



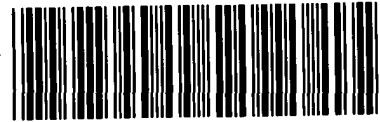
Companies House

DON'T
STAPLE**OS AA01**Statement of details of parent law and other
information for an overseas company

✓ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law.

✗ **What this form is NOT for**
You cannot use this form for
an alteration of manner
with accounting requirements.

THURSDAY



A03 *AC59G2SQ* 08/06/2023 #118
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ① **GS ENGINEERING & CONSTRUCTION**
CORPORATION

UK establishment number **B R 0 1 5 1 1 9**

→ **Filling in this form**
Please complete in typescript or in
bold black capitals.

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state.

**Part 2 Statement of details of parent law and other
information for an overseas company****A1 Legislation**

Please give the legislation under which the accounts have been prepared and
audited.

Legislation ② **Laws of South Korea**

② This means the relevant rules or
legislation which regulates the
preparation of accounts.

A2 Accounting principles

Accounts Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ **No. Go to Section A3.**

☒ **Yes. Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3.**

Name of organisation or body ③ **Korean International Financial Reporting Standards**

③ Please insert the name of the
appropriate accounting organisation
or body.

OS AA01

Statement of details of parent law and other information for an overseas company

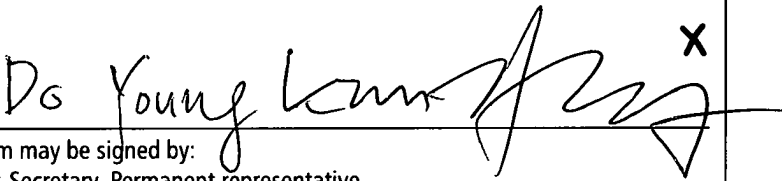
A3

Audited accounts

| | | |
|--------------------------------|---|---|
| Audited accounts | <p>Have the accounts been audited in accordance with a set of generally accepted auditing standards?</p> <p>Please tick the appropriate box.</p> <p><input type="checkbox"/> No. Go to Part 3 'Signature'.</p> <p><input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.</p> | <p>❶ Please insert the name of the appropriate accounting organisation or body.</p> |
| Name of organisation or body ❶ | KICPA | |

Part 3

Signature

| | | |
|-----------|--|--|
| | <p>I am signing this form on behalf of the overseas company.</p> | |
| Signature | <p>Signature</p> <p>X  X</p> <p>This form may be signed by: Director, Secretary, Permanent representative.</p> | |

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

| | |
|---------------|------------------------|
| Contact name | SUNJAE KWON |
| Company name | KPY PHILLIPS YOUNG LLP |
| | |
| Address | 13 APPROACH ROAD |
| | |
| Post town | |
| County/Region | LONDON |
| Postcode | S W 2 0 8 B A |
| Country | UK |
| DX | |
| Telephone | 0203 274 3066 |



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



Important information

Please note that all this information will appear on the public record.



Where to send

You may return this form to any Companies House address:

England and Wales:

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Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

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Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

Northern Ireland:

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.



Further information

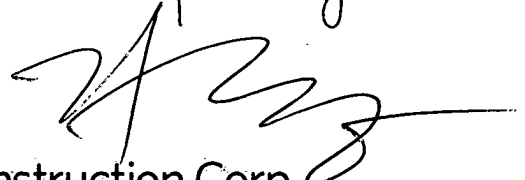
For further information, please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

GS Engineering & Construction Corporation and its subsidiaries

**Consolidated financial statements
for the years ended December 31, 2015 and 2014
with independent auditors' report**

*I hereby certify that this
is a correct / true of the
original*

Do Young Kim



 **GS Engineering & Construction Corp.**

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Independent auditors' report

The Board of Directors and Stockholders GS Engineering & Construction Corporation

We have audited the accompanying consolidated financial statements of GS Engineering & Construction Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GS Engineering & Construction Corporation and its subsidiaries as at December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Ernst & Young Han Young

March 9, 2016

This audit report is effective as at March 9, 2016, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

GS Engineering & Construction Corporation and its subsidiaries

**Consolidated financial statements
for the years then ended December 31, 2015 and 2014**

"The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group."

**Byeong Yong Lim
Chief Executive Officer
GS Engineering & Construction Corporation**

GS Engineering & Construction Corporation and its subsidiaries
Consolidated statements of financial position
as at December 31, 2015 and 2014

(Korean won in millions)

| | Notes | 2015 | 2014 |
|--|-------------------|---------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 10,32,33 | ₩ 2,428,628 | ₩ 2,151,187 |
| Trade and other receivables, net | 7,8,10,30,32,33 | 4,748,789 | 4,573,822 |
| Inventories | 9 | 795,522 | 613,225 |
| Short-term financial assets | 6,10,12,32,33 | 368,869 | 332,671 |
| Other current assets | 9 | 1,207,665 | 982,042 |
| Total current assets | | 9,549,473 | 8,652,947 |
| Non-current assets | | | |
| Property, plant and equipment, net | 14 | 1,338,531 | 2,456,041 |
| Intangible assets, net | 15 | 144,648 | 169,962 |
| Investment properties | 16 | 91,550 | 121,138 |
| Investments in associates | 13 | 36,020 | 36,973 |
| Long-term trade and other receivables, net | 7,10,30,32,33 | 887,676 | 842,194 |
| Long-term financial assets | 6,10,11,32,33 | 344,104 | 347,466 |
| Deferred tax assets | 28 | 613,491 | 467,988 |
| Total non-current assets | | 3,456,020 | 4,441,762 |
| Total assets | | ₩ 13,005,493 | ₩ 13,094,709 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10,17,30,32,33 | ₩ 2,066,787 | ₩ 1,633,207 |
| Short-term financial liabilities | 10,12,18,32,33 | 2,085,440 | 1,709,989 |
| Income tax payable | | 8,617 | 15,200 |
| Other current liabilities | 8,10,17,33 | 2,978,477 | 2,768,787 |
| Total current liabilities | | 7,139,321 | 6,127,183 |
| Non-current liabilities | | | |
| Long-term trade and other payables | 10,17,32,33 | 162,564 | 136,080 |
| Long-term financial liabilities | 10,12,14,18,32,33 | 1,619,755 | 2,487,230 |
| Net defined benefit liabilities | 19 | 124,150 | 93,539 |
| Non-current provisions | 10,20,32,33 | 402,673 | 287,078 |
| Deferred tax liabilities | 28 | 58,744 | 148,854 |
| Other non-current liabilities | 10,17,33 | 150,261 | 233,133 |
| Total non-current liabilities | | 2,518,147 | 3,385,914 |
| Total liabilities | | 9,657,468 | 9,513,097 |
| Equity | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | 1,22 | 355,000 | 355,000 |
| Share premium | 22 | 610,649 | 610,634 |
| Other components of equity | 22 | (87,208) | (140,811) |
| Accumulated other comprehensive loss | 12,22 | (131,459) | (87,938) |
| Retained earnings | 23 | 2,537,317 | 2,534,051 |
| | | 3,284,299 | 3,270,936 |
| Non-controlling interests | | 63,726 | 310,676 |
| Total equity | | 3,348,025 | 3,581,612 |
| Total liabilities and equity | | ₩ 13,005,493 | ₩ 13,094,709 |

The accompanying notes are an integral part of these consolidated financial statements.

GS Engineering & Construction Corporation and its subsidiaries
Consolidated statements of profit or loss
for the years ended December 31, 2015 and 2014
(Korean won in millions, except per share amounts)

| | Notes | 2015 | 2014 |
|---|---------------|------------------------|--------------------------|
| Sales | 5,8,30 | | |
| Construction operations | | ₩ 9,835,748 | ₩ 8,819,513 |
| Housing construction and sales operations | | 321,904 | 183,026 |
| Other operations | | 414,968 | 485,012 |
| | | <u>10,572,620</u> | <u>9,487,551</u> |
| Cost of sales | 29,30 | | |
| Cost of construction operations | | 9,355,000 | 8,440,626 |
| Cost of housing construction and sales operations | | 254,153 | 180,605 |
| Cost of other operations | | 415,883 | 437,647 |
| | | <u>10,025,036</u> | <u>9,058,878</u> |
| Gross profit | | <u>547,584</u> | <u>428,673</u> |
| Selling and administrative expenses | 25,29 | <u>425,517</u> | <u>377,504</u> |
| Operating profit | 5 | 122,067 | 51,169 |
| Other operating income | 10,26 | 368,609 | 334,933 |
| Other operating expenses | 10,26 | 479,657 | 349,622 |
| Share of profit of an associate and a joint venture | 13 | 2,885 | 5,935 |
| Finance income | 10,27 | 432,117 | 264,832 |
| Finance costs | 10,27 | <u>414,713</u> | <u>336,866</u> |
| Profit (loss) before income tax | 5 | 31,308 | (29,619) |
| Income tax expense (benefit) | 28 | <u>1,831</u> | <u>(7,166)</u> |
| Profit (loss) for the year | | <u><u>₩ 29,477</u></u> | <u><u>₩ (22,453)</u></u> |
| Profit (loss) attributable to: | | | |
| Equity holders of the parent | | 26,064 | (41,072) |
| Non-controlling interests | | 3,413 | 18,619 |
| Profit (loss) per share attributable to the equity holders of the parent (Korean won in units) | | | |
| Basic and diluted profit (loss) per share | 24 | 363 | (667) |

The accompanying notes are an integral part of these consolidated financial statements.

GS Engineering & Construction Corporation and its subsidiaries
Consolidated statements of other comprehensive income
for the years ended December 31, 2015 and 2014

(Korean won in millions)

| | Notes | 2015 | 2014 |
|--|--------------|-------------------|--------------------|
| Profit (loss) for the year | | ₩ 29,477 | ₩ (22,453) |
| Other comprehensive income (loss) | | | |
| <i>Other comprehensive income to be reclassified to</i> | | | |
| <i>Profit or loss in subsequent periods (net of tax):</i> | | | |
| Gain on valuation of available-for-sale financial assets | 22 | (6,342) | (1,004) |
| Loss on valuation of available-for-sale financial assets | 22 | 553 | 356 |
| Gain on exchange differences on translations of foreign operations | 22 | (22,128) | (2,769) |
| Loss on exchange differences on translations of foreign operations | 22 | (11,753) | (7,681) |
| Gain on valuation of derivative instruments | 12,22 | (5,567) | (14,413) |
| Loss on valuation of derivative instruments | 12,22 | (7,474) | (42,330) |
| Share of other comprehensive income of associates | 13,22 | (223) | 120 |
| Share of other comprehensive loss of associates | 13,22 | 340 | 60 |
| <i>Other comprehensive income not to be reclassified to</i> | | | |
| <i>Profit or loss in subsequent periods (net of tax):</i> | | | |
| Re-measurements on net defined benefit liabilities | 19,23 | (21,166) | (38,025) |
| Other comprehensive loss for the year | | (73,760) | (105,686) |
| Total comprehensive loss for the year | | ₩ (44,283) | ₩ (128,139) |
| Attributable to: | | | |
| Equity holders of the parent | | (38,417) | (145,004) |
| Non-controlling interests | | (5,866) | 16,865 |

The accompanying notes are an integral part of these consolidated financial statements.

