707,695 thousand (Rs. 97,082 thousand) and derivative liabilities: ₩24,074 thousand (Rs. 1,369 thousand)) based on the forward rate announced officially in the market as of December 31, 2015. 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.