

1. Corporate information

1.1 Summary of parent entity

Hyundai Glovis Co., Ltd. (the “Company” or “Parent entity”) was established on February 22, 2001 under the laws of the Republic of Korea to engage in rendering logistics, transportation, sale of Completely-Knock-Down (“CKD”) parts and related activities. The Company listed its ordinary shares on the Korea Exchange (“KRX”) on December 26, 2005 and as at December 31, 2015, issues 37,500,000 ordinary shares of issued capital amounting to ₩18,750,000 thousand. Information of the Company’s structure is provided in Note 1.2.

The Company is an affiliate of the Hyundai Automotive Group and information on the related party transactions is provided in Note 26.

The shareholders of the Company and their shareholdings as at December 31, 2015 are as follows:

Shareholders	Number of shares	Equity interest (%)
Eui Sun Chung	8,732,290	23.29%
Mong Koo Chung	2,517,701	6.71%
Hyundai Motor Chung Mong Koo Foundation	1,671,018	4.46%
Hyundai Motor Co., Ltd.	1,830,939	4.88%
Den Norske Amerikalinje AS	4,513,582	12.04%
Others	18,234,470	48.62%
	<u>37,500,000</u>	<u>100.00%</u>

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) were approved by the Company’s Board of Directors on January 27, 2016.

1.2 Summary of subsidiaries

1) The consolidated subsidiaries as at December 31, 2015 are as follows:

Subsidiary	Equity interest (%)	Country of domicile	Year end	Type of business
Glovis America Inc. (*1)	100	USA	Dec. 31	Logistics and transportation
Glovis Slovakia s.r.o.	100	Slovakia	Dec. 31	Logistics and transportation
Beijing Glovis Warehousing & Transportation Co., Ltd. (*2)	100	China	Dec. 31	Logistics and transportation
Glovis Europe, Gmbh. (*3)	100	Germany	Dec. 31	Logistics and transportation
Hyundai Glovis Czech Republic s.r.o.	100	Czech	Dec. 31	Logistics and transportation
Glovis India, Pvt. Ltd.	100	India	Dec. 31	Logistics and transportation
Glovis Russia LLC	100	Russia	Dec. 31	Logistics and transportation
Hyundai Glovis Lojistik Sanayi ve Ticaret. Ltd. Sti.	100	Turkey	Dec. 31	Logistics and transportation
Glovis Australia, Pty, Ltd.	100	Australia	Dec. 31	Logistics and transportation
Glovis Brazil Logistica LTDA	100	Brazil	Dec. 31	Logistics and transportation
Hyundai Glovis Holdings Mongolia LLC	100	Mongolia	Dec. 31	Logistics and transportation
Hyundai Glovis Mexico S de RL de CV	100	Mexico	Dec. 31	Logistics and transportation
GL NV13 Shipping Inc. and others (*4)	-	Panama and others	Dec. 31	Shipping finance

(*1) Glovis Alabama LLC, Glovis Georgia LLC, Glovis Canada, Inc., and Global Logistics New Jersey LLC are wholly owned by Glovis America, Inc.
 Global Auto Processing Services, Inc., wholly owned by Glovis America, Inc., Inc. was merged into Glovis America, Inc. on August 1, 2015.

(*2) Tianjin Glovis Automotive Parts Co., Ltd. is wholly owned by Beijing Glovis Warehousing & Transportation Co., Ltd.

(*3) Adampol s.a. is wholly owned by Glovis Europe, Gmbh.
 Vectura, Adampol Slovakia S.R.O. and Adampol Czech S.R.O. are wholly owned by Adampol s.a.
 Adampol s.a. owns 50% of the shares of BM Vehicle Logistics GmbH and Vectura owns 99.9% of the shares of Vectura Invest.

(*4) Although the Company does not hold a majority ownership in GL NV13 Shipping Inc. and others, the Company includes GL NV13 Shipping Inc. and others in the consolidated financial statements as the Company exercises significant influence on the financial and operating decisions of these subsidiaries.

Hyundai Glovis Co., Ltd. and its subsidiaries
Notes to the consolidated financial statements
December 31, 2015 and 2014

1. Corporate information (cont'd)

2) The summarized financial information of subsidiaries as at and for the years ended December 31, 2015, which have been included in consolidation are as follows (Korean won in thousands):

As at December 31, 2015

Subsidiary (*1)	Assets	Liabilities	Equity
Glovis America Inc.	₩ 452,636,410	₩ 105,045,761	₩ 347,590,649
Glovis Slovakia s.r.o.	23,217,007	8,603,953	14,613,054
Beijing Glovis Warehousing & Transportation Co., Ltd.	97,628,728	40,020,505	57,608,223
Glovis Europe, Gmbh.	249,277,202	140,142,041	109,135,161
Hyundai Glovis Czech Republic s.r.o.	25,405,490	10,101,449	15,304,041
Glovis India, Pvt. Ltd.	134,227,577	51,521,834	82,705,743
Glovis Russia LLC	24,707,574	11,175,919	13,531,655
Hyundai Glovis Lojistik Sanayi ve Ticaret. Ltd. Sti.	17,003,186	8,046,513	8,956,673
Glovis Australia, Pty, Ltd.	11,723,347	7,832,280	3,891,067
Glovis Brazil Logistica LTDA	24,279,236	15,576,979	8,702,257
Hyundai Glovis Holdings Mongolia LLC	256,391	445,783	(189,392)
Hyundai Glovis Mexico S de RL de CV	79,416,988	70,125,383	9,291,605
GL NV13 Shipping Inc. and others	885,360,182	885,359,711	471

As at December 31, 2014

Subsidiary (*1)	Assets	Liabilities	Equity
Glovis America Inc.	₩ 375,431,061	₩ 92,837,971	₩ 282,593,090
Glovis Slovakia s.r.o.	21,216,542	6,652,971	14,563,571
Beijing Glovis Warehousing & Transportation Co., Ltd.	89,465,967	42,645,491	46,820,476
Glovis Europe, Gmbh.	139,219,794	56,780,741	82,439,053
Hyundai Glovis Czech Republic s.r.o.	18,012,154	6,853,779	11,158,375
Glovis India, Pvt. Ltd.	115,238,477	50,567,205	64,671,272
Glovis Russia LLC.	33,525,297	16,234,854	17,290,443
Hyundai Glovis Lojistik Sanayi ve Ticaret. Ltd. Sti.	16,170,259	9,039,554	7,130,705
Glovis Australia, Pty, Ltd.	10,497,442	7,390,680	3,106,762
Glovis Brazil Logistica LTDA	27,989,733	16,388,171	11,601,562
Hyundai Glovis Holdings Mongolia LLC	481,438	1,058,788	(577,350)
Hyundai Glovis Mexico S de RL de CV	2,333,359	1,714,360	618,999
GL NV13 Shipping Inc. and others	807,099,443	807,099,004	439

For the year ended December 31, 2015

Subsidiary (*1)	Sales	Profit for the year	Total comprehensive income
Glovis America Inc.	₩ 1,381,115,559	₩ 80,708,721	₩ 80,708,721
Glovis Slovakia s.r.o.	52,759,926	1,806,976	1,806,976
Beijing Glovis Warehousing & Transportation Co., Ltd.	263,642,225	13,993,084	13,993,084
Glovis Europe, Gmbh.	574,193,469	32,338,785	32,338,785
Hyundai Glovis Czech Republic s.r.o.	58,047,483	4,219,884	4,219,884
Glovis India, Pvt. Ltd.	331,792,371	16,962,503	16,962,503
Glovis Russia LLC.	137,056,854	5,715,047	5,715,047
Hyundai Glovis Lojistik Sanayi ve Ticaret. Ltd. Sti.	69,519,742	3,010,262	3,010,262
Glovis Australia, Pty, Ltd.	54,214,160	939,650	939,650
Glovis Brazil Logistica LTDA	81,433,303	4,423,921	4,423,921
Hyundai Glovis Holdings Mongolia LLC	439,154	(314,601)	(314,601)
Hyundai Glovis Mexico S de RL de CV	25,666,929	(5,706,592)	(5,706,592)
GL NV13 Shipping Inc. and others	-	-	-

1. Corporate information (cont'd)

For the year ended December 31, 2014

Subsidiary (*1)	Sales	Profit for the year	Total comprehensive income
Glovis America Inc.	₩ 1,220,269,732	₩ 74,492,455	₩ 74,492,455
Glovis Slovakia s.r.o.	60,327,754	2,632,756	2,632,756
Beijing Glovis Warehousing & Transportation Co., Ltd.	254,488,396	13,981,418	13,981,418
Glovis Europe, Gmbh.	485,730,832	26,526,277	26,526,277
Glovis Czech Republic s.r.o.	52,953,751	3,145,388	3,145,388
Glovis India, Pvt. Ltd.	345,966,354	18,139,812	18,139,812
Glovis Russia LLC.	227,344,017	10,445,724	10,445,724
Hyundai Glovis Lojistik Sanayi ve Ticaret	73,629,386	2,417,841	2,417,841
Glovis Australia, Pty, Ltd.	46,536,574	921,971	921,971
Glovis Brazil Logistica LTDA	98,675,093	6,149,970	6,149,970
Hyundai Glovis Holdings Mongolia LLC	2,161,106	(210,223)	(210,223)
Hyundai Glovis Mexico S de RL de CV	6,101,710	(382,677)	(382,677)
GL Grace Shipping Inc. and others	-	-	-

(*1) The financial information presented above reflects the elimination of intra-group transactions.

2. Basis of financial statement preparation and summary of significant accounting policies

2.1 Basis of preparation and statement of compliance

The Group prepares statutory financial statements in Korean language in accordance with Korean International Financial Reporting Standards (KIFRS) enacted by the *Act on External Audit of Stock Companies*. The accompanying consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments and when otherwise indicated. The consolidated financial statements are presented in Korean won and all values are rounded to the nearest thousands, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment is recognized at fair value.

2.3 Summary of significant accounting policies

2.3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with KIFRS 1039 either in profit or loss or as change to OCI. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of KIFRS 1039, it is measured in accordance with the appropriate KIFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.3.2 Investment in associates

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

The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as share of profit of an associate in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2.3.3 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3.4 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

	Notes
➤ Disclosure for valuation methods, significant estimates and assumptions	3
➤ Quantitative disclosures of fair value measurement hierarchy	7.5
➤ Financial instruments (including those carried at amortized cost)	7.5

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.5 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services

Revenue from services is recognized by reference to the stage of completion. Stage of completion is measured by reference to voyage days incurred to date as a percentage of total estimated voyage days for each contract. If total voyage days cannot be reasonably estimated, revenue is recognized to the extent of actual expense incurred and deemed recoverable.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statements of other comprehensive income.

Dividends

Dividends revenue is recognized when the Group's right to receive the payment is established.

Other revenue

Other revenue is recognized to the extent that vesting process is completed and it is very probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

2.3.6 Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statements of cash flows, cash consists of cash and cash equivalents as defined above.

2.3.7 Financial instruments

(1) Financial assets

Initial recognition and measurement

Financial assets within the scope of KIFRS 1039 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognized initially at fair value plus transactions costs, except in the case of financial assets recorded at fair value through profit and loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by KIFRS 1039. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

The Group evaluates its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

2.3.7 Financial instruments (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss as finance costs.

Available-for-sale (AFS) financial assets

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade those financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

2.3.7 Financial instruments (cont'd)

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates, if and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(2) Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

	Notes
➤ Disclosure for significant assumptions	3
➤ Trade receivables and other accounts receivable	8

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

2.3.7 Financial instruments (cont'd)

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Available-for-sale financial assets

For AFS financial assets, the Group assesses, at each reporting date, whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

(3) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of KIFRS 1039 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

2.3.7 Financial instruments (cont'd)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1039. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

(4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8 Inventories

Inventories are valued at the lower of cost and net realizable value. Initial cost of inventories is determined by using the gross weighted-average method, except for used cars which are stated at cost by specific identification method. Perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed at the end of the year. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.3.9 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for (i) whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or (ii) the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified as at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.3.10 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings: 20 to 40 years
- Structures: 20 years
- Ships: 25 years
- Others: 5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2.3.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- i. The technical feasibility of completing the intangible asset so that it will be available for use or sale
- ii. Its intention to complete and its ability to use or sell the asset
- iii. How the asset will generate future economic benefits
- iv. The availability of resources to complete the asset
- v. The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Industrial proprietary rights, software and memberships

Industrial proprietary rights, software and memberships are considered to have a useful life of 5 years. Memberships which are obtained for facility usage rights are accounted for as an intangible asset with an indefinite useful life.

A summary of the policies applied to the Group's intangible assets is as follows:

	Amortization method used	Useful lives	Internally generated or acquired
Development costs	Straight line basis	5 years	Acquired
Industrial proprietary rights	Straight line basis	5 years	Acquired
Software	Straight line basis	5 years	Acquired
Memberships	Not amortized	Indefinite	Acquired

2.3.13 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.3.14 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

2.3.15 Pensions

The Group operates a defined benefit pension plan in Korea, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes service costs and net interest expense in the net defined benefit obligation under cost of sales, and selling and administrative expenses in the consolidated statement of profit or loss.

2.3.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed by a third party, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

Provision for product warranty liability

Provision for product warranty liability is recognized based on past experience and trends of products sold.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.3.17 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.3.17 Taxes (cont'd)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.18 Foreign currency translation

The Group's consolidated financial statements are presented in Korean won, which is also the parent company's functional currency. For each entity, the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences are taken to the statement of profit or loss with the exception of all monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed, at which time, the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the spot rate of exchange at the reporting date.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Korean won at the rate of exchange prevailing at the reporting date and their income statement are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

2.3.19 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts and forward commodity contracts to hedge its foreign currency risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss.