GS Engineering & Construction Corporation and its subsidiaries
Consolidated statements of changes in equity
for the years ended December 31, 2015 and 2014
(Korean won in millions)

| | Attributable to equity holders of the parent | | | | | | Non-controlling Interests | Total equity |
|--|--|------------------|-------------------------------|--|--------------------|--------------------|------------------------------|--------------------|
| | Issued capital | Share premium | Other components of equity | Accumulated other comprehensive income (loss) | Retained earnings | Total | | |
| As at January 1, 2014 | ₩ 255,000 | ₩ 159,136 | ₩ (145,244) | ₩ (21,614) | ₩ 2,616,700 | ₩ 2,863,978 | ₩ 295,301 | ₩ 3,159,279 |
| Total comprehensive loss | | | | | | | | |
| Loss for the year | - | - | - | - | (41,072) | (41,072) | 18,619 | (22,453) |
| Gain on valuation of available-for-sale financial assets | - | - | - | (998) | - | (998) | (6) | (1,004) |
| Loss on valuation of available-for-sale financial assets | - | - | - | 436 | - | 436 | (80) | 356 |
| Share of other comprehensive income of associates | - | - | - | 120 | - | 120 | - | 120 |
| Share of other comprehensive loss of associates | - | - | - | 41 | - | 41 | 19 | 60 |
| Gain on exchange differences on translations of foreign operations | - | - | - | (1,533) | - | (1,533) | (1,236) | (2,769) |
| Loss on exchange differences on translations of foreign operations | - | - | - | (7,881) | - | (7,881) | - | (7,881) |
| Gain on valuation of derivative instruments | - | - | - | (14,413) | - | (14,413) | - | (14,413) |
| Loss on valuation of derivative instruments | - | - | - | (42,296) | - | (42,296) | (35) | (42,331) |
| Re-measurements on net defined benefit liabilities | - | - | - | - | (37,608) | (37,608) | (417) | (38,025) |
| Total comprehensive loss for the year | - | - | - | (66,324) | (78,680) | (145,004) | 16,864 | (128,140) |
| Transactions with equity holders of the parent | | | | | | | | |
| Dividends to equity holders of the parent | - | - | - | - | - | - | (1,519) | (1,519) |
| Increase in share capital | 100,000 | 448,369 | - | - | - | 548,369 | - | 548,369 |
| Shares issued upon conversion of bonds | - | 3,129 | - | - | - | 3,129 | - | 3,129 |
| Changes in the non-controlling interest | - | - | - | - | - | - | (127) | (127) |
| Others | - | - | 4,433 | - | (3,969) | 464 | 157 | 621 |
| Total transactions with equity holders of the parent | 100,000 | 451,498 | 4,433 | - | (3,969) | 551,962 | (1,489) | 550,473 |
| As at December 31, 2014 | ₩ 355,000 | ₩ 610,634 | ₩ (140,811) | ₩ (87,938) | ₩ 2,534,051 | ₩ 3,270,936 | ₩ 310,676 | ₩ 3,581,612 |
| As at January 1, 2015 | ₩ 355,000 | ₩ 610,634 | ₩ (140,811) | ₩ (87,938) | ₩ 2,534,051 | ₩ 3,270,936 | ₩ 310,676 | ₩ 3,581,612 |
| Total comprehensive loss | | | | | | | | |
| Profit for the year | - | - | - | - | 26,064 | 26,064 | 3,413 | 29,477 |
| Gain on valuation of available-for-sale financial assets | - | - | - | (6,342) | - | (6,342) | - | (6,342) |
| Loss on valuation of available-for-sale financial assets | - | - | - | 474 | - | 474 | 79 | 553 |
| Share of other comprehensive income of associates | - | - | - | (223) | - | (223) | - | (223) |
| Gain on other comprehensive loss of associates | - | - | - | 230 | - | 230 | 110 | 340 |
| Gain on exchange differences on translations of foreign operations | - | - | - | (16,766) | - | (16,766) | (5,362) | (22,128) |
| Loss on exchange differences on translations of foreign operations | - | - | - | (8,171) | - | (8,171) | (3,582) | (11,753) |
| Gain on valuation of derivative instruments | - | - | - | (5,567) | - | (5,567) | - | (5,567) |
| Loss on valuation of derivative instruments | - | - | - | (7,156) | - | (7,156) | (318) | (7,474) |
| Re-measurements on net defined benefit liabilities | - | - | - | - | (20,960) | (20,960) | (206) | (21,166) |
| Total comprehensive loss for the year | - | - | - | (43,521) | 5,104 | (38,417) | (5,866) | (44,283) |
| Transactions with equity holders of the parent | | | | | | | | |
| Hybrid securities | - | - | 56,142 | - | (826) | 55,316 | - | 55,316 |
| Dividends to equity holders of the parent | - | - | - | - | - | - | (1,084) | (1,084) |
| Increase through treasury share transactions | - | 1 | - | - | - | 1 | - | 1 |
| Changes in the non-controlling interest | - | 14 | - | - | - | 14 | 3,136 | 3,150 |
| Changes in consolidation | - | - | - | - | - | - | (242,646) | (242,646) |
| Others | - | - | (2,539) | - | (1,012) | (3,551) | (490) | (4,041) |
| Total transactions with equity holders of the parent | - | 15 | 53,603 | - | (1,838) | 51,780 | (241,084) | (189,304) |
| As at December 31, 2015 | ₩ 355,000 | ₩ 610,649 | ₩ (87,208) | ₩ (131,459) | ₩ 2,537,317 | ₩ 3,284,299 | ₩ 63,726 | ₩ 3,348,025 |

The accompanying notes are an integral part of these consolidated financial statements.

GS Engineering & Construction Corporation and its subsidiaries
Consolidated statements of cash flows
for the years ended December 31, 2015 and 2014

(Korean won in millions)

| | Notes | 2015 | 2014 |
|---|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 31 | ₩ 126,484 | ₩ 652,458 |
| Interest received | | 45,280 | 63,912 |
| Interest paid | | (100,195) | (96,200) |
| Dividends received | | 1,144 | 780 |
| Income tax paid | | (80,472) | (49,418) |
| Net cash flows from (used in) operating activities | | (7,759) | 571,532 |
| Cash flows from investing activities | | | |
| Decrease in other receivables | | 476,612 | 862,946 |
| Decrease in short-term financial assets | | 149,284 | 7,250 |
| Decrease in other long-term receivables | | 193,497 | 124,098 |
| Decrease in long-term financial assets | | 33,512 | 37,209 |
| Disposal of property, plant and equipment | | 2,017 | 71,788 |
| Disposal of intangible assets | | 2,121 | 18 |
| Disposal of investment properties | | 21,322 | 53,579 |
| Disposal of subsidiary | | 753,549 | 1,079 |
| Increase in other receivables | | (416,171) | (893,541) |
| Increase in short-term financial assets | | (130,647) | (47,383) |
| Increase in other long-term receivables | | (304,638) | (185,539) |
| Increase in long-term financial assets | | (42,763) | (56,575) |
| Acquisition of property, plant and equipment | | (227,085) | (307,954) |
| Acquisition of intangible assets | | (2,442) | (1,221) |
| Acquisition of investment properties | | (297) | (232) |
| Net cash flows from (used in) investing activities | | 507,871 | (334,478) |
| Cash flows from financing activities | | | |
| Increase in short-term financial liabilities | | 2,198,863 | 1,450,859 |
| Increase in long-term financial liabilities | | 611,485 | 776,565 |
| Increase in other non-current liabilities | | 47,863 | 69,394 |
| Disposal of treasury stock | | 672 | - |
| Increase in the non-controlling interests | | 3,148 | - |
| Increase in share capital | | - | 548,369 |
| Issuance of hybrid securities | | 56,142 | - |
| Increase in the non-controlling interest | | - | 578 |
| Decrease in short-term financial liabilities | | (3,035,183) | (2,578,751) |
| Decrease in other current liabilities | | (10,634) | (15,332) |
| Decrease in long-term financial liabilities | | (73,150) | (174,631) |
| Decrease in other non-current liabilities | | (24,861) | (40,373) |
| Dividends | | (1,084) | (1,519) |
| Interest payment in relation to the hybrid securities | | (826) | - |
| Acquisition of treasury stock | | (671) | - |
| Net cash flows from (used in) financing activities | | (228,236) | 35,159 |
| Net foreign exchange difference | | 5,565 | 13,466 |
| Net increase in cash and cash equivalents | | 277,441 | 285,679 |
| Cash and cash equivalents at January 1 | | 2,151,187 | 1,865,508 |
| Cash and cash equivalents at December 31 | | ₩ 2,428,628 | ₩ 2,151,187 |

The accompanying notes are an integral part of these consolidated financial statements.

GS Engineering & Construction Corporation and its subsidiaries
Notes to the consolidated financial statements
December 31, 2015 and 2014

1. General information

In accordance with *KIFRS 1110 Consolidated Financial Statement*, GS Engineering & Construction Corporation (the "Company") and its subsidiaries including EziVille Inc. (collectively referred to as the "Group") are as follows.

1.1 Corporate information

The Company was incorporated on December 19, 1969, under the laws of the Republic of Korea to engage in civil works and architectural construction, construction and sales of new houses, repairs and maintenance, overseas general construction and technology consultation. The Company acquired Lucky Foreign Construction Co., Ltd., LG Engineering Co., Ltd. and Baekyang Development Co., Ltd. on January 4, 1979, August 1, 1999 and October 1, 2000, respectively.

The Company listed its shares on the Korea Exchange on August 3, 1981, and changed its name from LG Engineering & Construction Co., Ltd. to GS Engineering & Construction Corporation on March 18, 2005. Also, in accordance with the *Monopoly Regulation and Fair Trade Act of the Republic of Korea*, the Fair Trade Commission had designated the Group as related entities to GS Group and placed restrictions on mutual investments between the Group and the entities within GS Group.

As at December 31, 2015, the Company operates overseas branches and construction sites in several foreign countries, including the United Arab Emirates, Kuwait, Canada, China and Singapore.

The Group's issued capital as at December 31, 2015 amounts to ₩355,000 million.

1.2 Summary of consolidated subsidiaries

Consolidated subsidiaries as at December 31, 2015, are as follows:

| Subsidiary | Domicile | Year end | Principal business activity | Equity ownership (%) | |
|--|----------|----------|---|----------------------|--------|
| | | | | 2015 | 2014 |
| Parnas Hotel Co., Ltd. (*1) | Korea | 12.31 | Hotel | - | 67.56 |
| EziVille Inc. | Korea | 12.31 | Home network system development and operation | 84.00 | 84.00 |
| Xi service | Korea | 12.31 | Construction service | 100.00 | 100.00 |
| G-Estec Co., Ltd. | Korea | 12.31 | Construction service | 100.00 | 100.00 |
| GCS Plus | Korea | 12.31 | Resort maintenance service | 100.00 | 100.00 |
| BSM | Korea | 12.31 | Processing | 100.00 | 100.00 |
| GS O&M | Korea | 12.31 | Plant operation and maintenance service | 100.00 | 100.00 |
| Sanglak Food Co., Ltd. | Korea | 12.31 | Food service | 99.00 | 98.46 |
| GS E&C Nanjing co., Ltd. | China | 12.31 | Construction | 100.00 | 100.00 |
| GS Nha Be Development One-member LLC | Vietnam | 12.31 | Construction | 100.00 | 100.00 |
| GS Saigon Development One-member LLC | Vietnam | 12.31 | Construction | 100.00 | 100.00 |
| GS E&C Delhi Pvt. Ltd. | India | 3.31 | Construction service | 100.00 | 100.00 |
| GS (Cambodia) Development Co., Ltd. (*2) | Cambodia | 12.31 | Construction | - | 100.00 |
| GS Engineering & Construction Mumbai Pvt. Ltd. | India | 3.31 | Construction service | 100.00 | 100.00 |

