

SSANGYONG MOTOR COMPANY

**SEPARATE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

SSANGYONG MOTOR COMPANY

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Ssangyong Motor Company (the "Company"), which comprise the separate statements of financial position as of December 31, 2015 and 2014, and the separate statements of comprehensive income, separate statements of changes in shareholders' equity and separate statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.

Deloitte.

Others

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

Deloitte Anjin LLC

March 8, 2016

Notice to Readers

This report is effective as of March 8, 2016, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the accompanying separate financial statements and may result in modifications to the auditor's report.

SSANGYONG MOTOR COMPANY

SEPARATE 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)	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 4, 5 and 34)	₩ 192,773,290	₩ 149,091,232	Rs. 10,959,162	Rs. 8,475,837
Trade and other receivables, net (Notes 7, 33 and 34)	161,044,205	178,789,880	9,155,363	10,164,205
Derivative assets (Notes 26 and 34)	1,707,695	1,232,650	97,082	70,076
Inventories, net (Notes 8 and 25)	243,631,536	257,522,706	13,850,453	14,640,166
Other current assets (Note 10)	6,537,137	7,716,268	371,635	438,670
Total current assets	<u>605,693,863</u>	<u>594,352,736</u>	<u>34,433,695</u>	<u>33,788,954</u>
NON-CURRENT ASSETS:				
Non-current financial instruments (Notes 5 and 34)	6,000	6,000	341	341
Non-current available-for-sale financial assets (Notes 6 and 34)	560,000	560,000	31,836	31,836
Non-current other receivables, net (Notes 7 and 34)	50,222,268	48,163,339	2,855,136	2,738,086
Property, plant and equipment, net (Note 11)	1,187,781,726	1,173,658,635	67,525,391	66,722,493
Intangible assets (Note 12)	186,944,585	150,915,434	10,627,800	8,579,542
Investments in subsidiaries (Note 9)	5,829,056	5,829,056	331,382	331,382
Investments in joint ventures (Note 9)	10,200,000	-	579,870	-
Other non-current assets (Note 10)	352,985	360,473	20,066	20,492
Total non-current assets	<u>1,441,896,620</u>	<u>1,379,492,937</u>	<u>81,971,822</u>	<u>78,424,172</u>
TOTAL ASSETS	<u>₩2,047,590,483</u>	<u>₩1,973,845,673</u>	<u>Rs. 116,405,517</u>	<u>Rs. 112,213,126</u>
<u>LIABILITIES AND SHAREHOLDERS'</u>				
<u>EQUITY</u>				
CURRENT LIABILITIES:				
Trade and other payables (Notes 33 and 34)	₩ 637,482,214	₩ 625,003,152	Rs. 36,240,864	Rs. 35,531,429
Short-term borrowings (Notes 13, 18 and 34)	153,224,546	99,540,013	8,710,815	5,658,850
Derivatives Liabilities (Notes 26 and 34)	24,074	14,974,250	1,369	851,286
Provision for product warranties (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)	28,855,530	22,463,040	1,640,437	1,277,024
Total current liabilities	<u>878,408,364</u>	<u>821,307,197</u>	<u>49,937,515</u>	<u>46,691,315</u>

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE 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 borrowing (Note 13)	₩ 37,500,000	₩ 25,000,000	Rs. 2,131,875	Rs. 1,421,250
Other non-current payables (Note 34)	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)	86,932,757	80,309,564	4,942,127	4,565,599
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>1,321,781,281</u>	<u>1,190,749,155</u>	<u>75,143,265</u>	<u>67,694,090</u>
SHAREHOLDERS' EQUITY:				
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	7,485,914	7,355,446
Other capital adjustments (Notes 21 and 26)	227,340	(14,167,300)	12,924	(805,411)
Retained earnings (accumulated deficit) (Note 22)	<u>(92,196,977)</u>	<u>(18,220,064)</u>	<u>(5,241,398)</u>	<u>(1,035,811)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>725,809,202</u>	<u>783,096,518</u>	<u>41,262,252</u>	<u>44,519,036</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩2,047,590,483</u>	<u>₩1,973,845,673</u>	<u>Rs. 116,405,517</u>	<u>Rs. 112,213,126</u>

(Concluded)

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE 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 32 and 33)	₩ 3,385,555,598	₩ 3,314,895,562	Rs. 192,468,836	Rs. 188,451,813
COST OF SALES (Notes 25 and 33)	<u>2,868,337,736</u>	<u>2,867,898,570</u>	<u>163,065,000</u>	<u>163,040,034</u>
GROSS PROFIT	517,217,862	446,996,992	29,403,836	25,411,779
SELLING AND ADMINISTRATIVE EXPENSES (Notes 25 and 27)	<u>550,410,785</u>	<u>524,842,382</u>	<u>31,290,853</u>	<u>29,837,289</u>
OPERATING LOSS	(33,192,923)	(77,845,390)	(1,887,017)	(4,425,510)
NON-OPERATING INCOME (Note 28)	31,829,988	47,614,038	1,809,535	2,706,858
NON-OPERATING EXPENSES (Note 28)	29,824,657	54,096,404	1,695,532	3,075,381
FINANCIAL INCOME (Note 29)	17,730,732	50,717,417	1,007,992	2,883,285
FINANCIAL COST (Note 29)	<u>45,202,320</u>	<u>17,025,454</u>	<u>2,569,752</u>	<u>967,897</u>
LOSS BEFORE INCOME TAX EXPENSE	(58,659,180)	(50,635,793)	(3,334,774)	(2,878,645)
INCOME TAX EXPENSE (Note 24)	-	-	-	-
NET LOSS	(58,659,180)	(50,635,793)	(3,334,774)	(2,878,645)
OTHER COMPREHENSIVE LOSS	(923,093)	(56,311,215)	(52,478)	(3,201,293)
TOTAL COMPREHENSIVE LOSS	<u>₩ (59,582,273)</u>	<u>₩ (106,947,008)</u>	<u>Rs. (3,387,252)</u>	<u>Rs. (6,079,938)</u>
LOSS PER SHARE (Note 30) Basic and diluted loss per share	<u>₩ (428)</u>	<u>₩ (369)</u>	<u>Rs. (24)</u>	<u>Rs. (21)</u>

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Korean won in thousands									
	Other capital surplus					Retained earnings				
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Treasury stock	Gain on disposal of Treasury stocks	Other capital surplus	Other capital adjustments	(accumulated deficit)	Total
Balance at January 1, 2014	₩ 686,100,480	₩ 11,452,713	₩ 120,351,580	₩ 931,508	₩ (108,530)	₩ -	₩ (3,243,869)	₩ 26,833,680	₩ 47,725,964	₩ 890,043,526
Net loss	-	-	-	-	-	-	-	-	(50,635,793)	(50,635,793)
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)	-	(41,000,980)
Others	-	-	(2,162,579)	-	-	-	3,243,869	-	-	1,081,290
Balance at December 31, 2014	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ (1,189,820)	₩ -	₩ -	₩ (14,167,300)	₩ (18,220,064)	₩ 783,096,518
Balance at January 1, 2015	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ (1,189,820)	₩ -	₩ -	₩ (14,167,300)	₩ (18,220,064)	₩ 783,096,518
Net loss	-	-	-	-	-	-	-	-	(58,659,180)	(58,659,180)
Actuarial loss	-	-	-	-	-	-	-	-	(15,317,733)	(15,317,733)
Disposal of Treasury stock	-	-	-	-	1,189,820	1,105,137	-	-	-	2,294,957
Gain on valuation of derivatives	-	-	-	-	-	-	-	14,394,640	-	14,394,640
Balance at December 31, 2015	₩ 686,100,480	₩ 11,452,713	₩ 118,189,001	₩ 931,508	₩ -	₩ 1,105,137	₩ -	₩ 227,340	₩ (92,196,977)	₩ 725,809,202

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Indian rupee in thousands										
	Other capital surplus					Gain on disposal of Treasury stocks		Other capital surplus		Retained earnings (accumulated deficit)	
	Capital stock	Paid-in capital in excess of par value	Gain on capital reduction	Debt to be swapped for equity	Treasury stock	Treasury stock	Gain on disposal of Treasury stocks	Other capital surplus	Other capital adjustments	Retained earnings (accumulated deficit)	Total
Balance at January 1, 2014	Rs. 39,004,812	Rs. 651,087	Rs. 6,841,987	Rs. 52,956	Rs. (6,170)	Rs. -	Rs. -	Rs. (184,414)	Rs. 1,525,495	Rs. 2,713,221	Rs. 50,598,974
Net loss	-	-	-	-	-	-	-	-	-	(2,878,645)	(2,878,645)
Actuarial loss	-	-	-	-	-	-	-	-	-	(870,387)	(870,387)
Increase in Treasury stock	-	-	-	-	(61,471)	-	-	-	-	-	(61,471)
Loss on valuation of derivatives	-	-	-	-	-	-	-	-	(2,330,906)	-	(2,330,906)
Others	-	-	(122,943)	-	-	-	-	184,414	-	-	61,471
Balance at December 31, 2014	Rs. 39,004,812	Rs. 651,087	Rs. 6,719,044	Rs. 52,956	Rs. (67,641)	Rs. -	Rs. -	Rs. (805,411)	Rs. (1,035,811)	Rs. 44,519,036	
Balance at January 1, 2015	Rs. 39,004,812	Rs. 651,087	Rs. 6,719,044	Rs. 52,956	Rs. (67,641)	Rs. -	Rs. -	Rs. (805,411)	Rs. (1,035,811)	Rs. 44,519,036	
Net loss	-	-	-	-	-	-	-	-	-	(3,334,774)	(3,334,774)
Actuarial loss	-	-	-	-	-	-	-	-	-	(870,813)	(870,813)
Disposal of Treasury stock	-	-	-	-	67,641	62,827	-	-	-	-	130,468
Gain on valuation of derivatives	-	-	-	-	-	-	-	-	818,335	-	818,335
Balance at December 31, 2015	Rs. 39,004,812	Rs. 651,087	Rs. 6,719,044	Rs. 52,956	Rs. -	Rs. 62,827	Rs. -	Rs. 12,924	Rs. (5,241,398)	Rs. 41,262,252	