2.4 Changes in accounting policies and disclosures

2.4.1 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to KIFRS effective as at January 1, 2015. The nature and the impact of each new standard or amendment are described below:

Amendments to KIFRS 1019 Defined Benefit Plans: Employee Contributions

KIFRS 1019 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

The Group has applied these improvements for the first time in these consolidated financial statements. They include:

KIFRS 1102 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Group had not granted any awards during the second half of 2014 and 2015. Thus, these amendments did not impact the Group's financial statements or accounting policies.

KIFRS 1103 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of KIFRS 1039. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

KIFRS 1108 Operating Segments

The amendments are applied retrospectively and clarify that:

- ✓ An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of KIFRS 1108, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- ✓ The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities

The Group has not applied the aggregation criteria in KIFRS1108.12. The Group has not presented the reconciliation of segment assets to total assets in previous period and in this period's financial statements as the reconciliation is not reported to the chief operating decision maker for the purpose of decision making.

2.4 Changes in accounting policies and disclosures (cont'd)

KIFRS 1016 Property, Plant and Equipment and KIFRS 1038 Intangible Assets

The amendment is applied retrospectively and clarifies in KIFRS 1016 and KIFRS 1038 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Group during the current period.

KIFRS 1024 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

KIFRS 1103 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within KIFRS 1103 that:

- ✓ Joint arrangements, not just joint ventures, are outside the scope of KIFRS 1103
- ✓ This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

The Group is not a joint arrangement, and thus this amendment is not relevant for the Group.

KIFRS 1113 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in KIFRS 1113 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of KIFRS 1039. The Group does not apply the portfolio exception in KIFRS 1113.

KIFRS 1040 Investment Property

The description of ancillary services in KIFRS 1040 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that KIFRS 1103, and not the description of ancillary services in KIFRS 1040, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on KIFRS 1103, not KIFRS 1040, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

	Notes
Capital management	30
Financial risk management and policies	30
Sensitivity analysis and disclosure	19, 30

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually as at December 31 either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. Other non-financial assets are assessed when there is an indication that an asset may be impaired. To calculate the value in use, the Group estimates the expected future cash inflows derived from the CGU and selects a discount rate for calculating the present value of the expected future cash inflows.

Pension benefits

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, expected rate of return on plan assets, future salary increases, mortality rates and other considerations. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are given in Note 19.

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

KIFRS 1109 Financial Instruments

The KASB issued the final version of *KIFRS 1109 Financial Instruments* that replaces *KIFRS 1039 Financial Instruments: Recognition and Measurement* and all previous versions. *KIFRS 1109* brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. *KIFRS 1109* is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date.

KIFRS 1115 Revenue from Contracts with Customers

Under *KIFRS 1115*, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under KIFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

Amendments to KIFRS 1111 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to *KIFRS 1111* require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant *KIFRS 1103* principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to *KIFRS 1111* to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have an impact on the Group.

Amendments to KIFRS 1016 and KIFRS 1038: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in *KIFRS 1016* and *KIFRS 1038* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to KIFRS 1110 and KIFRS 1028: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between *KIFRS 1110* and *KIFRS 1028* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in *KIFRS 1103*, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to KIFRS 1001 Disclosure Initiative

The amendments to *KIFRS 1001 Presentation of Financial Statements* clarify, rather than significantly change, existing KIFRS 1110 requirements. The amendments clarify:

- ✓ The materiality requirements in KIFRS 1001
- ✓ That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- ✓ That entities have flexibility as to the order in which they present the notes to financial statements
- ✓ That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to KIFRS 1110, KIFRS 1112 and KIFRS 1028 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under *KIFRS 1110*. The amendments to *KIFRS 1110* clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to *KIFRS 1110* clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to *KIFRS 1028* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after July 1, 2016. They include:

- ✓ *KIFRS 1105 Non-current Assets Held for Sale and Discontinued Operations*
- ✓ *KIFRS 1107 Financial Instruments: Disclosures*
- ✓ *KIFRS 1019 Employee Benefits*
- ✓ *KIFRS 1034 Interim Financial Reporting*

These amendments are not expected to have any impact on the Group.

5. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Cash at banks and on hand	₩ 241,137,895	₩ 184,140,842
Short-term deposits	435,003,182	569,775,976
	<u>₩ 676,141,077</u>	<u>₩ 753,916,818</u>

6. Financial assets and liabilities by category

6.1 Details of financial assets and liabilities by category as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

Financial assets	2015			
	At fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	₩ -	₩ 676,141,077	₩ -	₩ 676,141,077
Other current financial assets	3,444,465	413,222,961	-	416,667,426
Trade receivables	-	1,672,256,600	-	1,672,256,600
Other accounts receivable	-	26,224,558	-	26,224,558
Other non-current accounts receivable	-	11,569,718	-	11,569,718
Other non-current financial assets	-	2,706,993	-	2,706,993
Available-for-sale financial assets	-	-	297,131,071	297,131,071
	₩ 3,444,465	₩ 2,802,121,907	₩ 297,131,071	₩ 3,102,697,443

Financial liabilities	2015		
	At fair value through profit or loss	Other financial liabilities	Total
Trade payables	₩ -	₩ 993,171,385	₩ 993,171,385
Other payables	-	237,109,424	237,109,424
Short-term borrowings	-	1,051,350,641	1,051,350,641
Other current financial liabilities	37,483,374	35,351,642	72,835,016
Long-term borrowings	-	765,162,131	765,162,131
Other non-current financial liabilities	-	741,629,440	741,629,440
	₩ 37,483,374	₩ 3,823,774,663	₩ 3,861,258,037

Financial assets	2014			
	At fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	₩ -	₩ 753,916,818	₩ -	₩ 753,916,818
Other current financial assets	13,502,883	40,216,218	-	53,719,101
Trade receivables	-	1,749,055,592	-	1,749,055,592
Other accounts receivable	-	29,298,757	-	29,298,757
Other non-current accounts receivable	-	10,174,631	-	10,174,631
Other non-current financial assets	-	824,104	-	824,104
Available-for-sale financial assets	-	-	262,964,630	262,964,630
	₩ 13,502,883	₩ 2,583,486,120	₩ 262,964,630	₩ 2,859,953,633

Financial liabilities	2014		
	At fair value through profit or loss	Other financial liabilities	Total
Trade payables	₩ -	₩ 998,074,496	₩ 998,074,496
Other payables	-	123,066,693	123,066,693
Short-term borrowings	-	949,506,628	949,506,628
Other current financial liabilities	30,049,646	13,271,381	43,321,027
Long-term borrowings	-	679,817,140	679,817,140
Other non-current financial liabilities	-	278,185,474	278,185,474
	₩ 30,049,646	₩ 3,041,921,812	₩ 3,071,971,458

6. Financial assets and liabilities by category (cont'd)

6.2 Revenues and expenses for financial assets and liabilities by category for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015				
	Financial assets and liabilities at fair value through profit or loss	Available-for-sale financial investments	Loans and receivables	Other financial liabilities	Total
Interest income	₩ -	₩ -	₩ 17,458,551	₩ -	₩ 17,458,551
Dividends	-	2,359,477	-	-	2,359,477
Gain on foreign currency transactions	-	-	200,867,456	126,892,500	327,759,956
Gain on foreign currency translations	-	-	31,968,212	6,615,931	38,584,143
Gain on derivatives transactions	44,524,456	-	-	-	44,524,456
Gain on derivatives valuations	3,444,465	-	-	-	3,444,465
Interest expenses	-	-	-	(49,799,300)	(49,799,300)
Loss on foreign currency transactions	-	-	(182,252,082)	(158,706,000)	(340,958,082)
Loss on foreign currency translations	-	-	(21,184,344)	(109,796,871)	(130,981,215)
Loss on derivatives transactions	(21,217,355)	-	-	-	(21,217,355)
Loss on derivatives valuations	(28,853,752)	-	-	-	(28,853,752)
Bad debt expenses	-	-	(15,532,914)	-	(15,532,914)
Other bad debt expenses	-	-	(4,155,918)	-	(4,155,918)
Impairment loss on available-for-sale financial assets	-	(1,453,447)	-	-	(1,453,447)
Gain on available-for-sale financial assets	-	27,037,357	-	-	27,037,357
	₩ (2,102,186)	₩ 27,943,387	₩ 27,168,961	₩ (184,793,740)	₩ (131,783,578)

6. Financial assets and liabilities by category (cont'd)

	2014				
	Financial assets and liabilities at fair value through profit or loss	Available-for-sale financial investments	Loans and receivables	Other financial liabilities	Total
Interest income	₩ -	₩ -	₩ 15,112,039	₩ -	₩ 15,112,039
Dividends	-	1,668,610	-	-	1,668,610
Gain on foreign currency transactions	32,639	-	133,494,454	89,354,757	222,881,850
Gain on foreign currency translations	-	-	29,703,724	13,512,505	43,216,229
Gain on derivatives transactions	18,300,122	-	-	-	18,300,122
Gain on derivatives valuations	13,502,883	-	-	-	13,502,883
Interest expenses	-	-	-	(27,082,209)	(27,082,209)
Loss on foreign currency transactions	(18,389)	-	(128,148,443)	(104,097,759)	(232,264,591)
Loss on foreign currency translations	-	-	(19,260,514)	(58,290,873)	(77,551,387)
Loss on derivatives transactions	(24,930,351)	-	-	-	(24,930,351)
Loss on derivatives valuations	(30,049,646)	-	-	-	(30,049,646)
Bad debt expenses	-	-	195,157	-	195,157
Other bad debt expenses	-	-	(1,572,891)	-	(1,572,891)
Impairment loss on available-for-sale financial assets	-	(100,000)	-	-	(100,000)
Gain on available-for-sale financial assets	-	(25,702,035)	-	-	(25,702,035)
	₩ (23,162,742)	₩ (24,133,425)	₩ 29,523,526	₩ (86,603,579)	₩ (104,376,220)

7. Fair value of other financial assets and liabilities

7.1 Other financial assets as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Current:		
Short-term financial instruments	₩ 403,155,339	₩ 37,647,533
Financial derivative assets (*1)	3,444,465	13,502,883
Current portion of finance lease receivables	1,109,126	413,363
Current loans	8,958,496	2,155,322
	<u>₩ 416,667,426</u>	<u>₩ 53,719,101</u>
Non-current:		
Non-current finance lease receivables	₩ 2,689,126	₩ 824,104
Non-current loans	17,867	-
	<u>₩ 2,706,993</u>	<u>₩ 824,104</u>

7.2 Other financial liabilities as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Current:		
Financial derivative liabilities (*1)	₩ 37,483,374	₩ 30,049,646
Current portion of long-term accounts payable (*2)	27,498,408	10,444,519
Current portion of long-term accrued expenses	7,540,402	2,451,430
Current portion of long-term finance lease payables	312,832	375,432
	<u>₩ 72,835,016</u>	<u>₩ 43,321,027</u>
Non-current:		
Long-term other accounts payable (*2)	₩ 721,573,940	₩ 261,614,692
Long-term accrued expenses	18,683,207	15,452,139
Long-term guarantee deposits	513,310	179,483
Long-term finance lease payables	858,983	939,160
	<u>₩ 741,629,440</u>	<u>₩ 278,185,474</u>

(*1) The Group enters into currency forward contracts to hedge the risk of changes in foreign exchange rates related primarily to its operating activities. Currency forward contracts are not designed to hedge the risk of changes in fair value or cash flows and net investments in a foreign operation.

(*2) The Group has long-term other payables in relation to the Bare Boat Charter Hire Purchase ("BBCHP") agreements. Pursuant to this agreement, the Group makes installment payments during the period specified by the BBCHP agreements and is expected to receive title to the asset at the end of the specified hire purchase term. As at December 31, 2015, the Group has pledged a portion of its property, plant and equipment (ships) as a performance guarantee in accordance with the BBCHP agreements.

The Group recognized long-term payables for potential liabilities as option contracts are a part of an acquisition contract that Glovis Europe GmbH has rights to buy the remaining 30% of shares from the shareholders and the shareholders have rights to sell their remaining 30% of shares to Glovis Europe GmbH.