GS Engineering & Construction Corporation and its subsidiaries
Notes to the consolidated financial statements
December 31, 2015 and 2014

1. General information (cont'd)

1.2 Summary of consolidated subsidiaries (cont'd)

| Subsidiary | Domicile | Year end | Principal business activity | Equity ownership (%) | |
|--|--------------|----------|-----------------------------|----------------------|--------|
| | | | | 2015 | 2014 |
| GS PP Development Co., Ltd. (*2) | Cambodia | 12.31 | Construction | - | 49.00 |
| GS E&C Thai Co., Ltd. (*3) | Thailand | 8.31 | Real estate | 49.00 | 49.00 |
| GS Construction Arabia Co., Ltd. (*4) | Saudi Arabia | 12.31 | Construction | 100.00 | 100.00 |
| GS Saudi Co., Ltd. | Saudi Arabia | 12.31 | Construction | 75.00 | 75.00 |
| GS E&C Poland SP.ZO.O | Poland | 12.31 | Construction | 100.00 | 100.00 |
| GS Engineering & Construction Spain, S.L | Spain | 12.31 | Construction | 100.00 | 100.00 |
| GS E&C Construction Canada Ltd. | Canada | 12.31 | Construction | 100.00 | 100.00 |
| GS E&C Panama S.A. | Panama | 12.31 | Lease | 100.00 | 100.00 |
| GS Inima Environment S.A. (*6) | Spain | 12.31 | Construction | 79.62 | 79.62 |
| GS East Asia Manila Inc. | Philippines | 12.31 | IT Consulting | 100.00 | 100.00 |
| GS Village Lake LLC (*5) | USA | 12.31 | Real estate | 100.00 | - |

(*1) As the Group wholly disposed of its equity interest in Parnas Hotel Co., Ltd., the entity was excluded from subsidiaries in December 31, 2015.

Summarized financial information of the subsidiary is as follows:

| Subsidiary | Domicile | Principal business activity | Year end | Equity ownership (%) |
|---------------|----------|-----------------------------|----------|----------------------|
| PNS Co., Ltd. | Korea | Management and operation | 12.31 | 100.00 |

(*2) The Group lost control of the subsidiary and accordingly, excluded from consolidation in 2015.

(*3) In accordance with a contractual arrangement with other shareholders, the Group is able to exercise control over the entity and has been included in consolidate.

(*4) Includes securities held by subsidiaries.

(*5) Newly incorporated in 2015.

GS Engineering & Construction Corporation and its subsidiaries
Notes to the consolidated financial statements
December 31, 2015 and 2014

1. General information (cont'd)

1.2 Summary of consolidated subsidiaries (cont'd)

(*6) Summarized information of the subsidiaries are as follows:

| Subsidiary | Domicile | Principal business activity | Year end | Equity ownership (%) |
|--|-----------------|------------------------------------|-----------------|-----------------------------|
| Aguas de Ensenada, S.A. de C.V. | Mexico | Construction | 12.31 | 100.00 |
| Ambient Servicos Ambientais de Ribeirao Preto, S.A. | Brazil | Construction | 12.31 | 100.00 |
| Aquaria Water LLC | USA | Construction | 12.31 | 87.50 |
| Araucaria Saneamento, S.A. | Brazil | Construction | 12.31 | 51.00 |
| Desalinizadora Arica Ltda. | Chile | Construction | 12.31 | 100.00 |
| GS Inima Chile S.A. | Chile | Construction | 12.31 | 100.00 |
| GS Inima Mexico, S.A. de C.V. | Mexico | Construction | 12.31 | 100.00 |
| GS Inima USA Construction Corporation | USA | Construction | 12.31 | 100.00 |
| GS Inima USA Corporation | USA | Construction | 12.31 | 100.00 |
| GS Inima Brasil Ltda. | Brazil | Construction | 12.31 | 100.00 |
| Promoaqua Desalacion de los Cabos, S.A. de C.V. | Mexico | Construction | 12.31 | 98.00 |
| Saneamento do Vale do Paraiba, S.A. | Brazil | Construction | 12.31 | 50.10 |
| Servicos de Saneamento de Mogi Mirim, S.A. | Brazil | Construction | 12.31 | 57.00 |
| Tecnicas y Gestion Medioambiental, S.A. | Spain | Construction | 12.31 | 100.00 |
| Tractament Metropolitana de Fangs, S.L. | Spain | Construction | 12.31 | 50.40 |
| Casinima - Empreitada Ponte da Baia, A.C.E. | Portugal | Construction | 12.31 | 50.00 |
| GS Inima Servicios Corporativos, S.A. de C.V. | Mexico | Construction | 12.31 | 100.00 |
| Sociedad de Economia Mista Aguas de Soria S.L. | Spain | Construction | 12.31 | 59.20 |
| Valorinima S.L. | Spain | Construction | 12.31 | 80.00 |
| Inima Amarante Sociedades Unipessoal, Ltda. | Portugal | Construction | 12.31 | 100.00 |
| Sanama Saneamento Alta Maceio S.A. | Brazil | Construction | 12.31 | 60.00 |
| Inima-CW S.A. (*) | Chile | Construction | 12.31 | 65.00 |
| Caepa Companhia de Agua E Egoisto de Paribuna S.A. (*) | Brazil | Construction | 12.31 | 95.00 |

(*) Newly incorporated in 2015.

GS Engineering & Construction Corporation and its subsidiaries
Notes to the consolidated financial statements
December 31, 2015 and 2014

1. General information (cont'd)

1.3 Summarized financial information

Summarized financial information of subsidiaries as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| Subsidiary | 2015 | | | | |
|--|---------|-------------|-----------|-----------|-------------------------------|
| | Assets | Liabilities | Equity | Sales | Profit (loss) for the year |
| Parnas Hotel Co., Ltd. (*) | ₩ - | ₩ - | ₩ - | ₩ 121,177 | ₩ 240 |
| EziVille Inc. | 38,883 | 16,864 | 22,019 | 92,669 | 4,850 |
| Xi service | 16,910 | 14,992 | 1,918 | 18,194 | 841 |
| G-Estec Co., Ltd. | 1,151 | 830 | 321 | 4,852 | 36 |
| GCS Plus | 10,775 | 5,949 | 4,826 | 39,560 | 360 |
| BSM | 1,348 | 938 | 410 | 10,601 | 293 |
| GS O&M | 7,061 | 3,422 | 3,639 | 42,314 | 1,147 |
| Sanglak Food Co., Ltd. | 5,901 | 2,674 | 3,227 | 16,602 | 285 |
| GS E&C Nanjing co., Ltd. | 103,124 | 65,103 | 38,021 | 289,824 | 18,029 |
| GS Nha Be Development One-member LLC | 149,984 | 133,568 | 16,416 | - | (7,148) |
| GS Saigon Development One-member LLC | 337,286 | 319,235 | 18,051 | 84,817 | (15,935) |
| GS E&C Delhi Pvt. Ltd. | 20,915 | 19,663 | 1,252 | 24,430 | (9,630) |
| GS(Cambodia) Development Co., Ltd. | - | - | - | 51 | 48 |
| GS Engineering & Construction Mumbai Pvt. Ltd. | 8,112 | 5,432 | 2,680 | 17,015 | (564) |
| GS Construction Arabia Co., Ltd. | 303,528 | 666,711 | (363,183) | 366,432 | (124,483) |
| GS Saudi Co., Ltd. | 91 | 4,519 | (4,428) | 111 | (454) |
| GS E&C Poland SP.ZO.O | 410 | 356 | 54 | - | 2 |
| GS Engineering & Construction Spain, S.L | 231,253 | 193,383 | 37,870 | 348,009 | 33,866 |
| GS E&C Construction Canada Ltd. | 2,250 | 3,705 | (1,455) | 7,734 | 4,735 |
| GS E&C Panama S.A. | 1,013 | 5 | 1,008 | 238 | 109 |
| GS Inima Environment S.A. (*) | 506,185 | 297,971 | 208,214 | 173,108 | 6,704 |
| GS PP Development Co., Ltd. | - | - | - | - | (297) |
| GS E&C Thai Co., Ltd. | 495 | - | 495 | - | (158) |
| GS East Asia Manila Inc. | 4,822 | 3,550 | 1,272 | 608 | (6,904) |
| GS Village Lake LLC | 11,732 | - | 11,732 | - | - |

(*) Includes financial information of subsidiaries.

GS Engineering & Construction Corporation and its subsidiaries
Notes to the consolidated financial statements
December 31, 2015 and 2014

1. General information (cont'd)

1.3 Summarized financial information (cont'd)

| Subsidiary | 2014 | | | | |
|--|-------------|-------------|-----------|-----------|-------------------------------|
| | Assets | Liabilities | Equity | Sales | Profit (loss) for the year |
| Parnas Hotel Co., Ltd. (*) | ₩ 1,250,319 | ₩ 542,935 | ₩ 707,384 | ₩ 198,949 | ₩ 9,261 |
| EziVille Inc. | 34,334 | 13,166 | 21,168 | 77,448 | 823 |
| Xi service | 8,356 | 7,498 | 858 | 13,579 | 92 |
| G-Estec Co., Ltd. | 809 | 724 | 85 | 4,413 | (22) |
| GCS Plus | 10,031 | 5,565 | 4,466 | 38,110 | 324 |
| BSM | 1,106 | 988 | 118 | 7,881 | 58 |
| GS O&M | 3,982 | 1,490 | 2,492 | 25,683 | 135 |
| Sanglak Food Co., Ltd. | 4,910 | 2,072 | 2,838 | 14,101 | (37) |
| GL Project Financing Vehicle 1 Ltd. | 23,713 | 5,232 | 18,481 | (2,382) | 11,390 |
| GS E&C Nanjing co., Ltd. | 112,055 | 70,524 | 41,531 | 283,292 | 24,093 |
| GS Nha Be Development One-member LLC | 144,853 | 121,568 | 23,285 | - | (1,627) |
| GS Saigon Development One-member LLC | 314,072 | 280,424 | 33,648 | 50,443 | 11,108 |
| GS E&C Delhi Pvt. Ltd. | 18,336 | 13,262 | 5,074 | 18,094 | (5,796) |
| GS (Cambodia) Development Co., Ltd. | 1,455 | 53 | 1,402 | - | (3) |
| GS Engineering & Construction Mumbai Pvt. Ltd. | 6,609 | 3,418 | 3,191 | 3,660 | (6,374) |
| GS Construction Arabia Co., Ltd. | 216,012 | 435,885 | (219,873) | 235,206 | (94,367) |
| GS Saudi Co., Ltd. | 307 | 4,021 | (3,714) | 816 | (1,172) |
| GS E&C Poland SP.ZO.O | 440 | 386 | 54 | - | 6 |
| GS Engineering & Construction Spain, S.L | 85,034 | 87,614 | (2,580) | 121,910 | 11,866 |
| GS E&C Construction Canada Ltd. | 13,285 | 19,978 | (6,693) | 80,005 | (1,883) |
| GS E&C Panama S.A. | 840 | - | 840 | 79 | (41) |
| GS Inima Environment S.A. (*) | 536,819 | 318,740 | 218,079 | 147,822 | 1,784 |
| GS PP Development Co., Ltd. | 59,058 | 139,998 | (80,940) | 79,561 | 29,256 |
| GS E&C Thai Co., Ltd. | 684 | 15 | 669 | - | (277) |
| GS East Asia Manila Inc. | 3,816 | 97 | 3,719 | - | (274) |

(*) Includes the financial information of subsidiaries.