(Concluded)

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Korean won		Indian rupee	
	Year ended	Year ended	Year ended	Year ended
	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	₩ (58,659,180)	₩ (50,635,793)	Rs. (3,334,774)	Rs. (2,878,645)
Adjustment (Note 31)	216,863,010	182,028,912	12,328,662	10,348,344
Changes in net working capital (Note 31)	<u>45,827,442</u>	<u>(66,252,128)</u>	<u>2,605,290</u>	<u>(3,766,433)</u>
	204,031,272	65,140,991	11,599,178	3,703,266
Interests received	3,151,629	6,041,293	179,170	343,447
Interests paid	(3,520,527)	(3,618,200)	(200,142)	(205,695)
Dividend income received	<u>480,229</u>	<u>738,010</u>	<u>27,301</u>	<u>41,956</u>
Net cash provided by operating activities	<u>204,142,603</u>	<u>68,302,094</u>	<u>11,605,507</u>	<u>3,882,974</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in other receivables	7,836,122	-	445,484	-
Disposal of property, plant and equipment	718,827	1,364,573	40,865	77,576
Disposal of intangible assets	-	587,760	-	33,414
Decrease in other assets	<u>113,159</u>	<u>2,125</u>	<u>6,433</u>	<u>121</u>
	8,668,108	1,954,458	492,782	111,111
Cash outflows for investing activities:				
Increase in other receivables	8,493,404	3,151,174	482,850	179,144
Acquisition of property, plant and equipment	151,090,305	183,663,377	8,589,484	10,441,263
Acquisition of intangible assets	66,873,343	72,703,278	3,801,750	4,133,181
Investments in associates and joint ventures	<u>10,200,000</u>	<u>-</u>	<u>579,870</u>	<u>-</u>
	236,657,052	259,517,829	13,453,954	14,753,588
Net cash used in investing activities	<u>(227,988,944)</u>	<u>(257,563,371)</u>	<u>(12,961,172)</u>	<u>(14,642,477)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in borrowings	70,163,041	73,998,948	3,988,770	4,206,840
Increase in government grants	70,401	46,244	4,002	2,629
Paid-in capital increase	<u>2,294,957</u>	<u>-</u>	<u>130,468</u>	<u>-</u>
	72,528,399	74,045,192	4,123,240	4,209,469

(Continued)

SSANGYONG MOTOR COMPANY

SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Korean won		Indian rupee	
	Year ended	Year ended	Year ended	Year ended
	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	(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
Costs of stock issuance	-	-	-	-
	5,000,000	95,404,765	284,250	5,423,761
Net cash provided by (used in) financing activities	67,528,399	(21,359,573)	3,838,990	(1,214,292)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,682,058	(210,620,850)	2,483,325	(11,973,795)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	149,091,232	359,712,082	8,475,837	20,449,632
CASH AND CASH EQUIVALENTS, END OF YEAR	₩ 192,773,290	₩ 149,091,232	Rs. 10,959,162	Rs. 8,475,837

(Concluded)

See notes to separate financial statements.

SSANGYONG MOTOR COMPANY

NOTES TO SEPARATE FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

1. GENERAL:

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

The Indian rupee amounts presented in these separate 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 separate 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 Company has prepared its separate financial statements in accordance with the K-IFRS.

The Company's financial statements are separate financial statements prepared in accordance with the requirements of K-IFRS 1027, *Separate Financial Statements*, in which a parent, or an investor with joint control of, or significant influence over, an investee accounts for the investments on the basis of the direct equity interest rather than on the basis of the underlying results and net assets of the investees.

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

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

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

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

Amendments to K-IFRS 1019 – Employee Benefits

The amendment permits the Company to recognize amount of contributions as a reduction in the service cost in which the related service is rendered if the amount of the contributions are independent of the number of years of service. The application of these amendments has no significant impact on the disclosure in the Company's separate 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 definition for 'performance condition' and 'service condition,' which were previously included within the definition of 'vesting condition.' The amendments to K-IFRS 1103 clarify the classification and measurement of the contingent consideration in business combination. The amendments to K-IFRS 1108 clarify that a reconciliation of the total of the reportable segments' assets should only be provided if the segment assets are regularly provided to the chief operating decision maker. The application of these amendments has no significant impact on the disclosure in the Company's separate financial statements.

Annual Improvements to K-IFRS 2011-2013 Cycle

The amendments to K-IFRS 1103 clarify the scope of the portfolio exception for measuring the fair values of the Company's financial assets and financial liabilities on a net basis, and include all contracts that are within the scope the standard and does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself. 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 Company's separate financial statements.

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

The Company 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 Equipments

The amendments to K-IFRS 1016 prohibit the Company 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, which 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 & K-IFRS 1028 Investment in associates

The amendments clarify that in 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 1 January 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 *Business Combinations*. 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 based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses and broadened types of instruments that qualify as hedging instruments and 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 1 January 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 1 January 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 for 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 and 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.

Amendments to K-IFRS 1027 – Separate Financial Statements

The following amendments discuss accounting for investment in subsidiaries, related parties and joint ventures at cost basis, as well as allowing application of K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, methods and application of equity method accounting under K-IFRS 1028, *Investment in Associates and Joint Ventures*. The amendments are effective for the annual periods beginning on or after January 1, 2016.

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

(2) Accounting for investments in subsidiaries and joint ventures

The Company in accordance with the K-IFRS 1027 '*Consolidated and Separate financial statements*,' is a parent company and it has subsidiaries Ssangyong Motor (Shanghai) Co., Ltd and Ssangyong European Parts Center B.V. and has a joint venture with SY auto capital Co., Ltd. When the Company prepares separate statements, the investments in subsidiaries and a joint venture are accounted for at cost basis by the direct investment proportion. Also, the Company recognizes a dividend from a subsidiary in profit or loss in the separate financial statements when its right to receive the dividend is established.

(3) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Company 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 Company's activities, as described below.

1) *Sale of goods*

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

2) *Rendering of services*

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

3) *Dividend and interest income*

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

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

(4) Foreign currencies

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of each 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.

(5) 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 are recognized immediately in profit or loss.

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

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

1) Effective interest method

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

2) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is 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 it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading 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; or
- the financial asset forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

3) Held-to-maturity investments

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

4) AFS financial assets

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

They are subsequently measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income (as investments revaluation reserve). 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 Company's right to receive the dividends is established.

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

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

5) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables.' Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

6) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

For all other financial assets, objective evidence of impairment include:

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

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

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

For financial assets that are carried at cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

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

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

7) Derecognition of financial assets

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

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

(6) Financial liabilities and equity instruments

1) Classification as debt or equity

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

2) Equity instruments

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

Repurchase of the Company'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 Company's own equity instruments.

3) Financial liabilities

Financial liabilities are recognized when the Company 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 fair value through profit or loss are recognized immediately in profit or loss.

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

4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS 1103 applies, or held for trading, or 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; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading 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; or

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss is recognized in other gains and losses line item in the statement of comprehensive income.

5) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments including all fees and points paid or received (that form an integral part of the effective interest rate) and transaction costs and other premiums or discounts through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

6) Derecognition of financial liabilities

The Company derecognizes financial liabilities when the Company's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(7) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in such case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

1) Cash flow hedges

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

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

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

(8) Inventories

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

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

(9) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The Company 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	6–10
Others	6–10

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

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

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

(10) Intangible assets

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditure

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

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, only if, the development project is designed to produce new or substantially improved products, and the Company can demonstrate the technical and economic 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.

(11) Impairment of property, plant and equipment

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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.

(12) Retirement benefit costs and termination benefits

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

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

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

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.

(13) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

(14) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company'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 Company'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 Company as lessee

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

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

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

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

(15) Borrowing costs

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

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

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

(16) Government grants

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

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

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

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company 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 Company with no future related costs are recognized in profit or loss in the period in which they become receivable

(17) Taxation

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

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company'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 financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Company 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 that intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

3) Current and deferred tax for the year

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

(18) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company 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 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 Impairment of Assets.