7. Fair value of other financial assets and liabilities (cont'd)

7.3 Hedging activities and derivative instruments

7.3.1 The Group enters into derivative contracts for the purpose of reducing exposures to foreign exchange risk and other market risk, and details as at December 31, 2015 are as follows (U.S. dollar):

(1) Foreign exchange risk

	Financial institution	Contract date	Due date	Exchange rate	Contract amount
Currency forwards	Barclays Bank and others	2015.10.12	2016.03.14	1129.08 ~ 1187.70	\$ 223,799,304

(2) Other market risks

	Financial institution	Contract date	Due date	Contract quantities	Contract amount
Commodity forwards	BOCI and others	2015.10.01	2016.03.16	107,525	\$ 3,863,098
Commodity options	Barclays Bank	2013.02.05	2016.12.31	360,000	\$ 27,551,006

7.3.2 Derivative assets and liabilities as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Currency forwards	₩ 1,283,015	₩ 2,827,494	₩ 441,951	₩ 709,288
Currency options	-	-	-	389,613
Commodity forwards	2,161,450	2,366,101	13,060,932	4,000,649
Commodity options	-	32,289,779	-	24,950,096
	₩ 3,444,465	₩ 37,483,374	₩ 13,502,883	₩ 30,049,646

7.3.3 Loss and gain on derivative transactions and valuation as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015			
	Gain on derivative transactions	Loss on derivative transactions	Gain on valuation of derivatives	Loss on valuation of derivatives
Currency forwards	₩ 7,354,328	₩ 18,089,293	₩ 1,283,015	₩ 2,827,494
Currency options	197,613	377,000	-	-
Commodity forwards	36,939,675	2,051,338	2,161,450	2,439,959
Commodity options	32,840	699,724	-	23,586,299
	₩ 44,524,456	₩ 21,217,355	₩ 3,444,465	₩ 28,853,752

	2014			
	Gain on derivative transactions	Loss on derivative transactions	Gain on valuation of derivatives	Loss on valuation of derivatives
Currency forwards	₩ 4,416,054	₩ 6,670,630	₩ 441,951	₩ 709,288
Currency options	962,652	279,130	-	389,613
Commodity forwards	12,699,300	17,191,354	13,060,932	4,000,649
Commodity options	222,116	789,237	-	24,950,096
	₩ 18,300,122	₩ 24,930,351	₩ 13,502,883	₩ 30,049,646

7. Fair value of other financial assets and liabilities (cont'd)

7.4 Leases

7.4.1 Gross lease investments and the present value of minimum lease payment as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Gross investment in lease:	₩ 4,062,709	₩ 1,298,009
Within 1 year (current)	1,232,099	447,367
1 ~ 5 years (non-current)	2,830,610	850,642
Unrealized interest revenue	264,457	60,542
Net investment in lease (present value of minimum lease payment)	₩ 3,798,252	₩ 1,237,467
Within 1 year (current)	₩ 1,109,126	₩ 413,363
1 ~ 5 years (non-current)	2,270,040	609,459
Present value of unguaranteed residual value (non-current)	419,086	214,645

7.4.2 Details of finance lease payables as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015		2014	
	Minimum lease payment	Present value of minimum lease payment	Minimum lease payment	Present value of minimum lease payment
Within 1 year	₩ 328,422	₩ 312,832	₩ 437,533	₩ 375,432
Over 1 year and within 5 years	875,871	858,983	1,013,893	939,160
	₩ 1,204,293	₩ 1,171,815	₩ 1,451,426	₩ 1,314,592
Adjustment of present value	₩ 32,478		₩ 136,834	
Present value of finance lease liabilities	1,171,815		1,314,592	
Deducted: transfers to current portion	(312,832)		(375,432)	
	₩ 858,983		₩ 939,160	

7. Fair value of other financial assets and liabilities (cont'd)

7.5 Fair value

(1) Fair value and book value of financial instruments as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	Book value		Fair value	
	2015	2014	2015	2014
Financial assets:				
Cash and cash equivalents	₩ 676,141,077	₩ 753,916,818	₩ 676,141,077	₩ 753,916,818
Trade receivables	1,672,256,600	1,749,055,592	1,672,256,600	1,749,055,592
Other accounts receivable	26,224,558	29,298,757	26,224,558	29,298,757
Other non-current accounts receivable	11,569,718	10,174,631	11,569,718	10,174,631
Other current financial assets	416,667,426	53,719,101	416,667,426	53,719,101
Other long-term financial assets	2,706,993	824,104	2,706,993	824,104
Available-for-sale financial assets (*1)	294,063,906	259,804,711	294,063,906	259,804,711
Available-for-sale financial assets (*2)	3,067,165	3,159,919	3,067,165	3,159,919
	<u>₩ 3,102,697,443</u>	<u>₩ 2,859,953,633</u>	<u>₩ 3,102,697,443</u>	<u>₩ 2,859,953,633</u>
Financial liabilities:				
Trade payables	₩ 993,171,385	₩ 998,074,496	₩ 993,171,385	₩ 998,074,496
Other accounts payable	237,109,424	123,066,693	237,109,424	123,066,693
Short-term borrowings	1,051,350,641	949,506,628	1,051,350,641	949,506,628
Long-term borrowings	765,162,131	679,817,140	765,162,131	679,817,140
Other current financial liabilities	72,835,016	43,321,027	72,835,016	43,321,027
Other non-current financial liabilities	741,629,440	278,185,474	741,629,440	278,185,474
	<u>₩ 3,861,258,037</u>	<u>₩ 3,071,971,458</u>	<u>₩ 3,861,258,037</u>	<u>₩ 3,071,971,458</u>

(*1) The book value of financial instruments is the fair value quoted in active markets.

(*2) It is measured at acquisition costs as no quoted prices in active markets exist and fair values are not reliably measured.

(2) Hierarchy of fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

7. Fair value of other financial assets and liabilities (cont'd)

(3) Valuation methods used to measure the fair value of financial instruments are as follows:

	Valuation methods
Derivative financial assets	Derivatives are valued by reference to market-based evidence such as the quoted prices of similar financial instruments in active markets and transaction prices in observable markets, or measured using a valuation methodology such as a discounted cash flow (DCF) model.
Available-for-sale financial assets	The fair value of available-for-sale financial assets in active markets is measured at closing bid price as at the end of the reporting period.

(4) The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of fair value measurement hierarchy for assets as at December 31, 2015 are as follows (Korean won in thousands):

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Other current financial assets (derivative financial assets)	₩ -	₩ 3,444,465	₩ -	₩ 3,444,465
Available-for-sale financial assets (listed share)	294,063,906	-	-	294,063,906
Assets for which fair values are disclosed:				
Cash and cash equivalents	-	676,141,077	-	676,141,077
Trade receivables	-	-	1,672,256,600	1,672,256,600
Other accounts receivable	-	-	26,224,558	26,224,558
Other non-current accounts receivable	-	-	11,569,718	11,569,718
Other current financial assets	-	413,222,961	-	413,222,961
Other non-current financial assets	-	-	2,706,993	2,706,993
Available-for-sale financial assets (unlisted stock)	-	-	3,067,165	3,067,165
Liabilities measured at fair value				
Other current financial liabilities (derivative financial liabilities)	-	37,483,374	-	37,483,374
Liabilities for which fair values are disclosed:				
Trade payables	-	-	993,171,385	993,171,385
Other payables	-	-	237,109,424	237,109,424
Short-term borrowings	-	1,051,350,641	-	1,051,350,641
Long-term borrowings	-	765,162,131	-	765,162,131
Other current financial liabilities	-	27,811,240	7,540,402	35,351,642
Other non-current financial liabilities	-	722,432,923	19,196,517	741,629,440

7. Fair value of other financial assets and liabilities (cont'd)

Quantitative disclosures of fair value measurement hierarchy for assets as at December 31, 2014 are as follows (Korean won in thousands):

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Other current financial assets (derivative financial assets)	₩ -	₩ 13,502,883	₩ -	₩ 13,502,883
Available-for-sale financial assets (listed share)	259,804,711	-	-	259,804,711
Assets for which fair values are disclosed:				
Cash and cash equivalents	-	753,916,818	-	753,916,818
Trade receivables	-	-	1,749,055,592	1,749,055,592
Other accounts receivable	-	-	29,298,757	29,298,757
Other non-current accounts receivable	-	-	10,174,631	10,174,631
Other current financial assets	-	40,216,218	-	40,216,218
Other non-current financial assets	-	-	824,104	824,104
Available-for-sale financial assets (unlisted stock)	-	-	3,159,919	3,159,919
Liabilities measures at fair value				
Other current financial liabilities (derivative financial liabilities)	-	30,049,646	-	30,049,646
Liabilities for which fair values are disclosed:				
Trade payables	-	-	998,074,496	998,074,496
Other payables	-	-	123,066,693	123,066,693
Short-term borrowings	-	949,506,628	-	949,506,628
Long-term borrowings	-	679,817,140	-	679,817,140
Other current financial liabilities	-	10,819,951	2,451,430	13,271,381
Other non-current financial liabilities	-	262,553,852	15,631,622	278,185,474

8. Trade and other receivables

8.1 Trade and other receivables as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Trade receivables	₩ 1,692,313,407	₩ 1,754,188,132
Allowance for doubtful accounts	(20,056,807)	(5,132,540)
Trade receivables	<u>1,672,256,600</u>	<u>1,749,055,592</u>
Other accounts receivable	45,336,578	44,718,502
Allowance for doubtful accounts	(21,137,493)	(16,911,330)
Accrued revenue	757,523	270,029
Others	1,267,950	1,221,556
Other accounts receivable	<u>26,224,558</u>	<u>29,298,757</u>
Long-term deposits	13,967	17,418
Long-term accounts receivable	3,743,802	1,531,508
Long-term guarantee deposits	7,811,949	8,625,705
Other non-current accounts receivable	<u>11,569,718</u>	<u>10,174,631</u>
	<u>₩ 1,710,050,876</u>	<u>₩ 1,788,528,980</u>

Trade and non-trade receivables are non-interest bearing and are normally settled on 30 to 90-day terms.

8.2 Changes in allowance for doubtful accounts for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	Trade receivables	Other receivables
January 1, 2014	₩ 5,618,725	₩ 16,148,433
Charge for the year (reversal)	(195,157)	1,572,891
Transferred	(233,132)	(867,848)
Effect of change in foreign exchange rates	(57,896)	57,854
December 31, 2014	<u>5,132,540</u>	<u>16,911,330</u>
Charge for the year	15,532,914	4,154,189
Utilized	(287,077)	(8,219)
Increase from business combinations	124,609	-
Effect of change in foreign exchange rates	(446,179)	80,193
December 31, 2015	<u>₩ 20,056,807</u>	<u>₩ 21,137,493</u>

8.3 Aging analysis of trade and other receivables as at December 31, 2015 and 2014 is as follows (Korean won in thousands):

	2015	2014
Neither past due nor impaired	₩ 1,676,016,543	₩ 1,770,366,090
Past due but not impaired:		
< 30 days	16,949,246	7,863,988
30-60 days	6,695,417	4,192,124
60-90 days	2,768,737	2,034,572
90-120 days	1,970,785	1,127,930
> 120 days	5,650,148	2,944,276
	<u>₩ 1,710,050,876</u>	<u>₩ 1,788,528,980</u>

8.4 The restricted deposit as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	Financial institution	2015	2014	Description
Other long-term accounts receivable	Shinhan Bank	₩ 3,000	₩ 3,000	Guarantee money deposit
	KEB Hana Bank	3,000	3,000	Guarantee money deposit
	Citibank	1,500	2,500	Guarantee money deposit
		<u>₩ 7,500</u>	<u>₩ 8,500</u>	

9. Inventories

Details of inventories as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Merchandise (at net realizable value)	₩ 47,147,207	₩ 75,585,979
CKD components (at cost)	541,945,652	409,903,992
Goods in transit (at cost)	115,767,787	84,305,682
Goods in process	55,452	-
Stored goods (at cost)	67,015,363	75,797,319
	<u>₩ 771,931,461</u>	<u>₩ 645,592,972</u>

A loss on inventory valuation which was added to costs of sales amounted to ₩4,304,084 thousand in 2015 and ₩83,994 thousand in 2014. The reversal of a loss on inventory valuation, which was deducted from costs of sales amounted to ₩83,994 thousand in 2015 and ₩841,517 thousand in 2014.

10. Other current assets and other non-current assets

10.1 Other current assets as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Advance payments	₩ 46,343,749	₩ 28,871,423
Prepaid expenses	68,252,116	50,779,615
Prepaid value added tax	14,753,224	3,176,284
	<u>₩ 129,349,089</u>	<u>₩ 82,827,322</u>

10.2 Other non-current assets

Other non-current assets as at December 31, 2015 and 2014 consist of long-term prepaid expenses.

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11. Available-for-sale financial assets

11.1 Details of available-for-sale financial assets as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015					
	Acquisition cost	Fair value	Book value	Unrealized holding gain	Impairment loss	
					Up to Dec. 31, 2014	Dec. 31, 2015
Marketable securities	₩ 120,016,824	₩ 294,063,906	₩ 294,063,906	₩ 174,047,082	₩ -	₩ -
Non-marketable securities	8,272,185	3,067,165	3,067,165	1,078,946	(4,830,519)	(1,453,447)
	<u>₩ 128,289,009</u>	<u>₩ 297,131,071</u>	<u>₩ 297,131,071</u>	<u>₩ 175,126,028</u>	<u>₩ (4,830,519)</u>	<u>₩ (1,453,447)</u>

	2014					
	Acquisition cost	Fair value	Book value	Unrealized holding gain	Impairment loss	
					Up to Dec. 31, 2013	Dec. 31, 2014
Marketable securities	₩ 120,016,824	₩ 259,804,711	₩ 259,804,711	₩ 139,787,886	₩ -	₩ -
Non-marketable securities	6,911,492	3,159,919	3,159,919	1,078,946	(4,730,519)	(100,000)
	<u>₩ 126,928,316</u>	<u>₩ 262,964,630</u>	<u>₩ 262,964,630</u>	<u>₩ 140,866,832</u>	<u>₩ (4,730,519)</u>	<u>₩ (100,000)</u>

11.2 Details of marketable available-for-sale financial assets as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015					
	Number of shares	Equity interest (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain
Hyundai A&I Co., Ltd.	39,000	16.20	₩ 6,202,935	₩ 19,346,870	₩ 19,346,870	₩ 13,143,935
Hyundai Mobis Co., Ltd.	656,293	0.67	72,520,376	161,776,225	161,776,225	89,255,848
Hyundai Green Food Co., Ltd.	4,554,065	4.66	41,293,513	112,940,811	112,940,811	71,647,299
			<u>₩ 120,016,824</u>	<u>₩ 294,063,906</u>	<u>₩ 294,063,906</u>	<u>₩ 174,047,082</u>