The summarized financial information of the subsidiaries is based on amounts before inter-company eliminations. If the significant accounting treatments of the subsidiaries are different from those of the Company, such differences are adjusted.

2. Basis of preparation and a summary of significant accounting policies

2.1 Basis of preparation

The Group prepares statutory financial statements in the Korean language in accordance with Korean International Financial Reporting Standards (KIFRS) enacted by the *Act on External Audit of Stock Companies*. The accompanying 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 financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings classified as property, plant and equipment, derivative financial instruments, available-for-sale (AFS) financial assets, contingent consideration and non-cash distribution liabilities that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The financial statements are presented in Korean won and all values are rounded to the nearest millions, except when otherwise indicated.

2.2 Basis of consolidation

The financial statements comprise the financial statements of the Group and its subsidiaries 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 profit or loss 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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

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. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of KIFRS 1039 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of KIFRS 1039, it is measured in accordance with the appropriate KIFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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 has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3.2 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture 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 or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

2. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.2 Investment in associates and joint ventures (cont'd)

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. 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 or joint venture, 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 or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture 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 or joint venture.

The financial statements of the associate or joint venture 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 or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture 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 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 5). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors who are responsible for the Group's strategic decisions.

2.3.4 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

2. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.5 Fair value measurement

The Group classifies all other liabilities as non-current.

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

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair values of financial instruments and fair value hierarchy are disclosed in Note 33.

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.

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.

2.3.6 Foreign currencies

The Group's financial statements are presented in Korean won, which is also the Group's functional and reporting currency.

1) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group 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. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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 retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair

2. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.6 Foreign currencies (cont'd)

value of the item. (i.e. translation differences on items whose fair value gain or loss is recognized in profit or loss is also recognized in profit or loss, respectively).

2) Translation in foreign operations

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

2.3.7 Financial instruments - initial recognition and subsequent measurement

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 principal financial assets include cash and other financial assets, trade and other receivables, marketable (non-marketable) financial instruments, and derivative instruments.

Subsequent measurement

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

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 effective interest rate method (EIR), less impairment. 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 income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

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 it 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 fee 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.

Available-for-sale financial investments

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

2. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.7 Financial instruments - initial recognition and subsequent measurement (cont'd)

value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale 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 available-for-sale reserve to the statement of profit or loss in finance costs.

The Group evaluates whether the ability and intention to sell its available-for-sale 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.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on that 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.

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. 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. 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.

2) Impairment of financial assets

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.

2. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.7 Financial instruments - initial recognition and subsequent measurement (cont'd)

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.

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 assets original effective interest rate. 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 amount of the loss is recognized in the statement of profit or loss. Interest income 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. The interest income is recorded as part of finance income in the statement of profit or 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.

Available-for-sale financial investments

For available-for-sale financial investments, 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 available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where 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 other comprehensive income and recognized in the statement of profit or loss and other comprehensive income. Impairment losses on equity investments are not reversed through the statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as available-for-sale, 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 and is accrued 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.

2. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.7 Financial instruments - initial recognition and subsequent measurement (cont'd)

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, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, current financial liabilities and long-term financial liabilities.

Subsequent measurement

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

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.

2. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.7 Financial instruments - initial recognition and subsequent measurement (cont'd)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization

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 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 Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statements of profit or loss within 'other operating income (expenses)' or 'finance income (expenses)' according to the nature of transactions.

The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 12. Movements on the hedging reserve in other comprehensive income are shown in Note 12. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is longer than the Group's normal business cycle and as a current asset or liability when the remaining maturity of the hedged item is shorter than the Group's normal business cycle. Trading derivatives are classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

2. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.8 Derivative financial instruments and hedge accounting (cont'd)

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statements of profit or loss within other operating income (expenses). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast purchase that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statements of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statements of profit or loss within other operating income (expenses).

2.3.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Raw materials and supplies are determined using the periodic average method. Other inventories are determined using the specific identification method.

2.3.10 Property, plant and equipment

All property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, 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 profit or loss as incurred.

Land is not depreciated but depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

| | |
|--------------------------|---------------|
| ➤ Buildings | 6 to 40 years |
| ➤ Structures | 4 to 40 years |
| ➤ Machinery | 6 to 16 years |
| ➤ Construction equipment | 4 to 12 years |
| ➤ Vehicles | 4 to 10 years |
| ➤ Tools | 4 to 10 years |
| ➤ Equipment | 4 to 10 years |

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 asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.12 Intangible assets

Amortization of intangible assets is calculated using the straight-line method over their estimated useful lives. Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to be utilized.

| | |
|---------------------|--------------|
| ➤ Rental rights | 20 years |
| ➤ Technical rights | 10 years |
| ➤ Concession assets | 30 years |
| ➤ Software | 4 to 5 years |
| ➤ Others | 5 years |

2.3.13 Investment properties

Investment property is held to earn rentals or for capital appreciation or both. Investment property is measured initially at its cost including transaction costs incurred in acquiring the asset. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. Investment property, except for land, is depreciated using straight-line method over the useful lives of 40 years.

2.3.14 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 of disposal and its value in use. Recoverable amount 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.

When 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies 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 to determine whether there is an indication that previously recognized impairment losses no longer exist or 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.

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31, either individually or at the CGU level.

2. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.15 Pension benefits

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 the changes in the net defined benefit obligation under 'cost of sales' and 'Selling and administrative expenses' in consolidated statement of profit or loss and other comprehensive income.

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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a consolidated asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

2.3.17 Current and deferred income tax

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. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.17 Current and deferred income tax(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 other comprehensive income 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 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and rendering of services arising from normal activities of the Group. It is stated as net of value added taxes, returns, rebates and discounts, after elimination of inter-company transactions.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below. The revenue can be reliably measured only when any contingency related to sales is resolved. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Construction contracts

A construction contract as defined by KIFRS 1011, *Construction Contracts*, is a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is immediately recognized as an expense.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured. Contract costs are recognized as an expense in the period in which they are incurred.

2. Basis of preparation and a summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.18 Revenue recognition (cont'd)

The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These amounts are recognized as inventory, prepaid expenses or other assets.

The Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings (due from customers for contract work); a contract represents a liability where the opposite is the case (due to customers for contract work).

The Group uses the percentage-of-completion method to recognize its revenues from building and selling apartment houses in accordance with "2011-I-KQA", an official opinion issued by Korea Accounting Institute. This accounting treatment is valid only under the Korean International Financial Reporting Standards as stated in sub-clause 1 of clause 1, Article 13 of the Act on External Audit of Stock companies.

(b) Rendering of services

Revenue is recognized at the time of completion when the services are rendered. Other revenue are recognized when the risks have been transferred to customers, the amount of revenue can be reliably measured and high probability that future economic benefits will flow to the Group.

(c) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.4 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015. The nature and the impact of each new standard and 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.

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

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 are provided in Note 32.

3.1 Estimates and assumptions

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 cash generating unit 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 cash generating units and selects the appropriate discount rate to calculate the present value of the expected future cash inflows.

Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

3. Significant accounting judgments, estimates and assumptions (cont'd)

Defined benefit plans

The present value of the defined benefit pension plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation 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.

Revenue recognition

Revenue for construction contracts is recognized on the basis of the percentage-of-completion method, under which revenue is recognized as work progress in the ratio of actual cost incurred to estimated total cost. A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. A variation may lead to an increase or a decrease in contract revenue. Examples of variations are changes in the specifications or design of the asset and changes in the duration of the contract.

Contract revenue is measured at the fair value of the initial amount of revenue agreed in the contract. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events such as delays caused by the contractor, claim, and incentive. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from one period to the next. A variation is recognized in contract revenue when the following four circumstances are satisfied. It is probable that the customer will approve the variation and the amount of revenue arising from the variation. Negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. The contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded. The amount of revenue can be reliably measured.

The total contract cost is measured at the end of each reporting period. However, the measurement of contract revenue is affected by various uncertainties that depend on the outcome of future events including project, geographic and economic characteristics. When the uncertainties that prevented the cost of the contract being estimated reliably no longer exist, expenses associated with the construction contract shall be recognized.

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 consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Amendments to KIFRS 1011 and KIFRIC 2115 : Construction Contracts and Agreements for the construction of Real Estate - Added Construction Contract Notes

When the stage of completion of contracts in progress is measured based on the ratio of aggregate amount of costs incurred to estimated total cost, the amended standard requires to provide additional information regarding the contract with the agreed contract revenue over 5% of sales during the prior fiscal year. This standard will be applied to financial statements that is issued from January 1, 2016 and onward, Group may not provide comparative information in the first year of application. According to the amendments, the Group expects additional notes will be issued.

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 any impact to 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.

4. Standards issued but not yet effective (cont'd)

Amendments to KIFRS 1016 and KIFRS 1041 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of KIFRS 1041. Instead, KIFRS 1016 will apply. After initial recognition, bearer plants will be measured under KIFRS 1016 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of KIFRS 1041 measured at fair value less costs to sell. For government grants related to bearer plants, KIFRS 1020 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective 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 as the Group does not have any bearer plants.

Amendments to KIFRS 1027: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying KIFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of KIFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to KIFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

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 1110 Disclosure Initiative

The amendments to KIFRS 1110 *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.

4. Standards issued but not yet effective (cont'd)

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 January 1, 2016. They include:

- ✓ *KIFRS 1105 Non-current Assets Held for Sale and Discont'd 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.

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5. Segment information

(1) Details of the Group's reportable segments are as follows:

| Operating segments | Principal business activity |
|----------------------------|---|
| Infra works | Road, railroads and others |
| Architectural construction | Office building, factory, apartment and others |
| Plant construction | Petroleum refining facility, waste water treatment plant and others |
| Power | Power plant, power control facility and others |
| Others | Resort, lease and others |

(2) Sales and operating profit (loss) for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| 2015 | | | | | | | | |
|-------------------------------------|--------------------|-----------------------------------|---------------------------|--------------|---------------|--------------|----------------------------------|---------------------------|
| | Infra works | Architectural construction | Plant construction | Power | Others | Total | Consolidation adjustments | Consolidated total |
| Sales | ₩ 1,278,188 | ₩ 3,410,102 | ₩ 5,026,770 | ₩ 911,142 | ₩ 238,327 | ₩ 10,864,529 | ₩ (291,909) | ₩ 10,572,620 |
| Inter-company sales | (12,100) | (98,826) | (119,882) | (299) | (60,802) | (291,909) | 291,909 | - |
| Net sales | 1,266,088 | 3,311,276 | 4,906,888 | 910,843 | 177,525 | 10,572,620 | - | 10,572,620 |
| Operating profit (loss) (*) | 14,025 | 338,304 | (109,052) | (97,778) | (23,432) | 122,067 | | 122,067 |
| Profit (loss) before income tax (*) | (34,758) | 347,231 | (142,908) | (125,550) | (12,707) | 31,308 | | 31,308 |

(*) Operating profit (loss) and profit (loss) before income tax are net of eliminating intercompany transactions.

| 2014 | | | | | | | | |
|-------------------------------------|--------------------|-----------------------------------|---------------------------|--------------|---------------|--------------|----------------------------------|---------------------------|
| | Infra works | Architectural construction | Plant construction | Power | Others | Total | Consolidation Adjustments | Consolidated total |
| Sales | ₩ 1,109,335 | ₩ 2,956,215 | ₩ 4,280,901 | ₩ 1,062,509 | ₩ 385,702 | ₩ 9,794,662 | ₩ (307,110) | ₩ 9,487,552 |
| Inter-company sales | (23,522) | (144,419) | (79,286) | (270) | (59,613) | (307,110) | 307,110 | - |
| Net sales | 1,085,813 | 2,811,796 | 4,201,615 | 1,062,239 | 326,089 | 9,487,552 | - | 9,487,552 |
| Operating profit (loss) (*) | 10,031 | 96,377 | (14,308) | (72,658) | 31,727 | 51,169 | | 51,169 |
| Profit (loss) before income tax (*) | (76,457) | 224,448 | (76,181) | (97,288) | (4,141) | (29,619) | | (29,619) |

(*) Operating profit (loss) and profit (loss) before income tax are stated after eliminating the intercompany transactions.