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

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

(19) Segment information

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

(20) Accounting Treatment related to the Emission Rights Cap and Trade Scheme

The Company classifies the emission rights as intangible assets. Emission rights allowances the government allocated free of charge are measured at nil, and emission rights allowances purchased are measured at cost, which the Company paid to purchase the allowances. If emission rights the government allocated free of charge are sufficient to settle the emission rights allowances allotted for vintage year, the emissions liabilities are measured at nil. However, for the emissions 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 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 Company provides warranties for its products at recognition of sale and establishes a provision for product warranties at the end of each reporting period based on the best estimate of the expenses necessary to provide present and future warranty obligations.

(2) Retirement benefit obligation

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. The present value of defined benefit obligations is expressed in a currency in which retirement benefits will be paid and is calculated by discounting expected future cash outflows with the interest rate of high-quality corporate bonds 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. 23,064	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. 827,693</u>	

6. AVAILABLE-FOR-SALE (“AFS”) FINANCIAL ASSETS:

The Company’s long-term, available-for-sale 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	₩ 675,625	₩ 500,000	₩ 500,000
Korea Management Consultants Association (*)	1.50	60,000	528,903	60,000	60,000
		<u>₩ 560,000</u>	<u>₩ 1,204,528</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. 38,409	Rs. 28,425	Rs. 28,425
Korea Management Consultants Association (*)	1.50	3,411	30,068	3,411	3,411
		<u>Rs. 31,836</u>	<u>Rs. 68,477</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	₩ 151,800,114	₩ 6,718,300	₩ 2,581,171	₩ 50,381,524
Less: Allowance for doubtful accounts	(44,462)	(2,252)	(8,666)	(159,256)
	<u>₩ 151,755,652</u>	<u>₩ 6,716,048</u>	<u>₩ 2,572,505</u>	<u>₩ 50,222,268</u>
Financial assets	December 31, 2014			
	Trade receivables	Non-trade receivables	Other Receivables	Other long-term receivables
Receivables – general	₩ 157,769,207	₩ 18,734,369	₩ 2,777,863	₩ 48,312,977
Less: Allowance for doubtful accounts	(87,169)	(393,336)	(11,054)	(149,638)
	<u>₩ 157,682,038</u>	<u>₩ 18,341,033</u>	<u>₩ 2,766,809</u>	<u>₩ 48,163,339</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. 8,629,836	Rs. 381,935	Rs. 146,740	Rs. 2,864,190
Less: Allowance for doubtful accounts	(2,528)	(128)	(492)	(9,054)
	<u>Rs. 8,627,308</u>	<u>Rs. 381,807</u>	<u>Rs. 146,248</u>	<u>Rs. 2,855,136</u>

Financial assets	December 31, 2014			
	Trade receivables	Non-trade receivables	Other Receivables	Other long-term receivables
Receivables – general	Rs. 8,969,179	Rs. 1,065,049	Rs. 157,922	Rs. 2,746,593
Less: Allowance for doubtful accounts	(4,956)	(22,361)	(628)	(8,507)
	<u>Rs. 8,964,223</u>	<u>Rs. 1,042,688</u>	<u>Rs. 157,294</u>	<u>Rs. 2,738,086</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 Company's sales, the respective dealership bears all of the risk; the Company manages credit risk on product sales using two management indexes, agreed liability rate and agreed excess rate, and when the management index exceeds the agreed rate, it imposes a release restriction on the respective dealership and transfers a credit risk arising from product sales.

The Company's trade receivables are usually collected within 30 days but some of the notes receivable are collected within 75 days. Based on the past experience, receivables that are overdue for more than one year are usually not collected, and the Company reserves the full amount of those receivables as an allowance for doubtful accounts. The Company estimates an allowance for the receivables that are overdue for more than 90 days but less than one year through an individual analysis based on each transacting party; for receivables that are not subject to individual analysis, the Company estimates an allowance based on the historical loss rates.

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

1) 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)

Classification	December 31, 2015			
	3–6 months	6–12 months	More than 1 year	Total
Trade receivables	₩ 502,783	₩ 316,971	₩ 467,374	₩ 1,287,128
Non-trade receivables	285,124	470,299	4,125,784	4,881,207
Other long-term receivables	<u>2,894,991</u>	<u>4,843,854</u>	<u>103,250</u>	<u>7,842,095</u>
	<u>₩ 3,682,898</u>	<u>₩ 5,631,124</u>	<u>₩ 4,696,408</u>	<u>₩ 14,010,430</u>

Classification	December 31, 2014			
	3–6 months	6–12 months	More than 1 year	Total
Trade receivables	₩ 1,819,742	₩ 44,594	₩ 2,719,299	₩ 4,583,635
Non-trade receivables	580,975	7,435	4,734,672	5,323,082
Other long-term receivables	<u>2,121,889</u>	<u>4,207,765</u>	<u>107,179</u>	<u>6,436,833</u>
	<u>₩ 4,522,606</u>	<u>₩ 4,259,794</u>	<u>₩ 7,561,150</u>	<u>₩ 16,343,550</u>

(Unit: Indian rupee in thousands)

Classification	December 31, 2015			
	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	Rs. 28,583	Rs. 18,020	Rs. 26,570	Rs. 73,173
Non-trade receivables	16,209	26,736	234,551	277,496
Other long-term receivables	164,580	275,373	5,870	445,823
	<u>Rs. 209,372</u>	<u>Rs. 320,129</u>	<u>Rs. 266,991</u>	<u>Rs. 796,492</u>

Classification	December 31, 2014			
	3-6 months	6-12 months	More than 1 year	Total
Trade receivables	Rs. 103,452	Rs. 2,535	Rs. 154,592	Rs. 260,579
Non-trade receivables	33,028	423	269,166	302,617
Other long-term receivables	120,629	239,211	6,093	365,933
	<u>Rs. 257,109</u>	<u>Rs. 242,169</u>	<u>Rs. 429,851</u>	<u>Rs. 929,129</u>

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

(Unit: Korean won in thousands)

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

Classification	December 31, 2014			
	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)

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

Classification	December 31, 2014			
	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
	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 24,763</u>	<u>Rs. 24,763</u>

- 3) Changes in allowance for trade and other receivables as of December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

Classification	Years ended December 31, 2015			
	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)	9,618
Write-offs	-	(360,263)	-	-
Ending balance	<u>₩ 44,462</u>	<u>₩ 2,252</u>	<u>₩ 8,666</u>	<u>₩ 159,256</u>

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

(Unit: Indian rupee in thousands)

Classification	December 31, 2015			
	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)	(1,752)	(136)	547
Write-offs	-	(20,481)	-	-
Ending balance	<u>Rs. 2,528</u>	<u>Rs. 128</u>	<u>Rs. 492</u>	<u>Rs. 9,054</u>

Classification	December 31, 2014			
	Trade Receivables	Non-trade Receivables	Other Receivables	Other long-term Receivables
Beginning balance	Rs. 11,865	Rs. 27,916	Rs. -	Rs. 13,727
Bad debt expense	(6,909)	(5,555)	628	(5,220)
Ending balance	<u>Rs. 4,956</u>	<u>Rs. 22,361</u>	<u>Rs. 628</u>	<u>Rs. 8,507</u>

The Company estimates allowances for doubtful accounts through individual analysis, and an allowance for the receivables that are not subject to separate individual analysis is estimated based on the historical collection rates. For troubled receivables (default, liquidation, bankruptcy, court receivership, workout, disappearance, full-scale capital erosion, etc.), the Company assesses collectibility 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)

	December 31, 2015		December 31, 2014	
Merchandises	₩	38,356,970	₩	52,417,962
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		3,821,023
Goods in transit		<u>70,190,527</u>		<u>76,009,676</u>
Total	₩	<u>243,631,536</u>	₩	<u>257,522,706</u>

(Unit: Indian rupee in thousands)

	December 31, 2015		December 31, 2014	
Merchandises	Rs.	2,180,594	Rs.	2,979,961
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		217,225
Goods in transit		<u>3,990,331</u>		<u>4,321,151</u>
Total	Rs.	<u>13,850,453</u>	Rs.	<u>14,640,166</u>

The Company uses the “lower of cost or market method” on the statements of financial position in case inventories’ market value decreases under the acquisition cost. On the other hand, loss on valuation of inventories, which was added to “cost of sales” during the current period due to the application of “lower of cost or market method,” amounted to ₩ 12,559,291 thousand (Rs. 713,996 thousand).

9. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURE:

(1) Details of investment in subsidiaries and joint venture as of December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

Classification	Company	Location	Ownership %	Closing Month	December 31, 2015		December 31, 2014
					Acquisition Cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100	December	₩ 5,338,097	₩ 5,829,056	₩ 5,829,056
	Ssangyong European Parts Center B.V.	Netherlands	100	December	835,695	-	-
Joint venture	SY Auto Capital Co., Ltd.(*)	Korea	51	December	10,200,000	10,200,000	-
					<u>₩ 16,373,792</u>	<u>₩ 16,029,056</u>	<u>₩ 5,829,056</u>

(Unit: Indian rupee in thousands)

Classification	Company	Location	Ownership %	Closing Month	December 31, 2015		December 31, 2014
					Acquisition Cost	Book value	Book value
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd.	China	100	December	Rs. 303,471	Rs. 331,382	Rs. 331,382
	Ssangyong European Parts Center B.V.	Netherlands	100	December	47,509	-	-
Joint venture	SY Auto Capital Co., Ltd.(*)	Korea	51	December	579,870	579,870	-
					<u>Rs. 930,850</u>	<u>Rs. 911,252</u>	<u>Rs. 331,382</u>

(*) SY Auto Capital Co., Ltd. was incorporated in 2015 and is a joint arrangement whereby the Company and KB Capital Co., Ltd. have joint control, which is the contractually agreed sharing of control of an arrangement.