	2014					
	Number of shares	Equity interest (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain
Hyundai A&I Co., Ltd.	39,000	16.20	₩ 6,202,935	₩ 18,620,031	₩ 18,620,031	₩ 12,417,095
Hyundai Mobis Co., Ltd.	656,293	0.67	72,520,376	154,885,148	154,885,148	82,364,772
Hyundai Green Food Co., Ltd.	4,554,065	4.66	41,293,513	86,299,532	86,299,532	45,006,019
			<u>₩ 120,016,824</u>	<u>₩ 259,804,711</u>	<u>₩ 259,804,711</u>	<u>₩ 139,787,886</u>

11. Available-for-sale financial assets (cont'd)

11.3 Details of non-marketable available-for-sale financial assets as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015						Impairment loss	
	Number of shares	Equity interest (%)	Acquisition cost	Fair value	Book value	Unrealized gains or losses	Up to Dec. 31, 2014	Dec. 31, 2015
Haevichi Hotels & Resort Co., Ltd.	155,000	2.91	₩ 1,078,946	(*1)	₩ 1,078,946	₩ 1,078,946	₩ (1,078,946)	₩ -
Luko Logistics Co., Ltd.	10,000	16.67	100,000	(*2)	-	-	(100,000)	-
Hyundai Green Development Co., Ltd.	40,000	4.00	200,000	(*3)	200,000	-	-	-
Dangjin Harbor Co., Ltd.	77,999	12.99	389,995	(*3)	389,995	-	-	-
KMV Shipping	500,000	10.00	37,531	(*3)	37,531	-	-	-
Artisan Spirit Alloy Technology Co.,Ltd.	255,251	12.22	5,105,020	(*3)	-	-	(3,651,573)	(1,453,447)
Korea Maritime Guarantee Co., Ltd.	244,688	0.98	1,223,440	(*4)	1,223,440	-	-	-
Yoo-A Construction Co., Ltd.	1,058	2.07	105,855	(*3)	105,855	-	-	-
Seil Machinery Installation Co., Ltd.	372	0.15	18,605	(*3)	18,605	-	-	-
Daebo International Shipping Co., Ltd.	34	0.01	12,793	(*3)	12,793	-	-	-
			<u>₩ 8,272,185</u>		<u>₩ 3,067,165</u>	<u>₩ 1,078,946</u>	<u>₩ (4,830,519)</u>	<u>₩ (1,453,447)</u>
2014								
	2014						Impairment loss	
	Number of shares	Equity interest (%)	Acquisition cost	Fair value	Book value	Unrealized gains or losses	Up to Dec. 31, 2013	Dec. 31, 2014
Haevichi Hotels & Resort Co., Ltd.	155,000	5.00	₩ 1,078,946	(*1)	₩ 1,078,946	₩ 1,078,946	₩ (1,078,946)	₩ -
Luko Logistics Co., Ltd.	10,000	16.67	100,000	(*2)	-	-	-	(100,000)
Hyundai Green Development Co., Ltd.	40,000	4.00	200,000	(*3)	200,000	-	-	-
Dangjin Harbor Co., Ltd.	77,999	12.99	389,995	(*3)	389,995	-	-	-
KMV Shipping	500,000	10.00	37,531	(*3)	37,531	-	-	-
Artisan Spirit Alloy Technology Co.,Ltd.	255,251	12.22	5,105,020	(*4)	1,453,447	-	(3,651,573)	-
			<u>₩ 6,911,492</u>		<u>₩ 3,159,919</u>	<u>₩ 1,078,946</u>	<u>₩ (4,730,519)</u>	<u>₩ (100,000)</u>

(*1) The Group's investment in the entity was impaired prior to the previous period and the accumulated losses were subsequently reversed and recognized as gain on valuation in OCI.

(*2) The Group recognized an impairment loss on its investment in the entity resulting from continuous operating losses and suspension of operations.

(*3) Non-marketable available-for-sale financial assets whose fair values could not be reliably measured due to the lack of market information were stated at acquisition cost.

(*4) The Group recognized an impairment loss on its investment in the entity as the fair value of securities was significantly lower than the acquisition cost.

12. Investments in associates

12.1 Details of investments in associates as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

Associates	2015			
	Equity interest	Acquisition cost	Net assets	Book value
Hyundai Engineering Co., Ltd. (*1)	11.67%	₩ 266,761,717	₩ 305,542,331	₩ 305,542,331
Beijing Zhongdu Glovis Logistics Co., Ltd.	40.00%	687,520	7,660,785	7,660,785
Hi Gold Ocean Ship Private Special Asset Investment Trust No. 11	20.00%	75,750,973	75,752,415	75,752,415
Sichuan Glovis Logistics Co., Ltd. (*2)	51.00%	6,901,703	8,238,430	8,238,430
		<u>₩ 350,101,913</u>	<u>₩ 397,193,961</u>	<u>₩ 397,193,961</u>

Associates	2014			
	Equity interest	Acquisition cost	Net assets	Book value
Hyundai Engineering Co., Ltd. (*1)	11.67%	₩ 266,761,717	₩ 280,705,267	₩ 280,705,267
Beijing Zhongdu Glovis Logistics Co., Ltd.	40.00%	687,520	7,272,545	7,272,545
Hi Gold Ocean Ship Private Special Asset Investment Trust NO. 11	20.00%	57,481,872	57,482,611	57,482,611
Sichuan Glovis Logistics Co., Ltd. (*2)	51.00%	6,901,703	6,847,639	6,847,639
		<u>₩ 331,832,812</u>	<u>₩ 352,308,062</u>	<u>₩ 352,308,062</u>

(*1) Although the Group's equity ownership in Hyundai Engineering Co., Ltd. was less than 20%, it was classified as an associate, as the Group exercises significant influence on the board of directors of the investee. The Group holds 12.19% of the voting rights through treasury stock held by Hyundai Engineering Co., Ltd.

(*2) Although the Parent entity holds a majority ownership in Sichuan Glovis Co., Ltd., the Group classifies Sichuan Glovis Logistics Co., Ltd. as the investment in associates as the Parent entity has no decision making capacity as to on the financial and operating policy of these subsidiaries.

12. Investments in associate (cont'd)

12.2 Details of equity method for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015				
	Jan. 1	Increase	Share of profit (loss) to an associate	Other changes (*1)	Dec. 31
Hyundai Engineering Co. Ltd.	₩ 280,705,267	₩	- ₩ 38,665,234	₩ (13,828,170)	₩ 305,542,331
Beijing Zhongdu Glovis Logistics Co., Ltd.	7,272,545		- 3,910,940	(3,522,700)	7,660,785
Hi Gold Ocean Ship Private Special Asset Investment Trust No. 11	57,482,611	20,087,747	2,793,461	(4,611,404)	75,752,415
Sichuan Glovis Logistics Co., Ltd.	6,847,639	-	1,333,545	57,246	8,238,430
	₩ 352,308,062	₩ 20,087,747	₩ 46,703,180	₩ (21,905,028)	₩ 397,193,961

(*1) Other increases and (decreases) consist of Hyundai Engineering Co. Ltd. equity adjustments in equity method of (₩3,299,972 thousand), retained earnings adjustments in equity method of ₩112,682 thousand, dividends received of (₩10,640,880 thousand), Beijing Zhongdu Glovis Logistics Co., Ltd. dividends received of (₩3,589,600 thousand), effect of changes in foreign currency exchange rates of ₩66,900 thousand, HI Gold Ocean Ship Private Special Asset Investment Trust No.11 dividends received of (₩2,784,387 thousand), equity adjustments in equity method of (₩8,371 thousand), disposition of (₩1,818,646 thousand) and Sichuan Glovis Logistics Co., Ltd. effect of changes in foreign currency exchange rates of ₩57,246 thousand.

	2014					
	Jan. 1	Increase	Share of profit (loss) to an associate	Other changes (*1)	Transfer (*2)	Dec. 31
Hyundai AMCO Co. Ltd.	₩ 158,683,265	₩	- ₩ 3,577,517	₩ (85,996,319)	₩ (76,264,463)	₩ -
Hyundai Engineering Co. Ltd.	-	190,497,254	31,563,861	(17,620,311)	76,264,463	280,705,267
Beijing Zhongdu Glovis Logistics Co., Ltd.	4,311,304	-	4,848,801	(1,887,560)	-	7,272,545
Hi Gold Ocean Ship Private Special Asset Investment Trust No. 11	38,225,674	20,094,049	1,352,503	(2,189,615)	-	57,482,611
Sichuan Glovis Logistics Co., Ltd.	6,835,987	-	(91,990)	103,642	-	6,847,639
	₩ 208,056,230	₩ 210,591,303	₩ 41,250,692	₩ (107,590,163)	₩ -	₩ 352,308,062

(*1) Other increases and (decreases) consist of Hyundai AMCO Co. Ltd. equity adjustments in equity method of ₩1,142,681 thousand, retained earnings adjustments in equity method of (₩340,750 thousand), sales of (₩86,798,250 thousand), Hyundai Engineering Co., Ltd. equity adjustments in equity method of (₩5,308,626 thousand), retained earnings adjustments in equity method of (₩2,577,545 thousand), dividends received of (₩9,754,140 thousand), Beijing Zhongdu Glovis Logistics Co., Ltd. dividends received of (₩2,051,160 thousand), effect of changes in foreign currency exchange rates of ₩163,600 thousand, HI Gold Ocean Ship Private Special Asset Investment Trust No. 11 dividends received of (₩1,342,889 thousand), equity adjustments in equity method of (₩8,876 thousand),), disposition of (₩837,850 thousand) and Sichuan Glovis Logistics Co., Ltd. effect of changes in foreign currency exchange rates of ₩103,642 thousand.

(*2) As Hyundai Asset Management Co., Ltd. (AMCO) was merged by Hyundai Engineering Co., Ltd. as at April 1, 2014, the consideration given was through share issuance.

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12. Investments in associate (cont'd)

12.3 Summarized financial information of associates as at and for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

Associate	2015				
	Assets	Liabilities	Revenue	Profit or loss for the year	
Hyundai Engineering Co., Ltd.	₩ 6,412,346,592	₩ 3,727,407,796	₩ 7,348,519,906	₩ 329,182,918	
Beijing Zhongdu Glovis Logistics Co., Ltd.	61,455,250	42,303,287	309,864,388	9,905,509	
Hi Gold Ocean Ship Private Special Asset Investment Trust No. 11	378,953,039	190,711	14,652,975	13,925,447	
Sichuan Glovis Logistics Co., Ltd.	36,037,563	19,883,780	16,559,103	2,614,791	
Associate	2014				
	Assets	Liabilities	Revenue	Profit or loss for the year	
Hyundai Engineering Co., Ltd.	₩ 5,768,363,151	₩ 3,299,281,179	₩ 5,689,176,520	₩ 314,985,130	
Beijing Zhongdu Glovis Logistics Co., Ltd.	53,641,233	35,459,871	310,289,025	12,210,674	
Hi Gold Ocean Ship Private Special Asset Investment Trust No. 11	287,557,528	144,208	7,230,944	6,718,141	
Sichuan Glovis Logistics Co., Ltd.	19,430,639	6,003,896	8,697,660	(180,372)	

12.4 The following table illustrates the summarized financial information of the Group's investment in Hyundai Engineering Co, Ltd. (Korean won in thousand):

	Dec. 31, 2015	Dec. 31, 2014
Current assets	₩ 5,102,445,361	₩ 4,501,788,801
Non-current assets	1,309,901,231	1,266,574,350
Current liabilities	3,039,573,293	2,729,812,350
Non-current liabilities	687,834,503	569,468,829
Sales	7,348,519,906	5,689,176,520
Profit for the year	329,182,918	314,985,130
Other comprehensive income	(26,091,539)	(31,169,925)
Total comprehensive income for the year	303,091,379	283,815,205

13. Property, plant and equipment

13.1 Changes in the net book value of property, plant and equipment for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	Land	Buildings and structures	Ships	Construction-in-progress	Others	Total
Cost:						
Jan. 1, 2014	₩ 215,587,657	₩ 212,383,829	₩ 1,048,018,183	₩ 120,803,227	₩ 181,890,783	₩ 1,778,683,679
Additions	35,219	891,468	361,525,592	343,453,217	9,970,823	715,876,319
Disposal	-	(11,400)	-	-	(41,842,754)	(41,854,154)
Transfers (*1)	-	17,410,647	302,041,243	(331,949,131)	12,021,337	(475,904)
Other changes	45,964	3,072,542	-	1,257,740	(5,718,947)	(1,342,701)
Dec. 31, 2014	215,668,840	233,747,086	1,711,585,018	133,565,053	156,321,242	2,450,887,239
Additions	325,682	32,900,229	471,966,134	300,306,512	34,481,514	839,980,071
Disposal	-	(1,369,541)	-	-	(7,855,118)	(9,224,659)
Transfers (*2)	17,492,537	1,309,436	146,334,669	(176,494,425)	6,750,850	(4,606,933)
Business combination	1,752,156	25,890,293	-	169,357	40,793,374	68,605,180
Other changes	75,745	4,928,887	-	655,384	306,769	5,966,785
Dec. 31, 2015	₩ 235,314,960	₩ 297,406,390	₩ 2,329,885,821	₩ 258,201,881	₩ 230,798,631	₩ 3,351,607,683

	Buildings and structures	Ships	Others	Total
Accumulated depreciation and impairment and government grants:				
Jan. 1, 2014	₩ 40,887,914	₩ 109,728,667	₩ 112,982,749	₩ 263,599,330
Depreciation (*3)	8,428,852	62,600,374	20,905,737	91,934,963
Disposal	(4,963)	-	(17,690,290)	(17,695,253)
Other changes	763,558	-	(4,021,550)	(3,257,992)
Dec. 31, 2014	50,075,361	172,329,041	112,176,646	334,581,048
Depreciation (*4)	9,634,433	87,532,672	23,052,650	120,219,755
Disposal	(268,953)	-	(6,963,059)	(7,232,012)
Business combination	2,482,361	-	16,915,605	19,397,966
Other changes	1,386,102	-	1,148,249	2,534,351
Dec. 31, 2015	₩ 63,309,304	₩ 259,861,713	₩ 146,330,091	₩ 469,501,108

	Land	Buildings and structures	Ships	Construction-in-progress	Others	Total
Net book value:						
Dec. 31, 2015	₩ 235,314,960	₩ 234,097,086	₩ 2,070,024,108	₩ 258,201,881	₩ 84,468,540	₩ 2,882,106,575
Dec. 31, 2014	215,668,840	183,671,725	1,539,255,977	133,565,053	44,144,596	2,116,306,191

(*1) Construction-in-progress transferred to intangible assets amounted to ₩475,904 thousand in 2014.