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5. Segment information (cont'd)

(3) Assets and liabilities as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | Infra works | Architectural construction | Plant construction | Power | Others | Total | Consolidation adjustment | Consolidated Total |
|-------------|----------------|-------------------------------|-----------------------|-----------|-------------|--------------|-----------------------------|-----------------------|
| 2015 | | | | | | | | |
| Assets | ₩ 1,480,657 | ₩ 4,374,029 | ₩ 4,854,349 | ₩ 524,035 | ₩ 3,726,176 | ₩ 14,959,246 | ₩ (1,953,753) | ₩ 13,005,493 |
| Liabilities | 854,964 | 1,461,211 | 4,964,202 | 616,723 | 3,065,130 | 10,962,230 | (1,304,762) | 9,657,468 |
| 2014 | | | | | | | | |
| Assets | ₩ 1,462,900 | ₩ 4,562,077 | ₩ 4,279,147 | ₩ 536,812 | ₩ 3,597,149 | ₩ 14,438,085 | ₩ (1,343,376) | ₩ 13,094,709 |
| Liabilities | 842,329 | 1,769,391 | 4,148,836 | 554,210 | 2,962,979 | 10,277,745 | (764,648) | 9,513,097 |

(4) Geographic information for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | Korea | Middle East | China & South-East Asia | Others | Total |
|---------------------|-------------|-------------|----------------------------|-------------|--------------|
| 2015 | | | | | |
| Sales | ₩ 4,710,535 | ₩ 2,397,493 | ₩ 2,164,482 | ₩ 1,592,019 | ₩ 10,864,529 |
| Inter-company sales | (141,876) | (49,323) | (85,428) | (15,282) | (291,909) |
| Net sales | 4,568,659 | 2,348,170 | 2,079,054 | 1,576,737 | 10,572,620 |
| 2014 | | | | | |
| Sales | ₩ 4,065,574 | ₩ 2,053,738 | ₩ 2,419,439 | ₩ 1,255,911 | ₩ 9,794,662 |
| Inter-company sales | (200,981) | (39,320) | (55,172) | (11,637) | (307,110) |
| Net sales | 3,864,593 | 2,014,418 | 2,364,267 | 1,244,274 | 9,487,552 |

6. Restricted financial instruments

Details of restricted financial instruments as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | Bank | 2015 | 2014 | Remarks |
|--------------------------------|---------------------|--------|---------|--|
| Short-term financial assets | Shinhan | ₩ 273 | ₩ 4,212 | Leasehold deposits |
| | Shinhan | 4,400 | 4,800 | Loans for employees' housing |
| | Shinhan and others | 30,000 | 30,000 | Supports interest for cooperative firm |
| | KEB Hana | - | 50,000 | Construction performance guarantees |
| | Woori | 43,205 | - | The Company pledged deposits to get a loan |
| | Qatar National Bank | 854 | 877 | Bonds issued for overseas sites |
| | ANZ | - | 2,618 | Bank guarantee |
| | Banobras and others | 13,508 | 1,883 | Other deposits |
| | TD Canada Trust | - | 125 | Deposit for corporate purchase card |
| Long-term financial assets (*) | Shinhan and others | 23 | 30 | Deposit for overdraft |

(*) As the Group wholly disposed of its equity interest in Parnas Hotel Co., Ltd. in 2015, assets and liabilities of the Parnas Hotel Co., Ltd. were excluded from consolidation.

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7. Trade and other receivables

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

| | | 2015 | | |
|---------------------------------------|---|--------------------|---------------------------------------|--------------------|
| | | Receivables | Allowance for doubtful accounts | Total |
| Current assets | | | | |
| Trade receivables | Receivables from construction contracts | ₩ 2,265,276 | ₩ (226,711) | ₩ 2,038,505 |
| | Receivables from apartment sales | 8,270 | - | 8,270 |
| | Dues from customers | 2,054,402 | - | 2,054,402 |
| | Notes receivable | 603 | - | 603 |
| | Other trade receivables | 10,522 | (495) | 10,027 |
| Sub-total | | 4,339,073 | (227,266) | 4,111,807 |
| Other receivables | Other receivables | 372,948 | (15,009) | 357,939 |
| | Accrued revenue | 23,755 | (7,611) | 16,144 |
| | Short-term loans | 427,625 | (164,726) | 262,899 |
| Sub-total | | 824,328 | (187,346) | 636,982 |
| Total | | ₩ 5,163,401 | ₩ (414,612) | ₩ 4,748,789 |
| Non-current assets | | | | |
| Long-term trade and other receivables | Long-term trade receivables | ₩ 63,276 | ₩ - | ₩ 63,276 |
| | Long-term loans | 688,409 | (201,078) | 487,331 |
| | Leasehold deposits | 155,356 | - | 155,356 |
| | Business deposits | 182,428 | (715) | 181,713 |
| Total | | ₩ 1,089,469 | ₩ (201,793) | ₩ 887,676 |

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7. Trade and other receivables (cont'd)

| | | 2014 | | |
|---------------------------------------|---|--------------------|---------------------------------------|--------------------|
| | | Receivables | Allowance for doubtful accounts | Total |
| Current | | | | |
| Trade receivables | Receivables from construction contracts | ₩ 1,590,438 | ₩ (188,656) | ₩ 1,401,782 |
| | Receivables from apartment sales | 91,161 | - | 91,161 |
| | Dues from customers | 2,381,578 | - | 2,381,578 |
| | Notes receivable | 10,588 | - | 10,588 |
| | Other trade receivables | 22,121 | (568) | 21,553 |
| Sub-total | | 4,095,886 | (189,224) | 3,906,662 |
| Other receivables | Other receivables | 408,032 | (18,177) | 389,855 |
| | Accrued revenue | 19,781 | (2,050) | 17,731 |
| | Short-term loans | 337,689 | (78,115) | 259,574 |
| Sub-total | | 765,502 | (98,342) | 667,160 |
| Total | | ₩ 4,861,388 | ₩ (287,566) | ₩ 4,573,822 |
| Non-current | | | | |
| Long-term trade and other receivables | Long-term trade receivables | ₩ 82,697 | ₩ - | ₩ 82,697 |
| | Long-term loans | 633,071 | (130,669) | 502,402 |
| | Leasehold deposits | 132,738 | - | 132,738 |
| | Business deposits | 124,849 | (492) | 124,357 |
| Total | | ₩ 973,355 | ₩ (131,161) | ₩ 842,194 |

(2) Aging schedule on trade and other receivables are as follows (Korean won in millions):

| | 2015 | | 2014 | |
|---------------------------------|--------------------|-------------------|--------------------|-------------------|
| | Trade receivables | Other receivables | Trade receivables | Other receivables |
| Receivables not impaired | | | | |
| Up to 1 year | ₩ 3,459,220 | ₩ 29,518 | ₩ 3,119,215 | ₩ 215,161 |
| 1 to 2 years | 177,238 | 75,684 | 84,308 | 72,256 |
| Over 2 years | 299,799 | 135,404 | 407,541 | 154,449 |
| Sub-total | 3,936,257 | 240,606 | 3,611,064 | 441,866 |
| Individually impaired | 402,816 | 583,722 | 484,822 | 323,636 |
| Total | ₩ 4,339,073 | ₩ 824,328 | ₩ 4,095,886 | ₩ 765,502 |
| Allowance for doubtful accounts | ₩ (227,266) | ₩ (187,346) | ₩ (189,224) | ₩ (98,342) |

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7. Trade and other receivables (cont'd)

(3) Changes in allowance for doubtful accounts as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | | 2015 | | | |
|--|-----------------------------------|------------------|---------------------------------------|-------------------------|------------------|
| | | Beginning | Allowance for doubtful accounts | Reversal / write-off | Ending |
| Trade and other receivables | Trade receivables | ₩ 189,224 | ₩ 38,581 | ₩ (539) | ₩ 227,266 |
| | Other receivables | 18,177 | 4,662 | (7,830) | 15,009 |
| | Accrued revenue | 2,050 | 5,620 | (59) | 7,611 |
| | Short-term loans (*) | 78,115 | 86,611 | - | 164,726 |
| Sub-total | | 287,566 | 135,474 | (8,428) | 414,612 |
| Long-term trade and other receivables | Long-term loans | 130,669 | 73,621 | (3,212) | 201,078 |
| | Deposits provided for business | 492 | 223 | - | 715 |
| | Sub-total | 131,161 | 73,844 | (3,212) | 201,793 |
| Total | | ₩ 418,727 | ₩ 209,318 | ₩ (11,640) | ₩ 616,405 |

(*) Bad debt expense in relation to short-term borrowings includes ₩ 80,941 million arising from the exclusion of GS PP Development Co., Ltd. from consolidation.

| | | 2014 | | | |
|--|-----------------------------------|------------------|---------------------------------------|-------------------------|------------------|
| | | Beginning | Allowance for doubtful accounts | Reversal / write-off | Ending |
| Trade and other receivables | Trade receivables | ₩ 224,163 | ₩ 1,565 | ₩ (36,504) | ₩ 189,224 |
| | Other receivables | 8,381 | 11,686 | (1,890) | 18,177 |
| | Accrued revenue | 2,056 | - | (6) | 2,050 |
| | Short-term loans | 91,872 | - | (13,757) | 78,115 |
| Sub-total | | 326,472 | 13,251 | (52,157) | 287,566 |
| Long-term trade and other receivables | Long-term loans | 124,115 | 19,370 | (12,816) | 130,669 |
| | Deposits provided for business | 492 | - | - | 492 |
| | Sub-total | 124,607 | 19,370 | (12,816) | 131,161 |
| Total | | ₩ 451,079 | ₩ 32,621 | ₩ (64,973) | ₩ 418,727 |

8. Construction contracts

(1) Changes in the outstanding balances on construction contracts for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | | 2015 | | | |
|----------------------------|----------|-------------------|---------------------|--------------------|---------------------|
| | | Beginning | Increase | Sales recognized | Ending |
| Infra works | ₩ | 3,757,162 | ₩ 910,106 | ₩ 1,255,966 | ₩ 3,411,302 |
| Architectural construction | | 4,206,138 | 5,520,810 | 2,798,434 | 6,928,514 |
| Plant construction | | 10,150,848 | 2,301,230 | 4,769,573 | 7,682,505 |
| Power | | 1,460,455 | 1,292,620 | 908,794 | 1,844,281 |
| Total | ₩ | 19,574,603 | ₩ 10,024,766 | ₩ 9,732,767 | ₩ 19,866,602 |

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8. Construction contracts (cont'd)

| | 2014 | | | |
|----------------------------|---------------------|---------------------|--------------------|---------------------|
| | Beginning | Increase | Sales recognition | Ending |
| Infra works | ₩ 3,360,436 | ₩ 1,475,382 | ₩ 1,078,656 | ₩ 3,757,162 |
| Architectural construction | 3,861,800 | 2,868,179 | 2,523,841 | 4,206,138 |
| Plant construction | 8,630,228 | 5,594,009 | 4,073,389 | 10,150,848 |
| Power | 1,408,845 | 1,109,978 | 1,058,368 | 1,460,455 |
| Total | ₩ 17,261,309 | ₩ 11,047,548 | ₩ 8,734,254 | ₩ 19,574,603 |