(2) Summarized financial information of subsidiaries

The summarized financial information of the Company's subsidiaries and joint venture as of and for the year ended December 31, 2015, is as follows:

(Unit: Korean won in thousands)

Classification	Company	Assets	Liabilities	Sales	Net income (loss)
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd	₩ 4,264,069	₩ 990,824	₩ 1,270,691	₩ (2,505,187)
	Ssangyong European Parts Center B.V.	8,399,103	12,095,292	14,776,015	105,948
Joint venture	SY Auto Capital Co., Ltd.	19,608,715	259,347	42,256	(650,632)

(Unit: Indian rupee in thousands)

Classification	Company	Assets	Liabilities	Sales	Net income (loss)
Subsidiaries	Ssangyong Motor (Shanghai) Co., Ltd	Rs. 242,412	Rs. 56,328	Rs. 72,239	Rs. (142,420)
	Ssangyong European Parts Center B.V.	477,489	687,617	840,016	6,023
Joint venture	SY Auto Capital Co., Ltd.	1,114,755	14,744	2,402	(36,988)

10. OTHER ASSETS:

Carrying amounts of 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	₩ 1,077,125	₩ 2,190,288
Less: Allowance for doubtful Accounts	(663)	(10,298)
Prepaid expenses	5,043,884	4,741,584
Income tax refundable	416,791	794,694
	6,537,137	7,716,268
Other non-current assets		
Other non-current assets	352,985	360,473
	₩ 352,985	₩ 360,473

(Unit: Indian rupee in thousands)

Account	December 31, 2015	December 31, 2014
Other current assets		
Advance payments	Rs. 61,235	Rs. 124,518
Less: Allowance for doubtful accounts	(38)	(585)
Prepaid expenses	286,744	269,559
Other current assets	23,694	45,178
	371,635	438,670
Other non-current assets		
Other non-current assets	20,066	20,492
	Rs. 20,066	Rs. 20,492

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	8,732,094	-	6,455,442	896,350	1,380,302
Tools and molds	1,028,887,149	6,657	615,699,092	160,933,311	252,248,089
Equipment	67,272,687	6,874	40,414,354	4,056,990	22,794,469
Construction in progress	40,866,774	-	-	-	40,866,774
Machinery in transit	1,924,851	-	-	-	1,924,851
	₩3,579,036,671	₩ 2,205,826	₩1,947,544,291	₩ 441,504,828	₩1,187,781,726
	December 31, 2014				
	Acquisition Cost	Government Subsidies	Depreciation	Loss on Valuation	Carrying Amount
Land	₩ 475,531,313	₩ -	₩ -	₩ -	₩ 475,531,313
Buildings	530,841,465	1,650,125	186,171,422	148,371,913	194,648,005
Structures	105,440,373	156,164	59,172,283	29,156,377	16,955,549
Machinery	1,255,831,372	593,294	1,008,322,247	98,853,953	148,061,878
Vehicles	9,555,846	-	6,773,531	1,194,962	1,587,353

December 31, 2014					
	Acquisition Cost	Government Subsidies	Depreciation	Loss on Valuation	Carrying Amount
Tools and molds	₹ 891,332,596	₹ 14,909	₹ 550,255,759	₹ 162,637,822	₹ 178,424,106
Equipment	67,042,627	15,571	37,958,542	4,542,664	24,525,850
Construction in progress	131,569,206	-	-	-	131,569,206
Machinery in transit	2,355,375	-	-	-	2,355,375
	<u>₹ 3,469,500,173</u>	<u>₹ 2,430,063</u>	<u>₹ 1,848,653,784</u>	<u>₹ 444,757,691</u>	<u>₹ 1,173,658,635</u>

(Unit: Indian rupee in thousands)

December 31, 2015					
	Acquisition Cost	Government Subsidies	Depreciation	Loss on Valuation	Carrying Amount
Land	₹ 27,033,955	₹ -	₹ -	₹ -	₹ 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	496,420	-	366,992	50,957	78,471
Tools and molds	58,492,234	378	35,002,493	9,149,059	14,340,304
Equipment	3,824,452	391	2,297,556	230,640	1,295,865
Construction in progress	2,323,276	-	-	-	2,323,276
Machinery in transit	109,428	-	-	-	109,428
	<u>₹ 203,468,234</u>	<u>₹ 125,401</u>	<u>₹ 110,717,893</u>	<u>₹ 25,099,549</u>	<u>₹ 67,525,391</u>

December 31, 2014					
	Acquisition Cost	Government Subsidies	Depreciation	Loss on Valuation	Carrying Amount
Land	₹ 27,033,955	₹ -	₹ -	₹ -	₹ 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	57,323,119	5,619,847	8,417,318
Vehicles	543,250	-	385,075	67,934	90,241
Tools and molds	50,672,258	848	31,282,040	9,245,960	10,143,410
Equipment	3,811,373	885	2,157,943	258,250	1,394,295
Construction in progress	7,479,709	-	-	-	7,479,709
Machinery in transit	133,903	-	-	-	133,903
	<u>₹ 197,241,083</u>	<u>₹ 138,150</u>	<u>₹ 105,095,966</u>	<u>₹ 25,284,474</u>	<u>₹ 66,722,493</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	₩ 475,531,313	₩ -	₩ -	₩ -	₩ -	₩ 475,531,313
Buildings	194,648,005	389,551	1,242	5,698,947	10,240,369	190,494,892
Structures	16,955,549	401,124	4,441	1,115,663	1,701,767	16,766,128
Machinery	148,061,878	2,388,507	26,128	64,241,637	28,890,986	185,774,908
Vehicles	1,587,353	279,503	30,812	97,040	552,782	1,380,302
Tools and molds	178,424,106	23,730,518	20,107	120,072,555	69,958,983	252,248,089
Equipment	24,525,850	4,639,573	112,757	357,732	6,615,929	22,794,469
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>₩ 1,173,658,635</u>	<u>₩ 131,663,862</u>	<u>₩ 195,487</u>	<u>₩ 615,532</u>	<u>₩ 117,960,816</u>	<u>₩ 1,187,781,726</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	-	9,901,340	9,677,847	194,648,005
Structures	16,849,781	260,922	1	1,472,405	1,627,558	16,955,549
Machinery	99,266,258	1,127,365	108,685	75,018,432	27,241,492	148,061,878
Vehicles	1,849,794	160,767	24	85,354	508,538	1,587,353
Tools and molds	201,515,831	5,871,711	3,743	20,788,506	49,748,199	178,424,106
Equipment	23,779,404	4,020,927	31,523	2,600,522	5,843,480	24,525,850
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 1,084,035,359</u>	<u>W 183,663,379</u>	<u>W 241,143</u>	<u>W 848,154</u>	<u>W 94,647,114</u>	<u>W 1,173,658,635</u>

(*) Capitalization cost that has flowed into construction in progress and other accounts is W 752,552 thousand (2014: W910,576 thousand) in this period.

(**) Depreciation cost of suspended assets amount of W 19,080 thousand (2014: W 20,067 thousand) is included from 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	22,804	252	63,424	96,745	953,154
Machinery	8,417,318	135,787	1,485	3,652,137	1,642,453	10,561,304
Vehicles	90,241	15,889	1,752	5,519	31,426	78,471
Tools and molds	10,143,410	1,349,080	1,143	6,826,125	3,977,168	14,340,304
Equipment	1,394,295	263,760	6,410	20,336	376,116	1,295,865
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. 66,722,493</u>	<u>Rs. 7,485,091</u>	<u>Rs. 11,113</u>	<u>Rs. 34,993</u>	<u>Rs. 6,706,073</u>	<u>Rs. 67,525,391</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	6,180	4,264,799	1,548,679	8,417,318
Vehicles	105,161	9,140	1	4,851	28,910	90,241
Tools and molds	11,456,175	333,807	213	1,181,826	2,828,185	10,143,410
Equipment	1,351,859	228,590	1,792	147,840	332,202	1,394,295
Construction in progress	4,031,637	8,958,922	5,524	(5,505,326)	-	7,479,709
Machinery in transit	49,030	777,277	-	(692,404)	-	133,903
	<u>Rs. 61,627,411</u>	<u>Rs. 10,441,263</u>	<u>Rs. 13,710</u>	<u>Rs. 48,218</u>	<u>Rs. 5,380,689</u>	<u>Rs. 66,722,493</u>

(*) Capitalization cost that has flowed into construction in progress and other accounts is Rs. 42,782 thousand (2014: Rs. 51,767 thousand) in this period.

(**) Depreciation cost of suspended assets in the amount of Rs. 1,085 thousand (2014: Rs. 1,141 thousand) is included from the depreciation cost.