(*2) Construction-in-progress transferred to intangible assets amounted to ₩4,606,933 thousand in 2015.

(*3) Depreciation offset by government grants amounted to ₩14,100 thousand in 2014.

(*4) Depreciation offset by government grants amounted to ₩14,100 thousand in 2015.

13.2 Capitalized borrowing costs

Borrowing costs capitalized during the years ended December 31, 2015 and 2014 amounted to ₩570,098 thousand and ₩396,662 thousand, respectively. The effective interest rate used to determine the amount of borrowing costs eligible for capitalization was 1.19% and 1.69%, respectively.

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14. Intangible assets

Changes in the net book value of intangible assets for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	Goodwill	Industrial proprietary rights	Development costs	Memberships	Other intangible assets	Total
Cost:						
Jan. 1, 2014	₩ 7,049,111	₩ 163,889	₩ 33,407,120	₩ 14,349,363	₩ 26,947,473	₩ 81,916,956
Acquired	-	-	3,932,345	2,511,253	2,589,445	9,033,043
Disposal	-	-	(2,691,630)	(1,888,691)	(3,227,195)	(7,807,516)
Transfers	-	-	413,122	-	62,782	475,904
Other changes	113,842	-	(24,586)	-	(192,878)	(103,622)
Dec. 31, 2014	7,162,953	163,889	35,036,371	14,971,925	26,179,627	83,514,765
Acquired	-	19,549	3,304,072	715,400	2,940,247	6,979,268
Disposal	-	-	-	-	(84,835)	(84,835)
Transfers	-	-	304,005	-	578,027	882,032
Business combination	16,197,175	-	23,829	-	17,971,328	34,192,332
Other changes	479,463	-	(12,844)	-	299,937	766,556
Dec. 31, 2015	₩ 23,839,591	₩ 183,438	₩ 38,655,433	₩ 15,687,325	₩ 47,884,331	₩ 126,250,118

	Goodwill	Industrial proprietary rights	Development costs	Memberships	Other intangible assets	Total
Accumulated amortization and impairment and government grants:						
Jan. 1, 2014	₩ 4,312,506	₩ 150,954	₩ 20,069,312	₩ -	₩ 18,044,904	₩ 42,577,676
Amortization (*1)	-	4,498	4,342,960	-	3,251,497	7,598,955
Disposal	-	-	(2,394,128)	-	(3,226,555)	(5,620,683)
Transfers	-	-	(3,468)	-	(124,536)	(128,004)
Dec. 31, 2014	4,312,506	155,452	22,014,676	-	17,945,310	44,427,944
Amortization	-	7,071	4,652,440	-	4,069,095	8,728,606
Disposal	-	-	-	-	(55,027)	(55,027)
Impairment loss	-	-	-	13,555	-	13,555
Business combination	-	-	23,829	-	249,670	273,499
Other changes	-	-	(3,088)	-	421,248	418,160
Dec. 31, 2015	₩ 4,312,506	₩ 162,523	₩ 26,687,857	₩ 13,555	₩ 22,630,296	₩ 53,806,737

	Goodwill	Industrial proprietary rights	Development costs	Memberships	Other intangible assets	Total
Net book value:						
Dec. 31, 2015	₩ 19,527,085	₩ 20,915	₩ 11,967,576	₩ 15,673,770	₩ 25,254,035	₩ 72,443,381
Dec. 31, 2014	2,850,447	8,436	13,021,695	14,971,925	8,234,318	39,086,821

Intangible assets with indefinite useful lives such as goodwill and memberships are tested for impairment. As a result of testing, the management identified impairment for memberships. The recoverable amount of the intangible assets has been determined based on its value in use and net fair value. In case the net fair value of its asset did not exist in the market, reasonable estimates were used.

15. Other accounts payable

Details of other accounts payable as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Other payables	₩ 206,735,559	₩ 104,703,808
Deposits received	5,341,147	4,157,700
Accrued expenses	25,032,718	14,205,185
	₩ 237,109,424	₩ 123,066,693

16. Other current liabilities

Details of other current liabilities as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015		2014	
Advance from customers	₩	71,779,764	₩	22,922,574
Withholdings		19,786,837		10,548,508
Value added tax withheld		1,414,403		2,332,996
Unearned revenue		311,370		246,648
	₩	<u>93,292,374</u>	₩	<u>36,050,726</u>

17. Short-term and long-term borrowings

17.1 Short-term borrowings

Short-term borrowings as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

Financial institution	Description	2015		2014	
Citibank and others	Discounting notes and others	₩	913,745,646	₩	821,126,107
Current portion of long-term borrowings			137,604,995		128,380,521
		₩	<u>1,051,350,641</u>	₩	<u>949,506,628</u>

The Group maintains lines of credit with various financial institutions as at December 31, 2015, which are related to trade note discounts and commercial note discount arrangements. Current portions of trade receivables discounted with recourse to financial institutions are accounted for as short-term borrowings.

17.2 Long-term borrowings

Long-term borrowings as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

Financial institution	Description	Annual interest rate (%)	2015		2014	
Korea Development Bank and others	Foreign currency ships financing	1.21%~2.61%	₩	844,840,156	₩	807,099,004
SMBC and others	Foreign currency working capital loan	0.06%~1.68%		57,926,970		1,098,657
			₩	<u>902,767,126</u>	₩	<u>808,197,661</u>
Deducted:						
Transfers for current portion				(137,604,995)		(128,380,521)
			₩	<u>765,162,131</u>	₩	<u>679,817,140</u>

As at December 31, 2015, the Group has pledged a portion of its property, plant and equipment (ships) as a performance guarantee in accordance with the BBCHP agreements (see Note 27.4).

18. Provision

Changes in provision for sales warranties for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015			Translation adjustments in foreign currency	Dec. 31, 2015
	Jan. 1, 2015	Provision	Utilization		
Sales warranty liability	₩ 111,303,502	₩ 63,502,865	₩ (38,329,601)	₩ 88,733	₩ 136,565,499
Recourse right	(94,273,043)	(57,585,360)	36,983,858	(70,986)	(114,945,531)
	<u>₩ 17,030,459</u>	<u>₩ 5,917,505</u>	<u>₩ (1,345,743)</u>	<u>₩ 17,747</u>	<u>₩ 21,619,968</u>
	2014			Translation adjustments in foreign currency	Dec. 31, 2014
	Jan. 1, 2014	Provision	Utilization		
Sales warranty liability	₩ 94,574,425	₩ 39,481,824	₩ (22,815,884)	₩ 63,137	₩ 111,303,502
Recourse right	(80,198,739)	(36,551,484)	22,527,689	(50,509)	(94,273,043)
	<u>₩ 14,375,686</u>	<u>₩ 2,930,340</u>	<u>₩ (288,195)</u>	<u>₩ 12,628</u>	<u>₩ 17,030,459</u>

18.2 Details of provision as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Provision for sales warranties	₩ 127,189,420	₩ 111,239,708
Provision for claim	123,975	63,794
Other provisions	9,252,104	-
	<u>₩ 136,565,499</u>	<u>₩ 111,303,502</u>

The Group recognized the estimated liability to repair or replace CKD vehicle parts sold with warranties at the reporting date. The provision is determined based on the past experience on warranty claims on the level of repairs and returns. It is expected that most of the costs will incur within three years and all the remaining cost within ten years of the reporting date.

The Group holds guarantee agreements with the suppliers of CKD vehicle parts to pay a certain portion of the expected warranty claim in connection with the above CKD vehicle parts warranty provision amounting to ₩127,189,420 thousand for the year ended December 31, 2015. As a result, the Group recorded an asset of ₩114,945,531 thousand (current: ₩24,997,396 thousand, non-current: ₩89,948,135 thousand) in relation to the suppliers' portion of the product warranty claim.

19. Pension benefits

19.1 Major components of the net benefit (expense) recognized in the statement of profit or loss (Korean won in thousands):

	2015	2014
Current service cost	₩ 7,360,830	₩ 5,669,208
Net interest cost on benefit obligation	122,526	58,671
	<u>₩ 7,483,356</u>	<u>₩ 5,727,879</u>

19.2 Defined benefit liabilities as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Present value of defined benefit obligation	₩ 46,242,580	₩ 36,931,194
Fair value of plan assets	(41,264,620)	(32,697,981)
Accumulated prepayments to the NPS	(7,228)	(7,228)
Net liabilities	<u>₩ 4,970,732</u>	<u>₩ 4,225,985</u>

19.3 Movements in net defined benefit liabilities for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
As at January 1	₩ 4,225,985	₩ 1,769,330
Pension cost charged to profit or loss		
Service cost	7,360,830	5,669,208
Net interest	122,526	58,671
Sub-total included in profit or loss	<u>7,483,356</u>	<u>5,727,879</u>
Benefits paid	(2,257)	-
Re-measurement gains (losses) in OCI		
Actuarial changes arising from changes in demographic assumptions	376,025	136,543
Actuarial changes arising from changes in financial assumptions	1,121,797	4,006,033
Return on plan assets (excluding amounts included in net interest expense)	274,771	364,222
Experience adjustments	621,605	1,668,454
Sub-total included in OCI	<u>2,394,198</u>	<u>6,175,252</u>
Contributions by employer	(9,000,000)	(9,400,000)
Translation adjustments in foreign currency	(130,550)	(46,476)
As at December 31	<u>₩ 4,970,732</u>	<u>₩ 4,225,985</u>

19.4 Movements in defined benefit obligation for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
As at January 1	₩ 36,931,194	₩ 25,707,233
Pension cost charged to profit or loss:		
Service cost	7,360,830	5,669,208
Net interest	1,211,534	1,082,806
Sub-total included in profit or loss	8,572,364	6,752,014
Benefits paid	(1,249,855)	(1,292,607)
Re-measurement gains (losses) in OCI:		
Actuarial changes arising from changes in demographic assumptions	376,025	136,543
Actuarial changes arising from changes in financial assumptions	1,121,797	4,006,033
Experience adjustments	621,605	1,668,454
Sub-total included in OCI	2,119,427	5,811,030
Translation adjustments in foreign currency	(130,550)	(46,476)
As at December 31	₩ 46,242,580	₩ 36,931,194

19.5 Movements in the fair value of plan assets for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
As at January 1	₩ 32,697,981	₩ 23,930,675
Pension cost charged to profit or loss:		
Net interest	1,089,008	1,024,135
Benefits paid	(1,247,598)	(1,292,607)
Re-measurement gain (loss) in OCI:		
Return on plan assets (excluding amounts included in net interest expense)	(274,771)	(364,222)
Contributions by employer	9,000,000	9,400,000
As at December 31	₩ 41,264,620	₩ 32,697,981

19.6 The major categories of plan assets

The major categories of plan assets as percentage of the fair value of the total plan assets as at December 31, 2015 and 2014 are as follows (unit in percentages):

	2015	2014
Short-term deposits	100	100

19.7 The principal assumptions used in determining pension and post-employment medical benefit obligations for the Group's plans are as follows (units in percentages):

	Dec. 31, 2015	Dec. 31, 2014
Discount rate	2.94	3.44
Future salary increases	4.60	5.0
Expected retirement rate	Past experience on retirement	Past experience on retirement

19.8 A quantitative sensitivity analysis for significant assumptions as at December 31, 2015 and 2014 is as shown below (Korean won in thousands):

	2015		2014	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	₩ (5,477,717)	6,704,377	₩ (4,230,123)	₩ 5,171,551
Future salary increases	6,662,988	(5,544,817)	5,168,183	(4,300,892)

20. Other non-current liabilities

Other non-current liabilities as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Long-term accrued employee benefit	₩ 1,350,189	₩ 865,816
Long-term unearned income	106,152	-
	<u>₩ 1,456,341</u>	<u>₩ 865,816</u>

21. Issued capital and share premium

21.1 Issued capital

There were no changes in the issued capital of the Parent entity for the years ended December 31, 2015 and 2014, and details are as follows:

Number of shares authorized	: 200,000,000
Par value per share	: ₩ 500
Number of ordinary shares issued and fully paid	: 37,500,000

21.2 Share premium

Share premium of the Parent entity as at December 31, 2015 consists of paid-in capital in excess of par value.