(2) Details of construction contracts in progress as at December 31, 2015 and 2014 (Korean won in millions):

| | 2015 | | | | |
|----------------------------|---------------------|---------------------|--------------------|------------------|-----------------------------|
| | Accumulated sales | Accumulated cost | Accumulated profit | Advance | Reserve for receivables (*) |
| Infra works | ₩ 6,989,099 | ₩ 6,668,416 | ₩ 320,683 | ₩ 140,967 | ₩ 53,458 |
| Architectural construction | 14,049,145 | 12,549,666 | 1,499,479 | 61,608 | 22,260 |
| Plant construction | 25,567,142 | 25,206,485 | 360,657 | 568,795 | 235,949 |
| Power | 4,521,417 | 4,419,685 | 101,732 | 157,644 | 37,929 |
| Total | ₩ 51,126,803 | ₩ 48,844,252 | ₩ 2,282,551 | ₩ 929,014 | ₩ 349,596 |

(*) Included in trade receivables.

| | 2014 | | | | |
|----------------------------|---------------------|---------------------|--------------------|--------------------|-----------------------------|
| | Accumulated sales | Accumulated cost | Accumulated profit | Advance | Reserve for receivables (*) |
| Infra works | ₩ 6,855,032 | ₩ 6,440,882 | ₩ 414,150 | ₩ 163,298 | ₩ 35,694 |
| Architectural construction | 12,640,609 | 11,322,644 | 1,317,965 | 83,493 | 12,557 |
| Plant construction | 22,398,299 | 21,815,083 | 583,216 | 955,121 | 145,842 |
| Power | 3,694,450 | 3,525,166 | 169,284 | 128,857 | 36,782 |
| Total | ₩ 45,588,390 | ₩ 43,103,775 | ₩ 2,484,615 | ₩ 1,330,769 | ₩ 230,875 |

(*) Included in trade receivables.

(3) Details of dues from customers and dues to customers related to construction are as follows (Korean won in millions):

| | 2015 | | 2014 | |
|----------------------------|---------------------|--------------------|---------------------|-------------------|
| | Dues from customers | Dues to customers | Dues from customers | Dues to customers |
| Infra works | ₩ 481,976 | ₩ 147,812 | ₩ 522,476 | ₩ 131,348 |
| Architectural construction | 183,138 | 647,822 | 209,023 | 391,807 |
| Plant construction | 1,109,873 | 378,628 | 1,336,437 | 326,120 |
| Power | 279,415 | 104,498 | 313,642 | 35,765 |
| Total | ₩ 2,054,402 | ₩ 1,278,760 | ₩ 2,381,578 | ₩ 885,040 |

8. Construction contracts (cont'd)

(4) Details of major joint construction contracts as at December 31, 2015 are as follows (Korean won in millions):

| | Total contract amount | Amounts attributable to the Group | Equity interest attributable to the Group | Principal contractee |
|------------------------------------|-----------------------|-----------------------------------|---|-------------------------------------|
| Karbala Refinery Project | ₩ 6,907,862 | ₩ 2,590,448 | 37.50% | Hyundai E&C |
| Clean Fuels Project | 4,878,235 | 1,626,078 | 33.33% | JGC |
| NSRP Project | 5,676,551 | 1,419,138 | 25.00% | JGC |
| STAR Project | 4,351,382 | 1,450,461 | 33.33% | GS E&C |
| Ruwais 4th NGL Project | 2,409,516 | 1,274,152 | 52.88% | Petrofac |
| PP-12 Combined Thermal Power Plant | 1,385,177 | 692,588 | 50.00% | Arabian Bemco Contracting Co., Ltd. |
| UHV Plant Project | 1,113,909 | 668,345 | 60.00% | GS E&C |
| Singapore Marina South | 1,371,426 | 548,571 | 40.00% | Hyundai E&C |
| P8E C/R & Utility Construction | 812,752 | 487,651 | 60.00% | GS E&C |
| Boryeong LNG Terminal Project | 883,788 | 486,084 | 55.00% | GS E&C |

(5) Total revenue and cost of contract for constructions in progress has been revised at the end of this fiscal year due to change in construction costs. The effects on profit or loss are as follows (Korean won in millions):

| | Changes in contract revenue | Changes in contract cost | Effect on current profit or loss | Effect on future profit or loss | Changes in the gross amount due from customer |
|----------------------------|-----------------------------|--------------------------|----------------------------------|---------------------------------|---|
| Architectural construction | ₩ 366,388 | ₩ 59,292 | ₩ 126,556 | ₩ 180,540 | ₩ 126,556 |
| Infra works | 376,177 | 378,532 | (37,889) | 35,534 | (37,889) |
| Power | 96,145 | 189,543 | (102,152) | 8,754 | (102,152) |
| Plant construction | 597,166 | 906,705 | (356,777) | 47,238 | (356,777) |
| Total | ₩ 1,435,876 | ₩ 1,534,072 | ₩ (370,262) | ₩ 272,066 | ₩ (370,262) |

At this fiscal year end, effects on profit or loss is measured based on the estimated contract cost and revenue in consideration of events occurred since the issuance of contract. The contract cost and revenue may change in the future.

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9. Inventories and other current assets

(1) Inventories as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | | 2014 |
|---------------------------------|------------------|----------|----------------|
| Land held for development | ₩ 324,736 | ₩ | 249,993 |
| Finished housing | 16,999 | | 10,394 |
| Goods and products | 718 | | 500 |
| Raw materials | 37,034 | | 23,220 |
| Unfinished housing construction | 415,247 | | 327,843 |
| Supplies | 788 | | 1,275 |
| Total | ₩ 795,522 | ₩ | 613,225 |

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

| | 2015 | | 2014 |
|----------------------------|--------------------|----------|----------------|
| Prepaid construction costs | ₩ 389,444 | ₩ | 355,363 |
| Advance payments | 588,122 | | 451,366 |
| Prepaid expenses | 96,755 | | 62,270 |
| Prepaid value added tax | 85,826 | | 80,279 |
| Prepaid income taxes | 47,518 | | 32,765 |
| Total | ₩ 1,207,665 | ₩ | 982,043 |

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10. Category of financial assets and liabilities

(1) Category of financial assets as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| 2015 | | | | | |
|---------------------------------------|--|---|---|---|--------------------|
| | Loans and other receivables | Financial assets at fair- value through profit or loss | Derivative financial instruments | Available-for- sale financial assets | Total |
| Cash and cash equivalents | ₩ 2,428,628 | ₩ - | ₩ - | ₩ - | ₩ 2,428,628 |
| Trade and other receivables (*) | 2,694,387 | - | - | - | 2,694,387 |
| Short-term financial assets | 146,912 | 7,608 | 214,349 | - | 368,869 |
| Long-term trade and other receivables | 887,676 | - | - | - | 887,676 |
| Long-term financial assets | 135,552 | - | - | 208,552 | 344,104 |
| Total | ₩ 6,293,155 | ₩ 7,608 | ₩ 214,349 | ₩ 208,552 | ₩ 6,723,664 |

(*) Excludes dues from customers related to construction.

| 2014 | | | | | |
|---------------------------------------|--|---|---|---|--------------------|
| | Loans and other receivables | Financial assets at fair- value through profit or loss | Derivative financial instruments | Available-for- sale financial assets | Total |
| Cash and cash equivalents | ₩ 2,151,187 | ₩ - | ₩ - | ₩ - | ₩ 2,151,187 |
| Trade and other receivables (*) | 2,192,243 | - | - | - | 2,192,243 |
| Short-term financial assets | 170,811 | 23 | 161,837 | - | 332,671 |
| Long-term trade and other receivables | 842,194 | - | - | - | 842,194 |
| Long-term financial assets | 169,624 | - | - | 177,842 | 347,466 |
| Total | ₩ 5,526,059 | ₩ 23 | ₩ 161,837 | ₩ 177,842 | ₩ 5,865,761 |

(*) Excludes dues from customers related to construction.

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10. Category of financial assets and liabilities (cont'd)

(2) Category of financial liabilities as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | | | |
|--|---|---|---|--------------------|
| | Financial liabilities at fair-value through profit or loss | Derivative financial instruments | Other financial liabilities at amortized costs | Total |
| Trade and other payables | ₩ - | ₩ - | ₩ 2,066,787 | ₩ 2,066,787 |
| Short-term financial liabilities | 1,037 | 160,426 | 1,923,977 | 2,085,440 |
| Other current liabilities (*1) | - | - | 227,177 | 227,177 |
| Long-term trade and other payables | - | - | 162,564 | 162,564 |
| Long-term financial liabilities | - | 4,200 | 1,615,555 | 1,619,755 |
| Other non-current liabilities (*2) | - | - | 146,855 | 146,855 |
| Non-current provision liabilities (*3) | - | - | 271,120 | 271,120 |
| Total | ₩ 1,037 | ₩ 164,626 | ₩ 6,414,035 | ₩ 6,579,698 |

(*1) Consists of accrued expenses, accrued dividends and current membership guarantee deposits.

(*2) Consists of security deposits and non-current membership guarantee deposits.

(*3) Represents provision for financial guarantees.

| | 2014 | | | |
|--|---|---|---|--------------------|
| | Financial liabilities at fair-value through profit or loss | Derivative financial instruments | Other financial liabilities at amortized costs | Total |
| Trade and other payables | ₩ - | ₩ - | ₩ 1,633,207 | ₩ 1,633,207 |
| Short-term financial liabilities | - | 200,632 | 1,509,357 | 1,709,989 |
| Other current liabilities (*1) | - | - | 249,776 | 249,776 |
| Long-term trade and other payables | - | - | 136,080 | 136,080 |
| Long-term financial liabilities | - | 4,647 | 2,482,583 | 2,487,230 |
| Other non-current liabilities (*2) | - | - | 223,747 | 223,747 |
| Non-current provision liabilities (*3) | - | - | 146,526 | 146,526 |
| Total | ₩ - | ₩ 205,279 | ₩ 6,381,276 | ₩ 6,586,555 |

(*1) Consists of accrued expenses, accrued dividends and current membership guarantee deposits.

(*2) Consists of security deposits and non-current membership guarantee deposits.

(*3) Represents provision for financial guarantees.