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

(Unit: Korean won in thousands)

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

(Unit: Indian rupee in thousands)

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

(4) Borrowing costs and capitalized interest, which are 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	93,785,206	21,283	17,363,984	576,105	75,823,834
	<u>₩ 244,687,686</u>	<u>₩ 43,618</u>	<u>₩ 57,084,188</u>	<u>₩ 615,295</u>	<u>₩ 186,944,585</u>
	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	146,823,238	26,563	10,578,849	589,036	135,628,790
	<u>₩ 177,261,097</u>	<u>₩ 48,529</u>	<u>₩ 25,676,720</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	Rs. 8,418,705	Rs. -	Rs. 2,191,575	Rs. -	Rs. 6,227,130
Patents	160,101	1,270	66,518	2,228	90,085
Other intangible assets	<u>5,331,689</u>	<u>1,210</u>	<u>987,142</u>	<u>32,752</u>	<u>4,310,585</u>
	<u>Rs. 13,910,495</u>	<u>Rs. 2,480</u>	<u>Rs. 3,245,235</u>	<u>Rs. 34,980</u>	<u>Rs. 10,627,800</u>

December 31, 2014					
	Acquisition Cost	Government Subsidies	Accumulated Depreciation	Accumulated Impairment loss	Book value
Development cost	Rs. 1,623,896	Rs. -	Rs. 815,317	Rs. -	Rs. 808,579
Patents	106,496	1,249	42,997	1,784	60,466
Other intangible assets	<u>8,346,901</u>	<u>1,509</u>	<u>601,408</u>	<u>33,487</u>	<u>7,710,497</u>
	<u>Rs. 10,077,293</u>	<u>Rs. 2,758</u>	<u>Rs. 1,459,722</u>	<u>Rs. 35,271</u>	<u>Rs. 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	<u>135,628,790</u>	<u>64,038,417</u>	<u>(118,722,632)</u>	<u>-</u>	<u>6,769,957</u>	<u>-</u>	<u>1,649,216</u>	<u>75,823,834</u>
	<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	<u>83,636,581</u>	<u>72,018,698</u>	<u>(14,012,691)</u>	<u>587,760</u>	<u>6,207,702</u>	<u>(97,760)</u>	<u>683,904</u>	<u>135,628,790</u>
	<u>₩ 89,480,141</u>	<u>₩ 72,657,034</u>	<u>₩ -</u>	<u>₩ 587,760</u>	<u>₩ 11,457,466</u>	<u>₩ (66,382)</u>	<u>₩ 757,103</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	Rs. 808,579	Rs. 106,990	Rs. 6,749,382	Rs. -	Rs. 1,438,225	Rs. -	Rs. 404	Rs. 6,227,130
Patents	60,466	53,450	-	-	23,387	444	-	90,085
Other intangible assets	<u>7,710,497</u>	<u>3,640,584</u>	<u>(6,749,382)</u>	<u>-</u>	<u>384,872</u>	<u>-</u>	<u>93,758</u>	<u>4,310,585</u>
	<u>Rs. 8,579,542</u>	<u>Rs. 3,801,024</u>	<u>Rs. -</u>	<u>Rs. -</u>	<u>Rs. 1,846,484</u>	<u>Rs. 444</u>	<u>Rs. 94,162</u>	<u>Rs. 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. 282,554	Rs. -	Rs. 4,162	Rs. 808,579
Patents	41,856	36,289	-	-	15,895	1,784	-	60,466
Other intangible assets	<u>4,754,740</u>	<u>4,094,263</u>	<u>(796,621)</u>	<u>33,414</u>	<u>352,908</u>	<u>(5,558)</u>	<u>38,879</u>	<u>7,710,497</u>
	<u>Rs. 5,086,946</u>	<u>Rs. 4,130,552</u>	<u>Rs. -</u>	<u>Rs. 33,414</u>	<u>Rs. 651,357</u>	<u>Rs. (3,774)</u>	<u>Rs. 43,041</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 intangible assets for the years 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. 266,993
Selling and administrative expenses	7,181,333	6,761,026	408,259	384,364
	<u>₩ 32,479,932</u>	<u>₩ 11,457,466</u>	<u>Rs. 1,846,484</u>	<u>Rs. 651,357</u>

- (4) Changes in volume and book value of emission rights for the years ended December 31, 2015, 2016, and 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 142,271t CO2

13. BORROWINGS:

- (1) The Company'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 + 2.0%	17,500,000	5,000,000
Besides BOA	Banker's usance	0.30%–1.42%	105,724,546	64,540,013
			<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	Operating fund	CD + 2.26%	Rs. 1,705,500	Rs. 1,705,500
Woori Bank(*)	Operating fund	CD + 2.0%	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>

(*) Of the amount of long-term borrowings, the amount is within one-year arrival worth.

(2) The Company'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. 1,705,000
Net: within one year arrival worth			(994,875)	(284,250)
			<u>Rs. 2,131,875</u>	<u>Rs. 1,420,750</u>

(3) The Company provided the following collateral in relation to its borrowings:

Creditor	Assets pledged as collateral	Pledged date	Maximum credit amount
Korea Development Bank	Land, buildings and machinery	2009-08-13	₩ 195 billion (Rs. 11 billion)
Woori Bank	Land, buildings and machinery	2014-10-29	₩ 36 billion (Rs. 2 billion)
Woori Bank	Land, buildings and machinery	2015-08-07	₩ 36 billion (Rs. 2 billion)

14. OTHER FINANCIAL LIABILITIES:

Carrying amounts of 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 Company provides warranties for the sale of its products and establishes a provision for product warranties for the amount of expected warranty costs. Provisions for product warranties as of December 31, 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:

Carrying amounts of 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
Advances from customers	₩ 2,572,498	₩ 2,982,710	Rs. 146,247	Rs. 169,567
Deposits received	733,742	763,400	41,713	43,399
Withholdings	25,549,290	18,716,930	1,452,477	1,064,058
	<u>₩ 28,855,530</u>	<u>₩ 22,463,040</u>	<u>Rs. 1,640,437</u>	<u>Rs. 1,277,024</u>

17. RETIREMENT BENEFIT OBLIGATION:

(1) Defined benefit plans and related liabilities arising from the Company's separate 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 Company's defined benefit obligation for the years 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 recognized 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>₩</u>	<u>292,005,725</u>

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

(Unit: Indian rupee in thousands)

Year ended December 31, 2015			
	Present value of defined benefit obligations	Fair value of scheme Assets	Total
Beginning balance	₹ 14,109,545	₹ (81,899)	₹ 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 recognized 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	₹ 16,676,554	₹ (76,029)	₹ 16,600,525

Year ended December 31, 2014			
	Present value of defined benefit obligations	Fair value of scheme Assets	Total
Beginning balance	₹ 10,012,999	₹ (83,799)	₹ 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

	Year ended December 31, 2015		
	Present value of	Fair value of scheme	Total
	defined benefit obligations	Assets	
Remeasurements			
Asset (Gain)/Loss	Rs. -	Rs. 1,937	Rs. 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
Payments			
Benefit payment from plan assets	(3,613)	3,613	-
Benefit payment from company	(395,599)	-	(395,599)
Replaced with accounts payable	(116,412)	-	(116,412)
Ending balance	<u>Rs. 14,109,544</u>	<u>Rs. (81,898)</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

(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 statements of financial position.

18. CONTINGENCIES AND COMMITMENTS:

The following are the major commitments and contingent liabilities as of December 31, 2015.

- (1) The Company carries product liability insurance for all products that it sells.
- (2) As of December 31, 2015, the Company 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 following 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	-

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
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)

<u>Financial institution</u>	<u>Classification</u>	<u>Limit</u>	<u>Exercise price</u>
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		<u>Rs. 11,199,450</u>	<u>Rs. 4,832,250</u>

(4) Pending litigations

As of December 31, 2015, the Company 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 Company 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, 2014.

19. CAPITAL STOCK:

As of December 31, 2015 and 2014, the number of authorized shares is 3 billion shares. Details of capital stock are as follows:

(Unit: Won in thousands, except for par value)

<u>Classification</u>	<u>No. of shares</u>		<u>Par value</u>	<u>Capital stock</u>
	<u>Authorized</u>	<u>Shares outstanding</u>		
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: Indian rupee in thousands, except for par value)

<u>Classification</u>	<u>No. of shares</u>		<u>Par value</u>	<u>Capital stock</u>
	<u>Authorized</u>	<u>Shares outstanding</u>		
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	6,719,044	6,719,044
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	-	62,827	-
	<u>₩ 131,678,359</u>	<u>₩ 129,383,402</u>	<u>Rs. 7,485,914</u>	<u>Rs. 7,355,446</u>

21. OTHER CAPITAL ADJUSTMENTS:

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

(Unit: Korean won in thousands)

<u>Classification</u>		<u>December 31, 2015</u>	<u>December 31, 2013</u>
Other capital adjustments	Gains (losses) on valuation of derivatives	₩ 227,340	₩ (14,167,300)

(Unit: Indian rupee in thousands)

<u>Classification</u>		<u>December 31, 2015</u>	<u>December 31, 2013</u>
Other capital adjustments	Gains (losses) on valuation of derivatives	Rs. 12,924	Rs. (805,411)

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

	<u>Korean won in thousands</u>		<u>Indian rupee in thousands</u>	
	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014</u>	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014</u>
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>