21.3 Accumulated other comprehensive income

Details of accumulated other comprehensive income as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Gain on valuation of available-for-sale financial assets	₩ 138,209,461	₩ 111,172,104
Equity adjustments in equity method	(9,787,705)	(7,176,760)
Exchange differences on translations of foreign operations	(40,033,407)	(41,139,944)
	<u>₩ 88,388,349</u>	<u>₩ 62,855,400</u>

21. Issued capital and share premium (cont'd)

21.4 Appropriated retained earnings

Appropriated retained earnings of the Group as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014	Notes
Legal reserve	₩ 9,375,000	₩ 9,375,000	Statutory (*1)
Business development reserve	5,616,912	5,616,912	Statutory (*2)
Investment in operating facilities reserve	1,010,000,000	760,000,000	Discretionary
Voluntary reserve	985,156,473	735,340,342	Discretionary
Retained earnings	826,647,723	1,026,445,433	
	<u>₩ 2,836,796,108</u>	<u>₩ 2,536,777,687</u>	

(*1) In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of issued capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

(*2) In accordance with the Korean Corporate Income Tax Law ("KCITL"), the amount appropriated at the annual ordinary stockholders' meeting as a business development reserve may be deducted in the calculation of excess retained earnings for corporate income tax reporting purposes. The reserve may only be used to offset a deficit, if any, or may be transferred to capital without a reversal of the tax benefit. Effective from December 2001, such reserve is no longer required by the revised KCITL.

21.5 Dividends proposed

(1) Dividends proposed for approval by the Board of Director as at December 31, 2015 and 2014 are as follows (Korean won in thousands, except dividend per ordinary share in units):

	2015	2014
Dividend per common share (dividend rate)	₩ 3,000 (600%)	₩ 2,000 (400%)
Share outstanding	37,500,000 shares	37,500,000 shares
Dividends	<u>₩ 112,500,000</u>	<u>₩ 75,000,000</u>

(2) Dividend yield ratio of the Parent entity as at December 31, 2015 and 2014 are as follows (Korean won in thousands, except dividend per common share amount):

	2015	2014
Dividend per common share	₩ 3,000	₩ 2,000
Closing price	193,000	291,500
Dividend yield ratio	1.55%	0.69%

22 Operating income and other income (expenses)

22.1 Details of selling and administrative expenses for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Salaries	₩ 96,278,415	₩ 84,261,943
Provision for severance and retirement benefits	6,592,499	4,851,827
Employee welfare benefits	13,006,379	10,864,621
Travel	4,344,894	3,106,703
Communication expenses	2,553,272	2,268,503
Maintenance cost	2,896,338	2,198,282
Taxes and dues	4,360,836	6,877,412
Rents	7,584,216	7,674,845
Depreciation of property, plant and equipment	4,544,804	3,916,849
Amortization of intangible assets	7,783,017	6,425,646
Insurance premium	2,321,502	2,051,288
Advertising and marketing expenses	9,721,420	7,503,842
Utilities	1,373,038	1,153,032
Service fees	25,667,657	22,044,157
Freight	199,363,538	195,839,956
Bad debt expenses	15,532,914	(195,157)
Training	2,988,706	1,429,974
IT expenses	9,497,285	7,362,278
Provision for sales warranties	(3,834,333)	2,320,112
Others	5,384,611	3,279,328
	<u>₩ 417,961,008</u>	<u>₩ 375,235,441</u>

22.2 Details of finance income for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Interest income	₩ 17,458,551	₩ 15,112,039
Dividend income	2,359,477	1,668,610
	<u>₩ 19,818,028</u>	<u>₩ 16,780,649</u>

22.3 Details of other operating income for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Rental revenues	₩ 357,873	₩ 296,680
Commissions	1,398,200	593,409
Gain on disposal of property, plant and equipment	171,800	4,005,522
Gain on disposal of intangible assets	-	186,829
Gain on foreign currency transactions	327,759,956	222,881,850
Gain on foreign currency translations	38,584,143	43,216,229
Gain on derivative transactions	44,524,456	18,300,122
Gain on derivative valuation	3,444,465	13,502,883
Gain on disposal of investments in an associate (*1)	-	99,401,211
Miscellaneous revenue	12,202,387	9,280,837
	<u>₩ 428,443,280</u>	<u>₩ 411,665,572</u>

(*1) As Hyundai Asset Management Co., Ltd. (AMCO) was merged into Hyundai Engineering Co., Ltd. on April 1, 2014, the difference of ₩99,401,211 thousand between the fair value of additional new share capital and the book value of previous share capital was recognized as a gain on disposal of investments in an associate.

22. Operating income and other income (expenses) (cont'd)

22.4 Finance costs for the years ended December 31, 2015 and 2014 are interest expenses.

22.5 Details of other operating expenses for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Donations	₩ 5,701,974	₩ 1,545,084
Loss on impairment of available-for-sale assets	1,453,447	100,000
Loss on disposal of property, plant and equipment	1,770,655	254,882
Loss on disposal of intangible assets	29,808	88,929
Loss on foreign currency transactions	340,958,082	232,264,591
Loss on foreign currency translations	130,981,215	77,551,387
Loss on derivative transactions	21,217,355	24,930,351
Loss on derivative valuation	28,853,752	30,049,646
Other bad debt expenses	4,155,918	1,572,891
Miscellaneous expenses	15,478,568	7,468,820
	<u>₩ 550,600,774</u>	<u>₩ 375,826,581</u>

22.6 Details of employee benefit expenses for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Salaries	₩ 228,248,303	₩ 217,952,148
Severance expenses	8,523,946	5,861,795
Long-term employee benefits	1,121,014	192,713
Employee welfare benefits	20,119,979	14,696,199
	<u>₩ 258,013,242</u>	<u>₩ 238,702,855</u>

22.7 Adjusted operating income

Adjusted operating income classified by the Group for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Operating income in the statement of profit or loss	₩ 698,026,757	₩ 644,629,116
Other income and expenses (*1)	34,609,827	896,545
Adjusted operating income	<u>₩ 732,636,584</u>	<u>₩ 645,525,661</u>

(*1) Other income and expenses represent gains and losses on derivative transactions and valuations related to commodity sales.

23. Classification according to nature of expenses

Expenses by nature for the years ended December 31, 2015 and 2014 are as follows (Korea won in thousands):

	2015	2014
Changes in inventories	₩ (130,016,239)	₩ (123,513,819)
Use of raw materials and supplies	7,118,639,065	6,822,822,561
Employee benefit expenses	258,013,242	238,702,855
Depreciation and amortization	128,948,361	99,533,918
Rental expenses	739,633,218	608,250,996
Transportation expenses	4,478,464,310	4,242,711,465
Ship operation cost	1,218,503,101	1,244,534,836
Other expenses	160,997,727	144,348,981
	<u>₩ 13,973,182,785</u>	<u>₩ 13,277,391,793</u>

Expenses represent the total of cost of sales and selling and administrative expenses on the statement of profit or loss.

24. Income tax

Major components of income tax expense for the years ended December 31, 2015 and 2014 are as follows:

24.1 Income tax expenses reported in the consolidated statements of profit or loss and other comprehensive income are as follows (Korean won in thousands):

	2015	2014
Current income tax	₩ 209,499,560	₩ 141,035,104
Deferred tax :		
Change of temporary differences	12,611,388	24,374,037
Deferred tax related to items recognized in OCI during the year	(6,306,151)	9,768,204
Income tax expense reported in the consolidated statements of income	<u>₩ 215,804,797</u>	<u>₩ 175,177,345</u>

24.2 Income tax expenses reported in the consolidated statements of comprehensive income (Korean won in thousands):

	2015	2014
Income tax recognized directly to equity:		
Unrealized holding gain on available-for-sale financial assets	₩ (7,221,838)	₩ 6,865,166
Re-measurement gain/(loss) in OCI	504,697	-
Retained earnings adjustment in equity method	(23,753)	610,961
Equity adjustment in equity method	697,399	(25,923)
Exchange differences on translations of foreign operations	(301,416)	2,318,000
Others	38,760	-
	<u>₩ (6,306,151)</u>	<u>₩ 9,768,204</u>

24. Income tax (cont'd)

24.3 Reconciliation of profit before tax at the Korean statutory tax rate to income tax expense at the effective income tax rate of the Group is as follows (Korean won in thousands):

	2015	2014
Accounting profit before income taxes	₩ 592,591,171	₩ 711,417,239
Tax at the statutory income tax rate of 24.2%	142,945,063	171,659,358
Adjustments:		
Income not subject to tax	(5,214,381)	(72,450,156)
Non-deductible expenses for tax purposes	35,751,303	6,097,886
Tax credit	(22,099,472)	(14,862,073)
Duties on freight	3,791,186	2,455,809
Effect of dividend revenue	1,779,386	1,422,201
Effect of change in tax rate and others	58,851,712	80,854,320
Income tax expense at the effective income tax rate of 36.42% (2014: 24.62%)	<u>₩ 215,804,797</u>	<u>₩ 175,177,345</u>

24.4 Deferred tax asset and liability as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	Consolidated statements of financial position		Consolidated statements of profit or loss	
	2015	2014	2015	2014
Adjustments in accrual basis	₩ 27,786,298	₩ 8,938,362	₩ (18,847,936)	₩ 7,772,063
Investments in associate and subsidiaries	(153,901,471)	(124,785,180)	29,527,281	25,005,931
Property, plant and equipment	(3,844,561)	(3,607,896)	236,665	(651,333)
Capital lease	2,686	8,837	6,151	(3,420)
Intangible assets	538,650	719,416	180,766	(10,434)
Available-for-sale financial assets	(39,023,148)	(33,275,720)	(306,387)	-
Allowance for doubtful accounts	7,289,946	2,778,030	(4,511,916)	(1,811,442)
Inventory valuation allowance	907,301	17,706	(889,595)	159,686
Defined benefit liabilities	262,798	234,195	(28,603)	4,343,666
Other provisions	3,960,726	3,903,783	(56,943)	819,410
Financial assets and liabilities	7,232,319	4,036,452	(3,195,867)	(4,036,452)
Foreign currency translation	-	(168,122)	(168,122)	(124,661)
Others	(20,849,305)	(16,071,006)	3,610,276	2,334,563
Tax loss carry forwards	-	244,770	244,770	344,664
Deferred tax expense			<u>₩ 5,800,540</u>	<u>₩ 34,142,241</u>
Deferred tax assets	5,642,750	3,673,514		
Deferred tax liability	<u>₩ (175,280,511)</u>	<u>₩ (160,699,887)</u>		

The Group offsets deferred tax assets and deferred tax liabilities, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

25. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares issued and fully paid during the year.

The following reflects income and share data used in the basic earnings per share computations (Korean won in unit):

	2015	2014
Profit for the year	₩ 376,964,102,992	₩ 536,239,893,955
Weighted average number of ordinary shares for basic earnings per share	37,500,000 shares	37,500,000 shares
Basic earnings per share	₩ 10,052	₩ 14,300

26. Related party disclosures

26.1 Subsidiaries of the Group as at December 31, 2015 and 2014 are as follows:

Subsidiary	Country	Equity interest (%)	
		2015	2014
Glovis America Inc. (*1)	USA	100	100
Glovis Slovakia, s.r.o.	Slovakia	100	100
Beijing Glovis Warehousing & Transportation Co., Ltd. (*2)	China	100	100
Glovis Australia, Pty, Ltd.	Australia	100	100
Glovis Europe, Gmbh. (*3)	Germany	100	100
Glovis India, Pvt. Ltd.	India	100	100
Hyundai Glovis Lojistik Sanayi ve Ticaret. Ltd. Sti.	Turkey	100	100
Hyundai Glovis Czech Republic, s.r.o.	Czech	100	100
Glovis Russia LLC	Russia	100	100
Glovis Brazil Logistica LTDA	Brazil	100	100
Hyundai Glovis Holdings Mongolia LLC	Mongolia	100	100
Hyundai Glovis Mexico S de RL de CV	Mexico	100	100
GL NV13 Shipping Inc. and others (*4)	-	-	-

(*1) Glovis Alabama LLC, Glovis Georgia LLC, Glovis Canada, Inc. and Global logistics New Jersey LLC are wholly owned by Glovis America, Inc.. Global Auto Processing Services, Inc., wholly owned by Glovis America, Inc., was merged into Glovis America, Inc. on August 1, 2015.

(*2) Tianjin Glovis Automotive Parts Co., Ltd. is wholly owned by Beijing Glovis Warehousing & Transportation Co., Ltd.

(*3) Adampol s.a. is wholly owned by Glovis Europe, Gmbh. (see Note 31). Vectura, Adampol Slovakia S.R.O., Adampol Czech S.R.O. are wholly owned by Adampol s.a.. Adampol s.a. owns 50% of the shares of BM Vehicle Logistics GmbH and Vectura owns 99.9% of the shares of Vectura Invest.

(*4) Although the Parent entity does not hold a majority ownership in GL NV13 Shipping Inc. and others, the Group includes GL NV13 Shipping Inc. and others in the consolidated financial statements as the Parent entity exercises significant influence on the financial and operating decisions of these subsidiaries.

26.2 Associate of the Group as at December 31, 2015 and 2014 are as follows:

Company	Country	Equity interest (%)	
		2015	2014
Hyundai Engineering Co., Ltd. (*2)	Republic of Korea	11.67	11.67
Beijing Zhongdu Glovis Logistics Co., Ltd.	China	40.00	40.00
Hi Gold Ocean Ship Private Special Asset Investment Trust No. 11 (*3)	Republic of Korea	20.00	20.00
Sichuan Glovis Co., Ltd. (*1)	China	51.00	51.00

(*1) Although the Parent entity holds a majority ownership in Sichuan Glovis Co., Ltd., the Group classifies Sichuan Glovis Co., Ltd. as an investment in associates as the Parent entity does not exercise significant influence on the financial and operating policy decisions of these subsidiaries.

(*2) The Group's equity interest represents equity ownership, and the Group holds 12.19% of the voting rights through treasury stock held by Hyundai Engineering Co., Ltd.