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10. Category of financial assets and liabilities (cont'd)

(3) Net gains and losses on financial instruments by category for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| 2015 | | | | | | |
|---|--------------------------|---|--|---|---|--------------------|
| | Loans and receivables | Assets (liabilities) at fair-value through profit or loss | Derivative financial instruments | Available- for-sale financial assets | Other financial liabilities at amortized costs | Total |
| Interest income | ₩ 42,455 | ₩ - | ₩ - | ₩ 59 | ₩ - | ₩ 42,514 |
| Interest expenses | - | - | - | - | (118,899) | (118,899) |
| Gain (loss) on foreign currency translation | 72,837 | - | - | - | (60,246) | 12,591 |
| Gain (loss) on foreign currency transactions | (25,081) | - | - | - | (52,073) | (77,154) |
| Gain (loss) on derivative valuation | - | 6,570 | 59,837 | - | - | 66,407 |
| Gain (loss) on derivative transactions | - | 4,113 | (37,103) | - | - | (32,990) |
| Dividend income | - | - | - | 581 | - | 581 |
| Other finance income (loss) | (158,060) | (118) | - | 8,971 | (101,533) | (250,740) |
| Total | ₩ (67,849) | ₩ 10,565 | ₩ 22,734 | ₩ 9,611 | ₩ (332,751) | ₩ (357,690) |

| 2014 | | | | | | |
|---|--------------------------|---|--|---|---|-----------------|
| | Loans and receivables | Assets (liabilities) at fair-value through profit or loss | Derivative financial instruments | Available- for-sale financial assets | Other financial liabilities at amortized costs | Total |
| Interest income | ₩ 59,626 | ₩ - | ₩ - | ₩ 134 | ₩ - | ₩ 59,760 |
| Interest expenses | - | - | - | - | (116,031) | (116,031) |
| Gain (loss) on foreign currency translation | 40,819 | - | - | - | (67,757) | (26,938) |
| Gain (loss) on foreign currency transactions | (938) | - | - | - | 51,882 | 50,944 |
| Gain (loss) on derivative valuation | - | 8 | 15,117 | - | - | 15,125 |
| Gain (loss) on derivative transactions | - | (12,615) | 2,719 | - | - | (9,896) |
| Dividend income | - | - | - | 265 | - | 265 |
| Other finance income (loss) | 15,302 | (329) | - | (4,283) | 31,016 | 41,706 |
| Total | ₩ 114,809 | ₩ (12,936) | ₩ 17,836 | ₩ (3,884) | ₩ (100,890) | ₩ 14,935 |

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11. Available-for-sale financial assets

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

| | 2015 | 2014 |
|----------------------------------|------------------|------------------|
| Government bonds | ₩ 987 | ₩ 894 |
| Debt securities | 5,245 | 5,242 |
| Marketable equity securities | 209 | - |
| Non-marketable equity securities | 202,111 | 171,706 |
| Total | ₩ 208,552 | ₩ 177,842 |

(2) Changes in available-for-sale financial assets for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|--------------------------------|------------------|------------------|
| Beginning | ₩ 177,842 | ₩ 160,394 |
| Acquisition | 47,208 | 54,050 |
| Disposal | (16,295) | (32,518) |
| Impairment | (361) | (4,401) |
| Valuation | 158 | 425 |
| Changes in consolidation scope | - | (108) |
| Ending | ₩ 208,552 | ₩ 177,842 |

(3) Details of marketable equity securities as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| Investee | Number of shares | Equity interest (%) | 2015 | | 2014 | |
|--------------------|------------------|---------------------|------------------|------------|------------------|------------|
| | | | Acquisition cost | Book value | Acquisition cost | Book value |
| Dongbu Corporation | 22,665 | 0.26 | ₩ 113 | ₩ 209 | ₩ - | ₩ - |

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

(4) Details of non-marketable equity securities as at December 31, 2015, and 2014 are as follows (Korean won in millions):

| Investee | Number of shares | Equity interest (%) | Acquisition cost | | Book value | |
|--|------------------|---------------------|------------------|---------|------------|---------|
| | | | 2015 | 2014 | 2015 | 2014 |
| Public Development Co., Ltd. | 394,655 | 17.09 | ₩ 3,947 | ₩ 3,947 | ₩ 4,258 | ₩ 4,258 |
| Asiad Country Club Co., Ltd. (Formerly, Busan Travel & Development Co., Ltd.) | 80,000 | 2.67 | 400 | 400 | - | - |
| Alpha Dome City Co., Ltd. | 3,933,600 | 4.25 | 19,668 | 19,668 | 17,587 | 17,587 |
| Bichaenoori Development Co., Ltd. | 657,800 | 11.50 | 3,289 | 3,289 | - | - |
| Bichaenoori Co., Ltd. | 11,500 | 11.50 | 58 | 58 | - | - |
| The 2nd YoungDong Highway Co., Ltd. | 3,116,993 | 5.84 | 15,585 | 15,585 | 15,000 | 15,000 |
| Junju Drain Co., Ltd. | 207,060 | 7.90 | 1,035 | 1,035 | 1,035 | 1,035 |
| Eumseong Sewage Pipe Co., Ltd. | 67,210 | 6.30 | 336 | 336 | 336 | 336 |
| Y-S highway Co., Ltd. | 5,293,000 | 10.01 | 26,465 | 21,620 | 26,465 | 21,620 |
| Youngduk&Bio Co., Ltd. | 34,870 | 4.22 | 174 | 174 | 174 | 174 |
| Yangju Eco Corporation | 1,900 | 19.00 | 10 | 10 | 10 | 10 |
| Alpharos PFV Co., Ltd. | 2,299,200 | 9.58 | 11,496 | 11,496 | - | - |
| Alpharos Mixed-use Development Co., Ltd. | 9,580 | 9.58 | 48 | 48 | - | - |
| Alpha Dome City Asset Management Co., Ltd. | 4,000 | 4.00 | 20 | 20 | 20 | 20 |
| Seoul Northern Highway Co., Ltd. | 2,730,560 | 5.60 | 13,653 | 13,653 | 13,653 | 13,653 |
| New Seoul Railroad Co., Ltd. | 62,735 | 7.46 | 314 | 314 | 314 | 314 |
| MILESEUM Co., Ltd. | 86,645 | 1.63 | 433 | 433 | 433 | 433 |
| Midan City Development Co., Ltd. | 2,391,480 | 13.40 | 13,240 | 9,049 | 12,129 | 7,938 |
| Masan Drain Co., Ltd. | 220,890 | 8.14 | 1,104 | 1,104 | 1,104 | 1,104 |
| Dream Hub Project Financial Investment | 4,000,000 | 2.00 | 20,000 | 20,000 | - | - |
| Daejeon Sewage Pipe Co., Ltd. | 108,456 | 4.00 | 830 | 830 | 830 | 830 |
| Dangyul Co., Ltd. | 128,228 | 11.29 | 641 | 641 | 641 | 641 |
| Nonsan Drain Co., Ltd. | 91,868 | 11.90 | 459 | 459 | 459 | 459 |
| South-Seoul LRT Co., Ltd. | 1,370 | 0.98 | 7 | 7 | 7 | 7 |
| Gyeonggi Highway Co., Ltd. | 495,000 | 2.77 | 2,475 | 2,475 | 2,475 | 2,475 |
| Kangreung Sewage Pipe Co., Ltd. | 50,682 | 3.30 | 253 | 253 | 253 | 253 |
| Kangnam Inter Circular Road Co., Ltd. | 414,000 | 1.34 | 2,070 | 2,070 | 2,070 | 2,070 |
| Gaya Railway Co., Ltd. | 305,490 | 2.30 | 1,527 | 1,527 | 1,527 | 1,527 |
| The Korea Economic Daily International Convention Center Jeju | 646 | 0.00 | 14 | 14 | 14 | 14 |
| Wonju Green Co., Ltd. | 100,000 | 0.30 | 500 | 500 | 500 | 500 |
| GS Cu Chi Development One-member Ltd. | 226,376 | 11.03 | 1,132 | 1,132 | 1,132 | 1,132 |
| Uijeongbu LRT Inc. | 0.1 | 5.00 | 713 | 713 | 615 | 615 |
| Ulsan green Co., Ltd. | 8,663,394 | 47.54 | 45,226 | 45,226 | - | - |
| Clean Gimpo Co., Ltd. | 701,368 | 19.74 | 3,507 | 3,507 | 3,507 | 3,507 |
| | 403,032 | 22.81 | 1,949 | 1,949 | 1,949 | 1,949 |

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

| Investee | Number of shares | Equity interest (%) | Acquisition cost | | Book value | |
|---|------------------|---------------------|------------------|------------------|------------------|------------------|
| | | | 2015 | 2014 | 2015 | 2014 |
| Seoul Tunnel Co., Ltd. | 551,616 | 12.09 | 2,758 | 1,353 | 2,758 | 1,353 |
| Green Energy Development Co., Ltd. | 81,000 | 27.00 | 405 | 405 | 405 | 405 |
| Seoul-Munsan Highway Co., Ltd. | 955,015 | 50.41 | 4,775 | 2,864 | 4,775 | 2,864 |
| Oksan Ochang Highway Corporation | 5,988,000 | 60.00 | 29,940 | 18,910 | 29,940 | 18,910 |
| Eun Pyung New Road Corp. | 435,200 | 55.06 | 2,176 | 2,176 | 2,176 | 2,176 |
| Gumi Green Water Co., Ltd. | 64,380 | 43.10 | 322 | 2 | 322 | 2 |
| Paju-Yangju Powerful Army Co., Ltd. | 89,289 | 8.00 | 447 | 447 | 447 | 447 |
| Evergreen Goyang Co., Ltd. | 24,267 | 1.76 | 121 | 121 | 121 | 121 |
| Seoul Beltway Corporation | 422,720 | 20.00 | 2,114 | 2 | 2,114 | 2 |
| Daegu Green Energy Center Co., Ltd. | 474,400 | 10.20 | 2,372 | 2,372 | 2,372 | 2,372 |
| HANIL ENGINEERING & CONSTRUCT CO., Ltd. | 13,810 | 1.00 | 69 | 69 | 69 | 69 |
| KUKDONG E&C | 40,883 | 0.82 | 204 | 145 | 204 | 145 |
| POONGLIM INDUSTRIAL CO., LTD. | 280 | 0.00 | 1 | 1 | 1 | 1 |
| DAEJEON Green Energy Centre Ltd. | 396,792 | 10.20 | 1,984 | 1,984 | 1,984 | 1,984 |
| Bumyang asset management | 725 | 0.12 | 4 | 4 | 4 | 4 |
| Seo-seoul City Expressway Co., Ltd. | 42,652 | 14.08 | 213 | 1 | 213 | 1 |
| Seoseoul highway (Funds) | 331,047,657 | 35.94 | 331 | 176 | 331 | 176 |
| Seoul National University Medical Hub Co., Ltd. | 3,750 | 25.00 | 19 | 19 | 19 | 19 |
| Shiheung echopia Co., Ltd. | 30,530 | 3.51 | 153 | 153 | 153 | 153 |
| Ssangyong E&C Co., Ltd. | 8,244 | 0.02 | 41 | 353 | 41 | 353 |
| STX E&C Co., Ltd. | 7,598 | 0.24 | 38 | 38 | 38 | 38 |
| Korea Investment Trust Management | 9,960,000,000 | 29.07 | 9,960 | 9,960 | 9,960 | 9,960 |
| Engineering Construction Financial Cooperative (*1) | 10,250 | 1.29 | 4,606 | 3,925 | 4,606 | 3,925 |
| Electric Construction Financial Cooperative | 600 | 0.01 | 98 | 98 | 98 | 98 |
| Construction Guarantee Cooperative | 14,263 | 0.36 | 14,092 | 14,092 | 14,244 | 14,244 |
| Information & Communication Financial Cooperative | 440 | 0.04 | 61 | 61 | 61 | 61 |
| Fire Guarantee Cooperative | 40 | 0.02 | 20 | 20 | 20 | 20 |
| Korea Housing Guarantee Co., Ltd. | - | - | - | 21,532 | - | 8,462 |
| CL Co., Ltd. | 9,113 | 16.43 | 91 | - | 91 | - |
| Dong Yang Engineering and Construction Corp. | 545 | 0.02 | 3 | - | 3 | - |
| Cheongra Housing Development Real Estate Investment Co., Ltd. | 600,000 | 16.67 | 3,000 | - | 3,000 | - |
| Jinsung Construction Co., Ltd. | 10,095 | 1.39 | 101 | - | 101 | - |
| SR Construction Co., Ltd. | 4,062 | 1.44 | 41 | - | 41 | - |
| Dong-Ah Construction Industrial Co., Ltd. | 95 | 0.00 | - | - | - | - |
| Others (*2) | 10,626,490 | 0.00 | 12,566 | 846 | 12,902 | 3,880 |
| Total | | | ₩ 285,704 | ₩ 265,671 | ₩ 202,111 | ₩ 171,706 |

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

(*1) The Company provided it as collateral for payment guarantees of remaining principal balance of land.