22. DEFICIT:

(1) Details of deficit 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>
Deficit	₩ (92,196,977)	₩ (18,220,064)

(Unit: Indian rupee in thousands)

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Deficit	Rs. (5,241,398)	Rs. (1,035,811)

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

(Unit: Korean won in thousands)

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Beginning balance	₩ (18,220,064)	₩ 47,725,963
Net loss	(58,659,180)	(50,635,793)
Actuarial losses	(15,317,733)	(15,310,234)
Ending balance	<u>₩ (92,196,977)</u>	<u>₩ (18,220,064)</u>

(Unit: Indian rupee in thousands)

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Beginning balance	Rs. (1,035,811)	Rs. 2,713,221
Net loss	(3,334,774)	(2,878,645)
Actuarial losses	(870,813)	(870,387)
Ending balance	<u>Rs. (5,241,398)</u>	<u>Rs. (1,035,811)</u>

23. STATEMENT OF DISPOSITION OF DEFICIT:

Detail of the Company's statement of disposition of deficit for the years ended December 31, 2015 and 2014, are as follows:

SSANGYONG MOTOR COMPANY
STATEMENT OF DISPOSITION OF DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Expected disposition date: 2016.03.23

Disposal fixed date: 2015.03.24

Accounts	Year ended December 31, 2015		Year ended December 31, 2014	
Unappropriated retained deficit	₩	(92,196,977,649)	₩	(18,220,064,486)
Undisposed retained earnings (deficit) carried over				
from prior year	₩	(18,220,064,486)	₩	47,725,963,330
Current net loss		(58,659,179,889)		(50,635,793,202)
Actuarial losses		(15,317,733,274)		(15,310,234,614)
Appropriation deficit	₩	-	₩	-
Unappropriated deficit to be carried forward to subsequent year	₩	(92,196,977,649)	₩	(18,220,064,486)

(Unit: Korean won)

Accounts	Year ended December 31, 2015		Year ended December 31, 2014	
Unappropriated retained deficit	Rs.	(5,241,398,180)	Rs.	(1,035,810,666)
Undisposed retained earnings (deficit) carried over				
from prior year	Rs.	(1,035,810,666)	Rs.	2,713,221,016
Current net loss		(3,334,774,377)		(2,878,644,844)
Actuarial losses		(870,813,137)		(870,386,838)
Appropriation deficit	Rs.	-	Rs.	-
Unappropriated deficit to be carried forward to subsequent year	Rs.	(5,241,398,180)	Rs.	(1,035,810,666)

(Unit: Indian rupee)

24. 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
Current income tax payable	₩	-	₩	-
Income tax expense directly reflected to shareholders' equity	-	-	-	-
Income tax expense	₩	-	₩	-

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

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)				
Government subsidies	₩ 3,564,826	₩ 4,638,187	₩ 3,805,253	₩ 2,731,892
Provision for product warranties	137,866,039	137,866,039	143,793,978	143,793,978

Description	Year ended December 31, 2015			
	Beginning balance	Decrease	Increase	Ending balance
Accrued severance indemnities	₩ 247,625,171	₩ 15,151,272	₩ 51,775,125	₩ 284,249,024
Loss on revaluation of property, plant and equipment	128,280,968	19,506,600	5,226	108,779,594
Development cost	45,150,056	17,827,324	1,445	27,324,177
Depreciation	16,273,804	2,811,316	2,931,825	16,394,313
Other payables	50,366,223	50,366,223	39,537,402	39,537,402
Accrued expenses	29,561,974	29,561,974	32,207,735	32,207,735
Investment in subsidiaries	4,184,519	-	-	4,184,519
Gain (loss) on valuation of derivatives	13,741,600	13,741,600	(1,683,621)	(1,683,621)
Other long-term employee benefit	15,619,578	15,619,578	16,282,599	16,282,599
Land	(260,713,528)	-	-	(260,713,528)
Others	836,817	284,279	1,242,960	1,795,498
Deficit carried over	1,104,944,088	-	70,555,940	1,175,500,028
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%
Deferred tax assets resulting from temporary differences	-			-
Tax credit carryforwards	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 carryforwards	-			-
Total deferred income tax	₩ -			₩ -

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

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

(Unit: Indian rupee in thousands)

Description	Year ended December 31, 2015			
	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Government subsidies	Rs. 202,660	Rs. 263,681	Rs. 216,329	Rs. 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 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			90,413,308
Recognized as deferred tax assets	-			-
Statutory tax rate	22%			22%
Deferred tax assets resulting from temporary differences				
Tax credit carryforwards	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 carryforwards	-			-
Total deferred income tax	Rs. -			Rs. -

Description	Year ended December 31, 2014			
	Beginning balance	Decrease	Increase	Ending balance
(Temporary differences)				
Government subsidies	Rs. 259,237	Rs. 118,588	Rs. 62,011	Rs. 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 carryforwards	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 carryforwards	-			-
Total deferred income tax	Rs. -			Rs. -

25. EXPENSES BY CATEGORY:

Details of expenses classified by category for the years 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, 2014	December 31, 2014	December 31, 2015	December 31, 2014
Changes in inventories	₩ 1,512,535	₩ 34,717	Rs. 85,988	Rs. 1,974
Raw materials and				
Merchandise goods used	2,299,372,955	2,374,551,894	130,719,352	134,993,275
Employee benefits	481,595,523	481,438,860	27,378,705	27,369,799
Depreciation	117,960,816	94,647,114	6,706,072	5,380,688
Amortization	32,479,932	11,457,466	1,846,484	651,357
Other	485,826,761	430,610,901	27,619,252	24,480,230
Total (*)	₩ 3,418,748,522	₩ 3,392,740,952	Rs. 194,355,853	Rs. 192,877,323

(*) It is sum of cost of sales and selling and administrative expenses.

26. DERIVATIVE FINANCIAL INSTRUMENTS:

The Company 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 fair value through profit or loss is recognized as current income for the year ended December 31, 2015.

27. 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	₩ 76,173,469	₩ 76,721,685	Rs. 4,330,462	Rs. 4,361,628
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	36,281,517	36,462,002	2,062,604	2,072,865
	₩ 379,860,810	₩ 360,149,050	Rs. 21,595,088	Rs. 20,474,473

(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	₩ 49,055,088	₩ 46,982,723	Rs. 2,788,782	Rs. 2,670,968
Postemployment benefits	7,649,820	6,892,145	434,892	391,818
Employee benefits	11,241,331	12,261,123	639,070	697,045
Rent expense	11,367,918	10,441,378	646,266	593,592
Service fees	27,122,623	23,580,133	1,541,921	1,340,531
Depreciation	11,548,569	7,342,449	656,536	417,418
R&D expenses	15,830,768	19,898,965	899,979	1,131,256
Amortization	7,181,333	6,761,026	408,259	384,364

	Korean won in thousands		Indian rupee in thousands	
	2015	2014	2015	2014
Bad debt expense	₩ (42,707)	₩ (121,532)	Rs. (2,428)	Rs. (6,909)
Other administrative expenses	29,595,232	30,654,922	1,682,488	1,742,733
	<u>₩ 170,549,975</u>	<u>₩ 164,693,332</u>	<u>Rs. 9,695,765</u>	<u>Rs. 9,362,816</u>

28. NON-OPERATING INCOME (EXPENSES):

- (1) Details of the Company'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	1,208,168	39,635	68,683
Others	18,649,783	30,727,209	1,060,241	1,746,844
	<u>₩ 31,829,988</u>	<u>₩ 47,614,038</u>	<u>Rs. 1,809,535</u>	<u>Rs. 2,706,858</u>

- (2) Details of the Company's 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	173,845	84,731	9,883	4,817
Loss on disposal of trade receivables	11,769,712	13,469,988	669,108	765,769
Others	6,342,376	29,138,645	360,565	1,656,532
	<u>₩ 29,824,657</u>	<u>₩ 54,096,404</u>	<u>Rs. 1,695,532</u>	<u>Rs. 3,075,381</u>

29. FINANCIAL INCOME AND COST:

- (1) Details of the Company'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	₩ 3,225,111	₩ 4,931,275	Rs. 183,347	Rs. 280,343
Dividend income	480,229	738,010	27,301	41,956
Gain on foreign currency transactions	9,329,055	6,244,857	530,357	355,019
Gain on foreign currency translation	788,879	1,354,470	44,848	77,002
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>₩ 17,730,732</u>	<u>₩ 50,717,417</u>	<u>Rs. 1,007,992</u>	<u>Rs. 2,883,285</u>

- (2) Details of the Company'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	₩ 1,308,344	₩ 1,136,466	Rs. 74,379	Rs. 64,608
Loss on foreign currency translation	11,643,652	6,752,914	661,942	383,903

	Korean won in thousands		Indian rupee in thousands	
	2015	2014	2015	2014
Loss on foreign currency translation	₩ 1,810,370	₩ 287,498	Rs. 102,920	Rs. 16,344
Loss on disposal of AFS financial assets	10,090	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	10,814
	<u>₩ 45,202,320</u>	<u>₩ 17,025,454</u>	<u>Rs. 2,569,752</u>	<u>Rs. 967,897</u>