(*3) The investments in capital of Hi Gold Ocean Ship Private Special Asset Investment Trust No. 11, the affiliated company, amount to ₩20,087,747 thousand and ₩20,094,049 thousand for the years ended December 31, 2015 and 2014, respectively. The collection of invested capital amounts to ₩1,818,646 thousand and ₩837,851 thousand for the years ended December 31, 2015 and 2014, respectively.

Hyundai Glovis Co., Ltd. and its subsidiaries
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26. Related party disclosures (cont'd)

26.3 Sales and purchases with related parties for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015					
	Sales	Other income	Total	Purchases	Other expenses	Total
Associates:						
Hyundai Engineering Co., Ltd.	₩ 2,951,344	₩ 10,643,325	₩ 13,594,669	₩ 12,845,387	₩ 35,400,169	₩ 48,245,556
Hyundai Engineering America, Inc.	-	-	-	241,800	572,526	814,326
Hyundai Engineering RUS LLC	-	22,120	22,120	95,861	-	95,861
Beijing Zhongdu Glovis Logistics Co., Ltd.	1,308,335	6,570	1,314,905	2,005	-	2,005
Sichuan Glovis Logistics Co., Ltd.	18,523	106,838	125,361	29,030	24,103	53,133
Hi Gold Ocean Ship Private Special Asset Investment Trust No. 11	-	2,784,387	2,784,347	-	15,320,470	15,320,470
Other related parties:						
KMS	1,532,538,614	221,923	1,532,760,537	1,267,332	15,146	1,282,478
HMMA	1,156,026,433	178,957	1,156,205,390	310,628	421,673	732,301
Hyundai Steel	801,833,861	571,710	802,405,571	346,809	582,332	929,141
Hyundai Motor Company	707,853,356	2,039,220	709,892,576	58,579,650	16,481,772	75,061,422
Kia Motors Corp.	651,082,397	2,641,787	653,724,184	154,257,474	1,167,852	155,425,326
HMMR	570,842,761	114,934	570,957,695	15,640	31,623	47,263
HMMC	701,168,646	549,274	701,717,920	1,196,062	383,179	1,579,241
HAOS	555,018,678	195,743	555,214,421	3,848,794	-	3,848,794
KMMG	564,162,856	446,965	564,609,821	-	298,928	298,928
HMI	454,479,170	-	454,479,170	21,749	570	22,319
HMA	407,150,841	-	407,150,841	5,216,015	1,072	5,217,087
Others	2,054,862,308	13,056,329	2,067,918,637	1,251,735,186	39,720,550	1,291,455,736
	<u>₩ 10,161,298,123</u>	<u>₩ 33,580,082</u>	<u>₩ 10,194,878,205</u>	<u>₩ 1,490,009,422</u>	<u>₩ 110,421,965</u>	<u>₩ 1,600,431,387</u>

Hyundai Glovis Co., Ltd. and its subsidiaries
Notes to the consolidated financial statements
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26. Related party disclosures (cont'd)

26.3 Sales and purchases with related parties for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2014					
	Sales	Other income	Total	Purchases	Other expenses	Total
Associates:						
Hyundai AMCO Co., Ltd.	₩ 59,759	₩ 4	₩ 59,763	₩ 1,455	₩ 3,057,045	₩ 3,058,500
AMCO America Inc.	-	-	-	234,555	10,736	245,291
AMCO RUS LLC	-	-	-	4,152	-	4,152
Hyundai Engineering Co., Ltd.	3,261,824	9,754,171	13,015,995	69,062	3,785,746	3,854,808
Hyundai Engineering America, Inc	1,224	-	1,224	423,911	30,257	454,168
Beijing Zhongdu Glovis Logistics Co., Ltd.	1,414,896	10,720	1,425,616	3,041	-	3,041
Sichuan Glovis Co., Ltd.	53,203	-	53,203	-	-	-
Hi Gold Ocean Ship Private Special Asset Investment Trust No. 11	-	-	-	-	6,876,569	6,876,569
Other related parties:						
KMS	1,462,691,414	30,376	1,462,721,790	5,331,559	14,941	5,346,500
HMMA	1,176,126,424	-	1,176,126,424	961,330	337,790	1,299,120
Hyundai Steel	837,426,198	541,273	837,967,471	49,821	50,351	100,172
Hyundai Motor Company	724,978,818	1,409,676	726,388,494	98,198,867	13,353,888	111,552,755
Kia Motors Corp.	684,387,076	697,049	685,084,125	100,669,484	477,147	101,146,631
HMMR	652,461,275	313,656	652,774,931	26,970	37,015	63,985
HMMC	591,890,040	222,086	592,112,126	10,296,974	4,273,079	14,570,053
HAOS	535,094,564	670,281	535,764,845	7,369,525	-	7,369,525
KMMG	480,136,507	518,177	480,654,684	91,053	67,381	158,434
HMI	410,706,272	-	410,706,272	396,174	-	396,174
HMA	381,786,599	30,017	381,816,616	1,992	6,412,303	6,414,295
Others	2,063,849,429	10,558,675	2,074,408,104	1,257,679,489	32,831,544	1,290,511,033
	₩ 10,006,325,522	₩ 24,756,161	₩ 10,031,081,683	₩ 1,481,809,414	₩ 71,615,792	₩ 1,553,425,206

Hyundai Glovis Co., Ltd. and its subsidiaries
Notes to the consolidated financial statements
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26. Related party disclosures (cont'd)

26.4 Outstanding balances with related parties as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015					
	Trade receivables	Other receivables and others	Total	Trade payables	Other payables and others	Total
Associates:						
Hyundai Engineering Co., Ltd.	₩ 227,061	₩ -	₩ 227,061	₩ 2,164,800	₩ 3,815,920	₩ 5,980,720
Hyundai Engineering America, Inc.	-	-	-	-	26,522	26,522
Hyundai Engineering RUS LLC	-	1,430	1,430	16,605	-	16,605
Hyundai Engineering MEXICO, S. DE R.L. DE C.V.	-	-	-	-	8,697	8,697
Beijing Zhongdu Glovis Logistics Co., Ltd.	162,187	4,002	166,189	-	-	-
Sichuan Glovis Co., Ltd.	-	144,183	144,183	-	281	281
Hi Gold Ocean Ship Private Special Asset Investment Trust No. 11	-	-	-	-	406,078,336	406,078,336
Other related parties:						
KMS	160,404,890	-	160,404,890	141,212	48,616,375	48,757,587
HMMA	40,028,079	-	40,028,079	14,833	18,926,490	18,941,323
Hyundai Steel	108,320,035	-	108,320,035	11,194	1,219	12,413
Hyundai Motor Company	98,792,903	14,895	98,807,798	1,076,065	1,636,285	2,712,350
Kia Motors Corp.	31,200,896	23,591	31,224,487	15,696,106	123,386	15,819,492
HMMR	66,109,327	519,383	66,628,710	-	17,149,788	17,149,788
HMMC	58,963,876	6,684	58,970,560	8,660	19,190,824	19,199,484
HAOS	143,112,317	33,348	143,145,665	12,325	2,291,200	2,303,525
KMMG	88,498,509	146,767	88,645,276	126,823	12,994,379	13,121,202
HMI	51,471,401	8,454	51,479,855	26,714	772,671	799,385
HMA	39,763,423	-	39,763,423	-	-	-
Others	259,291,734	1,958,511	261,250,245	111,839,239	8,032,951	119,872,190
	₩ 1,146,346,638	₩ 2,861,248	₩ 1,149,207,886	₩ 131,134,576	₩ 539,665,324	₩ 670,799,900

26. Related party disclosures (cont'd)

	2014					
	Trade receivables	Other receivables and others	Total	Trade payables	Other payables and others	Total
Associate:						
Hyundai Engineering Co., Ltd.	₩ 614,465	₩ -	₩ 614,465	₩ -	₩ 1,304,320	₩ 1,304,320
Hyundai Engineering America, Inc.	1,278	-	1,278	52,380	-	52,380
Beijing Zhongdu Glovis Logistics Co., Ltd.	194,240	21,940	216,180	-	-	-
Sichuan Glovis Co., Ltd.	58,335	-	58,335	-	-	-
Hi Gold Ocean Ship Private Special Asset Investment Trust NO. 11	-	-	-	-	194,124,471	194,124,471
Other related parties:						
KMS	124,434,270	2,971,000	127,405,270	54,086	1,856,010	1,910,096
HMMA	73,238,245	-	73,238,245	(1,074)	6,478,567	6,477,493
Hyundai Steel	129,345,990	-	129,345,990	152,671	1,726	154,397
Hyundai Motor Company	89,464,517	7,378	89,471,895	2,076,870	398,356	2,475,226
Kia Motors Corp.	50,827,865	84,400	50,912,265	5,394,566	453,184	5,847,750
HMMR	104,429,530	989,001	105,418,531	-	11,351,583	11,351,583
HMMC	76,107,549	116,430	76,223,979	-	6,851,020	6,851,020
HAOS	164,667,640	57,688	164,725,328	264,729	4,771,946	5,036,675
KMMG	101,099,109	186,831	101,285,940	-	9,991,501	9,991,501
HMI	18,360,698	8,315	18,369,013	13,126	2,109,700	2,122,826
HMA	41,116,212	-	41,116,212	1,050,477	-	1,050,477
Others	291,699,475	2,459,959	294,159,434	102,176,042	11,438,100	113,614,142
	₩ 1,265,659,418	₩ 6,902,942	₩ 1,272,562,360	₩ 111,233,873	₩ 251,130,484	₩ 362,364,357

26.5 Compensation for key management personnel of the Group

The following represents amounts recognized as an expense during the reporting period related to key management personnel. Key management personnel includes non-executive directors who are responsible for the Group's business, such as planning, operations and control (Korean won in thousands):

	2015	2014
Short-term employee benefits	₩ 8,577,393	₩ 8,371,771
Severance expenses	1,777,792	1,171,587
Total compensation paid to key management personnel	₩ 10,355,185	₩ 9,543,358

27. Commitments and contingencies

27.1 Details of guarantees provided by others

Details of guarantees provided by others as at December 31, 2015 are as follows (Korean won in thousands):

Provider	Period	Guaranteed amount	Description
Seoul Guarantee Insurance Co., Ltd.	2015.04~2016.12	33,450	Guarantee for public auction
Seoul Guarantee Insurance Co., Ltd.	2013.03~2018.10	2,813,827	Guarantee for deposit
Seoul Guarantee Insurance Co., Ltd.	2015.12~2016.02	209,000	Tax payable guarantee
Seoul Guarantee Insurance Co., Ltd.	2012.08~2030.03	1,635,157	Contract performance guarantee
Seoul Guarantee Insurance Co., Ltd.	2014.03~2017.12	1,175,200	Payment performance guarantee
Seoul Guarantee Insurance Co., Ltd.	2015.01~2016.07	190,700	Guarantee for official approval

27. Commitments and contingencies (Cont'd)

27.2 Details of guarantees provided to others

Details of guarantees to others as at December 31, 2015 are as follows (Korean won in thousands):

Guarantee provided to	Description	Currency	Guaranteed amount
DAEBO International Shipping Co., Ltd.	Joint guarantee	KRW	1,588,216

27.3 Commitments

Details of the Group's commitments as at December 31, 2015 are as follows (Korean won in thousand):

Description of commitment	Currency	Committed amount
Discounting D/A note	USD	1,609,972,696
Opening import credit	USD	45,000,000
Opening local credit	USD	10,000,000
Secured loan against receivables	KRW	80,000,000
Working capital loan	KRW	95,000,000
Working capital loan	USD	36,500,000
Working capital loan	EUR	25,000,000
Working capital loan	BRL	10,000,000
Bank overdrafts	EUR	7,000,000
Bank overdrafts	PLN	2,000,000
London Metal Exchange forward	USD	70,000,000
Currency forward	USD	373,600,000
Currency forward	EUR	15,000,000
Currency forward	KRW	60,000,000
Business facilities loan	EUR	10,000,000
Business facilities loan	USD	40,500,000
Ships financing	USD	1,188,259,722

27. Commitments and contingencies (Cont'd)

27.4 Pledged assets

Details of assets pledged by financial institutions for the short-term and long-term borrowings of the Group as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

Pledged to	2015			
	Pledged asset	Related borrowings	Borrowing amount	Book value of asset
Korea Development Bank and others	Ships	Borrowings	₩ 1,778,171,782	₩ 1,905,019,810
Pledged to	2014			
	Pledged asset	Related borrowings	Borrowing amount	Book value of asset
Korea Development Bank and others	Ships	Borrowings	₩ 1,176,052,061	₩ 1,275,957,654

Hi Gold Ocean Ship Private Special Asset Investment Trust No. 11 classified as an available-for-sale financial asset, was pledged as collateral to the National Pension Service for up to 50% of the its book value amounting to ₩39,203,735 thousand in connection with a contingent liability regarding possible losses on the Group operation of a ship constructed by Hi Gold Ocean Kmarin No.11a S.A.

27.5 Operating lease expenses

The Group entered into operating lease contracts on its warehouses and vehicles, and the total minimum lease payment amounts to ₩62,243,441 thousand (<1 year: ₩13,882,385 thousand, 1-5 years: ₩42,743,031 thousand, >5 years: ₩5,618,024 thousand) as at December 31, 2015, and ₩13,668,408 thousand (<1 year: ₩9,660,935 thousand, 1-5 years: ₩4,007,473 thousand) as at December 31, 2014.

28. Cash flow information

28.1 Cash and cash equivalents on cash flow are same as that on statements of financial position.

28.2 Significant transactions not involving cash flows

Cash flow has been prepared under the indirect method and significant transactions not involving cash flows for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Reclassification of construction in-progress	₩ 176,494,426	₩ 331,949,131
Transfer to current portion of long-term borrowings	142,071,513	132,514,614
Transfer to current portion of long-term other accounts payable	46,049,799	16,863,622
Acquisition of ship by long-term other accounts payable	444,104,106	263,681,824
Increase in investments in an associate resulting from a merger	-	99,401,211

28. Cash flow information (cont'd)

28.3 Cash flow from operating activities

Details of operating cash flow for the years ended December 31, 2015 and 2014 are as follows (Korean won in thousands):

28.3.1 Non-cash adjustment to reconcile profit before tax to net cash flows

	2015	2014
Interest expenses	₩ 49,799,300	₩ 27,082,209
Income tax expense	215,804,797	175,177,345
Pension expenses	8,523,946	5,845,452
Depreciation of property, plant and equipment	120,219,755	91,934,963
Long-term employee benefits	1,121,014	192,713
Loss on valuation of derivative instruments	28,853,752	30,049,646
Loss on foreign currency translations	130,981,215	77,551,387
Amortization of intangible assets	8,728,606	7,598,955
Bad debt expenses	15,532,914	(195,157)
Provision for product warranties	(3,834,333)	2,320,112
Other bad debt expenses	4,155,918	1,572,891
Loss on disposal of property, plant and equipment	1,770,655	254,882
Loss on disposal of intangible assets	29,808	88,929
Loss on impairment of intangible assets	13,555	-
Loss on inventory valuations	4,372,146	-
Loss on impairment of available-for-sale financial assets	1,453,447	100,000
Interest income	(17,458,551)	(15,112,039)
Dividend income	(2,359,477)	(1,668,610)
Gain on foreign currency translations	(38,584,143)	(43,216,229)
Gain on valuation of derivative instruments	(3,444,465)	(13,502,883)
Share of profit for the year	(46,703,180)	(41,250,692)
Gain on disposal of property, plant and equipment	(171,800)	(4,005,522)
Gain on disposal of intangible assets	-	(186,829)
Gain on sale of investments in associates	-	(99,401,211)
Others	6,836,034	946,844
	<u>₩ 485,640,913</u>	<u>₩ 202,177,157</u>

28.3.2 Working capital adjustments

	2015	2014
Decrease (increase) in trade receivables	₩ 105,835,606	₩ (190,111,136)
Decrease (increase) in other accounts receivable	(7,369,204)	254,722
Increase in inventories	(129,920,267)	(123,513,819)
Increase in other current assets	(85,839,078)	(34,164,701)
Decrease in other non-current assets	28,039	19,487
Increase (decrease) in trade payables	(17,945,151)	172,614,106
Increase (decrease) in other accounts payable	155,760,628	(3,287,319)
Increase in other current liabilities	59,733,103	17,875,257
Decrease in other non-current financial liabilities	(2,986)	-
Decrease in defined benefit liabilities	(9,002,257)	(9,531,811)
Increase (decrease) in provision for sales warranties	1,797,832	(146,338)
	<u>₩ 73,076,265</u>	<u>₩ (169,991,553)</u>

29. Operating segment information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

Segment	Description of operating segment
Distribution	The Group transports freight consigned from the owner of goods. Distribution is classified as either domestic or overseas in accordance with their intended destination.
CKD	CKD (“Completely Knock Down”) represents parts needed to assemble a product. The Group particularly exports semi-KDs with the highest degree of “knocked down” parts.
Others	The Group maintains auction houses to sell used cars at wholesale.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessments. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

2015	Distribution	CKD	Others	Total
Sales	₩ 7,475,065,891	₩ 5,406,097,392	₩ 1,790,046,260	₩ 14,671,209,543
Operating profit for the year	421,708,101	325,362,494	(49,043,838)	698,026,757
Adjusted operating profit for the year	421,708,101	325,362,494	(14,434,011)	732,636,584
2014	Distribution	CKD	Others	Total
Sales	₩ 7,162,818,236	₩ 5,082,563,281	₩ 1,676,639,391	₩ 13,922,020,908
Operating profit for the year	416,165,050	215,790,111	12,673,955	644,629,116
Adjusted operating profit for the year	416,165,050	215,790,111	13,570,500	645,525,661

The Group does not separately disclose assets and liabilities from its operating segments as the chief operating decision maker of the Group is not provided with such information from operating segments.

29. Operating segment information (cont'd)

The revenue information based on the location of the customer as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Korea	₩ 5,225,936,367	₩ 5,146,403,005
China	432,611,944	415,602,519
Asia	1,211,681,467	916,957,357
North America	2,960,950,060	2,778,458,149
Latin America	447,600,936	390,931,841
Europe	4,171,877,160	4,039,563,274
Others	220,551,609	234,104,763
	<u>₩ 14,671,209,543</u>	<u>₩ 13,922,020,908</u>

Sales at the Company are concentrated with two major customers. Sales to company A and its subsidiaries amounted to ₩5,317,072,270 thousand while sales to Company B and its subsidiaries amounted to ₩3,319,951,137 thousand for the year ended December 31, 2015 (2014: ₩5,240,034,248 thousand and ₩3,001,877,372 thousand).

30. Financial risk management objectives and policies

The Group's principal financial liabilities comprise short-term borrowings, trade payables, other accounts payable and long-term borrowings. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade receivables and cash and short-term deposits from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks and reviews and agrees policies for managing each of these risks which are summarized below.

30.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risks: interest rate risk, foreign currency risk and other price risk.

The sensitivity analysis in following sections is related to December 31, 2015 and 2014.

(1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Borrowings with floating interest rates amounted to ₩896,625,319 thousand as at December 31, 2015, ₩808,197,662 thousand as at December 31, 2014. As at December 31, 2015, should the interest rate be changed by 100 basis points, the impact of the changed interest rate on the fair values and cash flows of financial liabilities are as follows (Korean won in thousands):

2015		2014	
100BP increase	100BP decrease	100BP increase	100BP decrease
₩ (6,796,420)	₩ 6,796,420	₩ (6,126,138)	₩ 6,126,138

30. Financial risk management objectives and policies (Cont'd)

(2) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries. Sensitivity to a reasonably possible change in exchange rate, with all other variables held constant, of the Group's profit before tax as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

Currency	2015		2014	
	5% increase	5% decrease	5% increase	5% decrease
USD	₩ (67,517,306)	₩ 67,517,306	₩ (50,282,906)	₩ 50,282,906
EUR	4,545,826	(4,545,826)	(4,455,616)	4,455,616
Others	1,984,505	(1,984,505)	15,465	(15,465)
	₩ (60,986,975)	₩ 60,986,975	₩ (54,723,057)	₩ 54,723,057

The sensitivity above is for monetary assets and liabilities and derivative assets and liabilities, denominated in foreign currency as at December 31, 2015 and 2014.

(3) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, except for interest rates and foreign currency risk. The Group's exposure to the risk of changes in market price risk relates primarily to the Group's available-for-sale financial assets (quoted securities), amounting to ₩294,063,906 thousand. The following table demonstrates a sensitivity analysis to a reasonably possible change in share price on the Group's other comprehensive income (gains and losses on valuation of available-for-sale financial assets) (Korean won in thousands):

	5% increase	5% decrease
Other comprehensive income before tax	₩ 14,703,195	₩ (14,703,195)
Tax effect	(3,099,434)	3,099,434
Other comprehensive income after tax	₩ 11,603,761	₩ (11,603,762)

30.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and loan notes) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

(1) Trade and other receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit worthiness of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables is grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date as at December 31, 2015 and 2014 is the carrying value of each class of financial assets as follow (Korean won in thousands):

	2015	2014
Trade receivables	₩ 1,672,256,600	₩ 1,749,055,592
Other accounts receivable	26,224,558	29,298,757
Other long-term accounts receivable	11,569,718	10,174,631

30. Financial risk management objectives and policies (cont'd)

The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables is grouped into homogenous groups and assessed for impairment collectively. The calculation is based on historical data.

The following represent the Group's 10 largest receivable accounts from customers and presents total amounts and portions of total receivables as at December 31, 2015 and 2014 (Korean won in thousands):

	2015	2014
Total amounts	₩ 764,758,676	₩ 841,093,741
Portions	45.08%	48.08%

(2) Other assets

Credit risks associated with the Group's other assets which consist of long-term loans and long-term receivables arise from the default of counterparties. The maximum exposure to credit risks at the reporting date will be the carrying value of each class of financial assets. The Group deposits its surplus funds in financial instruments whose credit ratings are high, and as such, credit risk related to financial instruments is considered low.

30.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations under financial commitments due to a shortage of funds.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts.

The table below summarizes the maturity profile of the Group's financial assets based on contractual undiscounted payments as at December 31, 2015 (Korean won in thousands):

	< 1 year	1-5 years	>5 years	Total
Trade payables	₩ 993,171,385	₩ -	₩ -	₩ 993,171,385
Short-term borrowings	1,107,261,760	-	-	1,107,261,760
Other accounts payable	237,109,424	-	-	237,109,424
Derivative liabilities	122,610,415	588,843,141	361,410,781	1,072,864,337
Long-term borrowings	-	804,887,773	-	804,887,773
	<u>₩ 2,460,152,984</u>	<u>₩ 1,393,730,914</u>	<u>₩ 361,410,781</u>	<u>₩ 4,215,294,679</u>

30.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic condition. The following presents the Group's gearing ratio which is total liabilities divided by total equity. The Group includes within total liabilities, interest bearing loans and borrowings, bonds payable, less cash and cash equivalents.

Debt-equity ratios as at December 31, 2015 and 2014 are as follows (Korean won in thousands):

	2015	2014
Total liabilities	₩ 4,381,749,162	₩ 3,425,138,662
Total equity	3,096,765,176	2,771,075,061
Debt-equity ratio	141.5%	123.6%

31. Business Combination

On February 27, 2015, Glovis Europe GmbH acquired 100% of the voting shares of Adampol S.A., a company based in Poland, specializing in distribution and storage businesses. The Group acquired this business to expand its business in Europe.

The business combination was accounted for using the acquisition method. The consolidated financial statements include the financial performance of Adampol S.A. from the date of acquisition to the end of the reporting period.

(1) Acquiree

	Operational activities	Date of acquisition	Equity interest (%)	Purchase consideration
Adampol S.A.	Logistics and storage services	2015.02.27	100%	₩ 69,393,427

(2) Consideration for the 100% interest in Adampol S.A.

Cash (70%)	₩ 48,488,004
Put-call options (30%)	20,905,423
	<u>₩ 69,393,427</u>

Cash consideration of ₩48,488,004 thousand was paid to the shareholders of Adampol S.A. for the 70% interest in Adampol S.A. The fair value of options on the remaining 30% shares was ₩20,905,423 thousand.

1) Put-call options

Glovis Europe GmbH entered into option contracts with two shareholders of Adampol S.A. with a 15% equity interest, respectively.

- Option type: Put-call options
- Lock-up period: 5 years from the acquisition date
- Exercise period of a put option: the last 3 months before the lock-up period expires
- Exercise period of a call option: the last 3 months before the lock-up period expires

As option contracts are a part of an acquisition contract, Glovis Europe GmbH has rights to buy the remaining shares from the shareholders and the shareholders have rights to sell their shares to Glovis Europe GmbH.

The options are calculated in the same way. An option price is affected by the sum of accumulated dividends paid to shareholders and net asset value of Adampol S.A. A minimum option price is determined by deducting accumulated dividends from €9,150 thousand. If the sum of accumulated dividends paid and the net asset value of Adampol S.A. exceeds €50,720 thousand, an amount calculated by formula is added to the option price. The option price is ₩20,905,423, the present value of an option as at the acquisition date, and a discount rate is 1.5%, a borrowing interest rate of Glovis Europe GmbH.

The remaining shares are held by two shareholders, each of whom has a 15% equity interest. The terms and conditions of a call option contract are the same as those of a put option contract.

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(3) Acquired assets and liabilities assumed on the date of acquisition are as follows (Korean won in thousands):

Current assets	₩	20,436,658
Cash and short-term deposits		1,952,082
Trade and other receivables		14,398,088
Inventories		359,423
Other current assets		3,727,065
Non-current assets		66,949,019
Other non-current receivables		20,147
Property, plant and equipment		49,207,214
Intangible assets		17,721,658
Total assets		<u>87,385,677</u>
Current liabilities		15,189,804
Trade and other payables		13,125,409
Short-term borrowings		2,043,747
Other current liabilities		20,648
Non-current liabilities		18,999,621
Long-term borrowings		12,808,388
Deferred tax liability		6,191,233
Total liabilities		<u>34,189,425</u>
Fair value of identifiable net assets	₩	<u>53,196,252</u>

(4) Non-controlling interests

As Adampol S.A. has 50% equity interest in BM Vehicle Logistics GmbH, the Group recognizes non-controlling interest in BM Vehicle Logistics GmbH as well.

(5) Goodwill arising from acquisition is as follows (Korean won in thousands):

Purchase consideration	₩	69,393,427
Less: fair value of identifiable net assets		<u>(53,196,252)</u>
Goodwill arising from acquisition	₩	<u>16,197,175</u>

The goodwill comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognized. Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

The Group recognized a trademark acquired through business combination as an intangible asset as it is separable.

(6) Net cash outflow on acquisition is as follows (Korean won in thousands):

Cash consideration	₩	48,488,004
Less: cash and cash equivalents acquired		<u>(1,952,082)</u>
Net cash outflow	₩	<u>46,535,922</u>

(7) The effect of acquisition on the financial performance of the Group (after eliminating inter-company transactions) are as follows:

From the date of acquisition, Adampol S.A. contributed ₩71,918,634 thousand of revenue and incurred ₩4,133,192 thousand of loss for the year, which are included in the consolidated financial statement.