(3) Details of the Company'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	₩ (1,419,321)	₩ 4,353,724	Rs. (80,688)	Rs. 247,510
Available-for-sale financial assets	470,140	728,434	26,727	41,411
Other financial liabilities	(26,522,407)	28,609,805	(1,507,799)	1,626,467
	<u>₩ (27,471,588)</u>	<u>₩ 33,691,963</u>	<u>Rs. (1,561,760)</u>	<u>Rs. 1,915,388</u>

30. LOSS PER SHARE:

(1) Basic loss per share for the years ended December 31, 2015 and 2014, is calculated as follows:

(Unit: Won in thousands, except for earnings per share)

	Korean won in thousands		Indian rupee in thousands	
	2015	2014	2015	2014
Net loss	₩ (58,659,180)	₩ (50,635,793)	Rs. (3,334,774)	Rs. (2,878,645)
Loss contributed to common stocks	(58,659,180)	(50,635,793)	(3,334,774)	(2,878,645)
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(*)	<u>₩ (428)</u>	<u>₩ (369)</u>	<u>Rs. (24)</u>	<u>Rs. (21)</u>

(*) 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				
Common stock	2014-01-01	2014-12-31	137,220,096	137,220,096	365/365	137,220,096
Treasury stock	2014-01-01	2014-12-31	(21,706)	(21,706)	365/365	(21,706)
Increase in treasury stock	2014-12-24	2014-12-31	(216,258)	(216,258)	8/365	(4,740)
Total						<u>137,193,650</u>

31. 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	₩ (58,659,180)	₩ (50,635,793)	Rs. (3,334,774)	Rs. (2,878,645)
2. Adjustments	216,863,010	182,028,912	12,328,662	10,348,344
Postemployment benefits	45,993,414	42,130,935	2,614,726	2,395,144
Depreciation	117,941,736	94,627,047	6,704,988	5,379,548
Amortization	32,479,932	11,457,466	1,846,484	651,357
Loss on disposal of trade receivables	11,769,712	13,469,988	669,108	765,769
Gain / loss on foreign currency translation	631,644	(1,154,329)	35,909	(65,624)
Gain / loss on disposal of property, plant and equipment	(523,346)	(1,123,437)	(29,752)	(63,866)
Interest income / expense	(1,916,767)	(3,794,809)	(108,968)	(215,735)
Gain on dividends	(480,229)	(738,010)	(27,301)	(41,956)
Loss on valuation of inventories	12,559,291	4,202,306	713,996	238,901
Others	(1,592,377)	22,951,755	(90,528)	1,304,806
3. Changes in working capital	45,827,442	(66,252,128)	2,605,290	(3,766,433)
Decrease (increase) in trade receivables, net	(5,553,031)	19,262,188	(315,690)	1,095,055
Decrease in non-trade receivables, net	11,927,192	13,467,147	678,061	765,607
Decrease in inventories	1,331,880	15,345,936	75,717	872,416
Decrease (increase) in other assets	(59,452)	874,020	(3,380)	49,688
Increase (decrease) in trade payables	65,298,440	(88,464,591)	3,712,216	(5,029,212)
Decrease in other payables	(31,163,394)	(39,893,243)	(1,771,639)	(2,267,931)
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 in other assets	11,525,918	(2,447,395)	655,249	(139,132)
Net cash (used in) provided by operating activities	<u>₩ 204,031,272</u>	<u>₩ 65,140,991</u>	<u>Rs. 11,599,178</u>	<u>Rs. 3,703,266</u>

32. SEGMENT INFORMATION:

- (1) The Company 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	December 31, 2015			
Republic of Korea	₩	2,500,492,302	Rs.	142,152,987
Europe		459,834,288		26,141,579
Asia Pacific		162,431,746		9,234,245
Others		262,797,262		14,940,025
	₩	<u>3,385,555,598</u>	Rs.	<u>192,468,836</u>

Sales region	December 31, 2014			
Republic of Korea	₩	1,993,511,258	Rs.	113,331,115
Europe		634,160,768		36,052,040
Asia Pacific		276,876,574		15,740,433
Others		410,346,962		23,328,225
	₩	<u>3,314,895,562</u>	Rs.	<u>188,451,813</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 Company 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	December 31, 2015			
Automobile	₩	3,014,054,040	Rs.	171,348,972
Products		347,665,543		19,764,786
Others		23,836,015		1,355,078
	₩	<u>3,385,555,598</u>	Rs.	<u>192,468,836</u>

Sales	December 31, 2014			
Automobile	₩	2,945,297,419	Rs.	167,440,158
Products		351,655,616		19,991,622
Others		17,942,527		1,020,033
	₩	<u>3,314,895,562</u>	Rs.	<u>188,451,813</u>

33. RELATED-PARTY TRANSACTIONS:

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

	Related parties
Controlling company	Mahindra & Mahindra Ltd.
Subsidiary companies	Ssangyong Motor (Shanghai) Co., Ltd. Ssangyong European Parts Center B.V.
Joint venture company	SY Auto Capital Co., Ltd.
Other affiliate companies	Mahindra Vehicle Manufacturing Ltd. Mahindra & Mahindra South Africa Ltd.

(2) Major transactions with related parties for the years ended December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

Related Party	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
Transactions with subsidiaries	SSsangyong Motor (Shanghai) Co., Ltd. and 1 other	Sales	₩ 11,536,315	₩ 8,930,422
		Other income	469,229	1,110,871
		Other expenses	792	6,981
Transaction with other affiliates	Mahindra Vehicle Manufacturing Ltd. and 1 other	Sales	₩ 5,790,253	₩ 13,641,777
		Other income	9,937	77,504
		Other expenses	234,044	101,928

(Unit: Indian rupee in thousands)

Related Party	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
Transactions with subsidiaries	SSsangyong Motor (Shanghai) Co., Ltd. and 1 other	Sales	Rs. 655,840	Rs. 507,694
		Other income	26,676	63,153
		Other expenses	45	397
Transaction with other affiliates	Mahindra Vehicle Manufacturing Ltd. and 1 other	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 subsidiaries:		
Trade Receivables	₩ 12,200,938	₩ 11,277,388
Non-trade Receivables	468,466	383,861
Non-trade Payables	511,041	871,324
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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Receivables from and payables to subsidiaries:		
Trade Receivables	Rs. 693,623	Rs. 641,120
Non-trade Receivables	26,632	21,822
Non-trade Payables	29,053	49,535
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 Company did not recognize allowance for the above-mentioned receivables, and no bad debt expense was recognized for the year ended December 31, 2015.

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

(Unit: Korean won in thousands)

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

(Unit: Indian rupee in thousands)

<u>Year ended December 31,2014</u>	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
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)

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

(Unit: Indian rupee in thousands):

	<u>Company</u>	<u>Description</u>	<u>Year ended December 31,2015</u>	<u>Year ended December 31,2014</u>
Joint venture company	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:

	<u>Korean won in thousands</u>		<u>Indian rupee in thousands</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Short-term employee benefits	₩ 688,877	₩ 808,724	Rs. 39,163	Rs. 45,976
Postemployment benefits	28,507	39,582	1,621	2,250

34. FINANCIAL INSTRUMENTS:

(1) Capital risk management

The Company manages capital risk in order to maximize shareholders' profit by maintaining sound/optimal capital structure through monitoring of financial ratios, such as debt-to-equity ratio and net borrowings-to-equity ratio on a monthly basis and implements capital structure improvement plan when necessary. There is no change in the overall capital risk management strategy of the Company compared to last year.

The Company uses debt ratio as a capital management index and calculates the ratio as total liabilities divided by total equity. Total liabilities and total equity are based on the amounts stated in the separate financial statements.

The Company 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)	₩	1,321,781,281	₩	1,190,749,155
Equity (B)		<u>725,809,202</u>		<u>783,096,518</u>
Debt ratio (A/ B)		<u>182.11%</u>		<u>152.06%</u>

(Unit: Indian rupee in thousands)

	December 31, 2015		December 31, 2014	
Debt (A)	Rs.	75,143,265	Rs.	67,694,090
Equity (B)		<u>41,262,252</u>		<u>44,519,036</u>
Debt ratio (A/ B)		<u>182.11%</u>		<u>152.06%</u>

(2) Details of financial assets and liabilities by category as of September 30, 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	₩ 192,773,290	₩ -	₩ -	₩ -	₩ 192,773,290	₩ 192,773,290
Long-term financial instruments	6,000	-	-	-	6,000	6,000
Trade receivables and other receivables	211,266,473	-	-	-	211,266,473	211,266,473
Long-term AFS financial assets	-	560,000	-	-	560,000	560,000
Derivative assets	-	-	1,429,088	278,607	1,707,695	1,707,695
	<u>₩ 404,045,763</u>	<u>₩ 560,000</u>	<u>₩ 1,429,088</u>	<u>₩ 278,607</u>	<u>₩ 406,313,458</u>	<u>₩ 406,313,458</u>

Financial assets	December 31, 2014					
	Loans and Receivables	AFS financial Assets	Financial assets at FVTPL	Designated to hedge item	Total	Fair value
Cash and cash equivalents	₩ 149,091,232	₩ -	₩ -	₩ -	₩ 149,091,232	₩ 149,091,232
Long-term financial instruments	6,000	-	-	-	6,000	6,000
Trade receivables and other receivables	226,953,219	-	-	-	226,953,219	226,953,219
Long-term AFS financial assets	-	560,000	-	-	560,000	560,000
Derivative assets	-	-	1,232,650	-	1,232,650	1,232,650
	<u>₩ 376,050,451</u>	<u>₩ 560,000</u>	<u>₩ 1,232,650</u>	<u>₩ -</u>	<u>₩ 377,843,101</u>	<u>₩ 377,843,101</u>

(Unit: Indian rupee 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	Rs. 10,959,162	Rs. -	Rs. -	Rs. -	Rs. 10,959,162	Rs. 10,959,162
Long-term financial instruments	341	-	-	-	341	341
Trade receivables and other receivables	12,010,499	-	-	-	12,010,499	12,010,499
Long-term AFS financial assets	-	31,836	-	-	31,836	31,836
Derivative assets	Rs. -	Rs. -	Rs. 81,243	Rs. 15,839	Rs. 97,082	Rs. 97,082
	<u>Rs. 22,970,002</u>	<u>Rs. 31,836</u>	<u>Rs. 81,243</u>	<u>Rs. 15,839</u>	<u>Rs. 23,098,920</u>	<u>Rs. 23,098,920</u>

December 31, 2014					
Financial assets	Loans and Receivables	AFS financial Assets	Designated to hedge item	Total	Fair value
Cash and cash equivalents	Rs. 8,475,837	Rs. -	Rs. -	Rs. 8,475,837	Rs. 8,475,837
Long-term financial instruments	341	-	-	341	341
Trade receivables and other receivables	12,902,291	-	-	12,902,291	12,902,291
Long-term AFS financial assets	-	31,836	-	31,836	31,836
Derivative assets	-	-	70,076	70,076	70,076
	<u>Rs. 21,378,469</u>	<u>Rs. 31,836</u>	<u>Rs. 70,076</u>	<u>Rs. 21,480,381</u>	<u>Rs. 21,480,381</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	₩ 650,094,828	₩ -	₩ 650,094,828	₩ 650,094,828
Debt	190,724,546	-	190,724,546	190,724,546
Derivative liabilities	-	24,074	24,074	24,074
	<u>₩ 840,819,374</u>	<u>₩ 24,074</u>	<u>₩ 840,843,448</u>	<u>₩ 840,843,448</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	₩ 628,537,845	₩ -	₩ 628,537,845	₩ 628,537,845
Debt	124,540,013	-	124,540,013	124,540,013
Derivative liabilities	-	14,974,250	14,974,250	14,974,250
	<u>₩ 753,077,858</u>	<u>₩ 14,974,250</u>	<u>₩ 768,052,108</u>	<u>₩ 768,052,108</u>

(Unit: Indian rupee 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	Rs. 36,957,891	Rs. -	Rs. 36,957,891	Rs. 36,957,891
Debt	10,842,690	-	10,842,690	10,842,690
Derivative liabilities	-	1,369	1,369	1,369
	<u>Rs. 47,800,581</u>	<u>Rs. 1,369</u>	<u>Rs. 47,801,950</u>	<u>Rs. 47,801,950</u>

Financial liabilities	December 31, 2014			
	Financial liability measured at amortized cost	Derivatives designated to hedge item	Total	Fair value
Trade payables and other payables	Rs. 35,732,376	Rs. -	Rs. 35,732,376	Rs. 35,732,376
Debt	7,080,100	-	7,080,100	7,080,100
Derivative liabilities	-	851,286	851,286	851,286
	<u>Rs. 42,812,476</u>	<u>Rs. 851,286</u>	<u>Rs. 43,663,762</u>	<u>Rs. 43,663,762</u>

(3) Financial risk management

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

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

1) Market risk

a. Foreign currency risk

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

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	₩ 1,316,004	₩ (1,316,004)	Rs. 74,815	Rs. (74,815)
EUR	(3,786,611)	3,786,611	(215,269)	215,269
JPY	(6,132,395)	6,132,395	(348,627)	348,627
Others	1,645,294	(1,645,294)	93,535	(93,535)
	<u>₩ (6,957,708)</u>	<u>₩ 6,957,708</u>	<u>Rs. (395,546)</u>	<u>Rs. 395,546</u>

In order to minimize the risk of foreign exchange fluctuation, the Company 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)

Cash flow hedges	Average exchange rate contracted	Amount of foreign Currency	Amount of Contract	Fair value
Short position in EUR	Within 3 months	₩ 1,303.73	EUR 6,000,000	₩ 7,822,380
Long position in KRW	3-6 months	1,307.06	EUR 6,000,000	₩ 7,842,330
	6-9 months	1,309.84	EUR 2,000,000	₩ 2,619,680
				₩ 43,195

		Average exchange rate contracted	Amount of foreign Currency	Amount of Contract	Fair value
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 thousand), 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 Company's current income will decrease/increase ₩181,301 thousand (Rs. 10,307 thousand) for the year ended December 31, 2015, 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 Company regularly assesses credit ratings of its customers and transacting parties based on their financial status and past experiences and establishes credit limit for each customer or transacting party.

As of December 31, 2015 and 2014, the maximum exposed amounts of credit risk for financial assets maintained by the Company are as follows.

	December 31, 2015 (Korean won in thousands)		December 31, 2014 (Indian rupee in thousands)	
Trade and other receivables	₩	211,266,473	₩	226,953,219
			Rs.	12,010,499
			Rs.	12,902,291

3) Liquidity risk

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

Maturity analysis of non-derivative financial liabilities according to their remaining maturities as of December 31, 2015 and 2014, is as follows:

(Unit: Korean won in thousands)

	December 31, 2015		
	Within a year	More than one year	Total
Trade payables	₩ 432,415,649	₩ -	₩ 432,415,649
Non-trade payables	172,582,355	-	172,582,355
Short-term borrowings	154,713,544	-	154,713,544
Derivatives liabilities	24,074	-	24,074
Other payables	32,484,210	-	32,484,210
Long-term borrowings	₩ -	₩ 40,037,205	₩ 40,037,205
Long-term non-trade payables	-	12,612,614	12,612,614
	<u>₩ 792,219,832</u>	<u>₩ 52,649,819</u>	<u>₩ 844,869,651</u>

	December 31, 2014		
	Within a year	More than one year	Total
Trade payables	₩ 367,047,418	₩ -	₩ 367,047,418
Non-trade payables	228,240,409	-	228,240,409
Short-term borrowings	100,926,284	-	100,926,284
Derivatives liabilities	14,974,250	-	14,974,250
Other payables	29,715,325	-	29,715,325
Long-term borrowings	₩ -	₩ 27,212,632	₩ 27,212,632
Long-term non-trade payables	-	3,534,693	3,534,693
	<u>₩ 740,903,686</u>	<u>₩ 30,747,325</u>	<u>₩ 771,651,011</u>

(Unit: Indian rupee in thousands)

	December 31, 2015		
	Within a year	More than 1 year	Total
Trade payables	Rs. 24,582,829	Rs. -	Rs. 24,582,829
Non-trade payables	9,811,307	-	9,811,307
Short-term borrowings	8,795,465	-	8,795,465
Derivatives liabilities	1,369	-	1,369
Other payables	1,846,728	-	1,846,728
Long-term borrowings	-	2,276,115	2,276,115
Long-term non-trade payables	-	717,027	717,027
	<u>Rs. 45,037,698</u>	<u>Rs. 2,993,142</u>	<u>Rs. 48,030,840</u>

	December 31, 2014		
	Within a year	More than 1 year	Total
Trade payables	Rs. 20,866,646	Rs. -	Rs. 20,866,646
Non-trade payables	12,975,467	-	12,975,467
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. 42,120,374</u>	<u>Rs. 1,747,985</u>	<u>Rs. 43,868,359</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 Company's management deems that the differences between carrying value and fair value of financial assets and financial liabilities recognized as amortized cost on financial statements is not significant.
- 2) Valuation methods and assumptions applied in fair value measurement

The fair values of financial instruments (i.e., government bonds and unsecured corporate bonds) traded on active markets are determined with reference to quoted market prices. The Company 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 hierarchy level as of December 31, 2015 and 2014, are as follows:

(Unit: Korean won in thousands)

Type	December 31, 2015			
	Level 1	Level 2	Level 3	Fair value
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			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	₩	- ₩ 1,232,650	₩	- ₩ 1,232,650
Derivatives liabilities designated to hedge item		- 14,974,250		- 14,974,250

(Unit: Indian rupee in thousands)

Type	December 31, 2015			
	Level 1	Level 2	Level 3	Fair value
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			
	Level 1	Level 2	Level 3	Fair value
Derivatives designated to hedge item	Rs.	- Rs. 70,076	Rs.	- Rs. 70,076
Derivatives liabilities designated to hedge item		- 851,286		- 851,286

- 4) The Company measures the foreign exchange forward contract (derivative assets: ₩1,707,695 thousand (Rs. 97,082 thousand), derivative liabilities: ₩24,074 thousand (Rs. 1,369 thousand) based on the forward rate announced officially in the market as of December 31, 2014. In the event that no corresponding forward rate with residual period of the foreign exchange forward contract in the market exists, the Company 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 Company classified the fair value of the foreign exchange forward as Level 2.