(*2) Includes equity investments in GS (Cambodia) Development Co., Ltd. and GS PP Development Co., Ltd.

If fair value of non-marketable equity securities cannot be measured by reliable measurement model, it is valued at its acquisition cost. Equity securities held by the company with 20% or more of the voting power of the investee which does not have significant influence is classified as available for sale investment and is included in the above non-marketable equity securities.

12. Derivative instruments

Details of derivative instruments as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | | 2015 | | | | | | | | |
|------------------------|--------------------|------------------|------------------|------------------|-----------------|-----------------|--|------------------|-------------------|---|
| | | Valuation | | Gain or loss | | | Accumulated other comprehensive income (*) | | | |
| | | Assets | Liabilities | Gain | Loss | Net | Gain | Loss | Net | |
| | | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ |
| Derivative instruments | Forwards | 21,378 | 130,026 | 19,423 | 54,510 | (35,087) | 30,158 | 121,342 | (91,184) | |
| | Interest rate swap | - | 4,200 | - | - | - | (516) | - | (516) | |
| Sub-total | | 21,378 | 134,226 | 19,423 | 54,510 | (35,087) | 29,642 | 121,342 | (91,700) | |
| Firm commitments | Forwards | 200,579 | 31,437 | 114,619 | 13,125 | 101,494 | - | - | - | |
| Total | | ₩ 221,957 | ₩ 165,663 | ₩ 134,042 | ₩ 67,635 | ₩ 66,407 | ₩ 29,642 | ₩ 121,342 | ₩ (91,700) | |

(*) Gain (loss) on valuation of derivatives are presented before income tax effects.

| | | 2014 | | | | | | | | |
|------------------------|--------------------|------------------|------------------|------------------|------------------|-----------------|--|------------------|-------------------|---|
| | | Valuation | | Gain or loss | | | Accumulated other comprehensive income (*) | | | |
| | | Assets | Liabilities | Gain | Loss | Net | Gain | Loss | Net | |
| | | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ |
| Derivative instruments | Forwards | 33,751 | 149,300 | 9,990 | 82,299 | (72,309) | 37,502 | 118,215 | (80,713) | |
| | Interest rate swap | - | 4,647 | - | - | - | 1,474 | - | 1,474 | |
| Sub-total | | 33,751 | 153,947 | 9,990 | 82,299 | (72,309) | 38,976 | 118,215 | (79,239) | |
| Firm commitments | Forwards | 128,108 | 51,332 | 109,391 | 21,957 | 87,434 | - | - | - | |
| Total | | ₩ 161,859 | ₩ 205,279 | ₩ 119,381 | ₩ 104,256 | ₩ 15,125 | ₩ 38,976 | ₩ 118,215 | ₩ (79,239) | |

(*) Gain (loss) on valuation of derivatives are presented before income tax effects.

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13. Investments in associates

(1) Changes in investments in associates for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | | 2015 | | | | | |
|---------------------------------------|----------------------|-----------------|---------------------|------------------------------|-------------------|--------------------------|-----------------|
| | Equity ownership (%) | Beginning | Increase (decrease) | Gain (loss) on equity method | Changes in equity | Changes in consolidation | Ending |
| Major Development Co., Ltd. | 40.00 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | - |
| GS-HP Corp. (*) | - | 3,248 | (563) | 289 | (44) | (2,930) | - |
| Cadiz San Fernando, A.I.E. | 21.95 | 1,348 | - | 197 | (191) | - | 1,354 |
| Participes de Biorreciclaje S.A. | 33.33 | 4,731 | - | 222 | (192) | - | 4,761 |
| Shariket Miyeh Ras Djinet, Spa | 25.49 | 7,551 | - | 1,130 | (984) | - | 7,697 |
| Shariket Tahlya Miyah Mostaganem, Spa | 25.50 | 19,476 | - | 2,771 | (2,531) | - | 19,716 |
| Total | | ₩ 36,354 | ₩ (563) | ₩ 4,609 | ₩ (3,942) | ₩ (2,930) | ₩ 33,528 |

(*) The Group wholly disposed of its equity interest in Parnas Hotel Co., Ltd. in 2015 and lost significant influence over the subsidiary.

| | | 2014 | | | | | |
|---------------------------------------|----------------------|-----------------|---------------------|------------------------------|-------------------|--------------------------|-----------------|
| | Equity ownership (%) | Beginning | Increase (decrease) | Gain (loss) on equity method | Changes in equity | Changes in consolidation | Ending |
| Major Development Co., Ltd. | 40.00 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | - |
| GS-HP Corp. | 30.00 | 3,058 | (515) | 626 | 79 | - | 3,248 |
| Cadiz San Fernando, A.I.E. | 21.95 | 1,394 | - | 183 | (229) | - | 1,348 |
| Participes de Biorreciclaje S.A. | 33.33 | 4,440 | - | 687 | (396) | - | 4,731 |
| Shariket Miyeh Ras Djinet, Spa | 25.49 | 6,237 | - | 1,862 | (548) | - | 7,551 |
| Shariket Tahlya Miyah Mostaganem, Spa | 25.50 | 17,046 | - | 3,872 | (1,442) | - | 19,476 |
| HNH Development Co., Ltd. | - | 150 | - | - | - | (150) | - |
| Total | | ₩ 32,325 | ₩ (515) | ₩ 7,230 | ₩ (2,536) | ₩ (150) | ₩ 36,354 |

(2) Changes in joint venture for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| 2015 | | Equity ownership (%) | Beginning | Gain (loss) on equity method | Changes in equity | Ending |
|----------------------|-------|----------------------|--------------|------------------------------|-------------------|----------------|
| G&M Estate Co., Ltd. | 50.00 | ₩ | 261 | ₩ 135 | ₩ - | ₩ 396 |
| Hialeah Water, LLP | 50.00 | | 358 | (1,860) | 3,598 | 2,096 |
| Total | | | ₩ 619 | ₩ (1,725) | ₩ 3,598 | ₩ 2,492 |

| 2014 | | Equity ownership (%) | Beginning | Gain (loss) on equity method | Changes in equity | Ending |
|----------------------|-------|----------------------|--------------|------------------------------|-------------------|--------------|
| G&M Estate Co., Ltd. | 50.00 | ₩ | 121 | ₩ 140 | ₩ - | ₩ 261 |
| Hialeah Water, LLP | 50.00 | | - | (1,435) | 1,793 | 358 |
| Total | | | ₩ 121 | ₩ (1,295) | ₩ 1,793 | ₩ 619 |

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13. Investments in associates (cont'd)

(3) Equity method of accounting has been suspended due to accumulated losses, and unrecognized losses in equity for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| 2015 | | | |
|-----------------------------|------------------|----------------------------|---------------|
| | Beginning | Increase (decrease) | Ending |
| Major Development Co., Ltd. | ₩ 47,114 | ₩ (12,884) | ₩ 34,230 |

| 2014 | | | |
|-----------------------------|------------------|----------------------------|---------------|
| | Beginning | Increase (decrease) | Ending |
| Major Development Co., Ltd. | ₩ 47,336 | ₩ (222) | ₩ 47,114 |

The unrealized loss disclosed above was recorded as allowance for doubtful account associated with trade receivable from construction.

(4) Summary of financial information on associates and joint ventures is as follows (Korean won in millions):

| 2015 | | | | | | |
|----------------------------------|---------------|--------------------|-------------------|--------------|------------------------------------|---------|
| | Assets | Liabilities | Net assets | Sales | Profit or loss for the year | |
| Associates | | | | | | |
| Major Development Co., Ltd. | ₩ 297,657 | ₩ 383,233 | ₩ (85,576) | ₩ 204,701 | ₩ | 32,209 |
| Cadiz San Fernando, A.I.E. | 10,278 | 4,109 | 6,169 | 5,421 | | 900 |
| Participes de Biorreciclaje S.A. | 146,896 | 132,320 | 14,576 | 20,452 | | 679 |
| Shariket Miyeh Ras Djinet, Spa | 114,248 | 84,048 | 30,200 | 27,821 | | 4,431 |
| Shariket Tahlya Miyah | | | | | | |
| Mostaganem, Spa | 212,487 | 135,170 | 77,317 | 39,497 | | 10,867 |
| Joint venture | | | | | | |
| G&M Estate Co., Ltd. | 994 | 202 | 792 | 1,827 | | 270 |
| Hialeah Water, LLP | 9,947 | 5,756 | 4,191 | 4,035 | | (3,719) |
| 2014 | | | | | | |
| | Assets | Liabilities | Net assets | Sales | Profit or loss for the year | |
| Associates | | | | | | |
| Major Development Co., Ltd. | ₩ 414,569 | ₩ 532,354 | ₩ (117,785) | ₩ 71,417 | ₩ | 555 |
| GS-HP Corp. | 7,764 | 546 | 7,218 | 5,302 | | 2,086 |
| Cadiz San Fernando, A.I.E. | 11,484 | 5,340 | 6,144 | 6,706 | | 838 |
| Participes de Biorreciclaje S.A. | 100,521 | 86,033 | 14,488 | 23,174 | | 2,104 |
| Shariket Miyeh Ras Djinet, Spa | 128,948 | 99,322 | 29,626 | 28,064 | | 7,305 |
| Shariket Tahlya Miyah | | | | | | |
| Mostaganem, Spa | 235,217 | 158,844 | 76,373 | 42,458 | | 15,183 |
| Joint venture | | | | | | |
| G&M Estate Co., Ltd. | 837 | 369 | 468 | 1,500 | | 226 |
| Hialeah Water, LLP | 3,035 | 3,751 | (716) | 117 | | (2,869) |

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14. Property, plant and equipment

(1) Details of property, plant and equipment as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | | | 2014 | | |
|--------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------|
| | Acquisition cost | Accumulated depreciation | Net book value | Acquisition cost | Accumulated depreciation | Net book value |
| Land | ₩ 605,044 | ₩ - | ₩ 605,044 | ₩ 1,436,253 | ₩ - | ₩ 1,436,253 |
| Buildings | 404,885 | (121,237) | 283,648 | 909,259 | (297,074) | 612,185 |
| Structures | 111,318 | (35,472) | 75,846 | 111,201 | (32,956) | 78,245 |
| Machinery | 41,569 | (29,107) | 12,462 | 61,626 | (43,145) | 18,481 |
| Construction equipment | 104,037 | (32,010) | 72,027 | 77,878 | (20,342) | 57,536 |
| Vehicles | 20,737 | (16,857) | 3,880 | 21,117 | (17,992) | 3,125 |
| Tools | 22,501 | (14,385) | 8,116 | 21,089 | (14,592) | 6,497 |
| Equipment | 151,485 | (105,194) | 46,291 | 218,241 | (132,378) | 85,863 |
| Construction-in progress | 231,217 | - | 231,217 | 157,856 | - | 157,856 |
| Total | ₩ 1,692,793 | ₩ (354,262) | ₩ 1,338,531 | ₩ 3,014,520 | ₩ (558,479) | ₩ 2,456,041 |

(2) Changes in property, plant and equipment for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | | | | | | | |
|--------------------------|--------------------|------------------|-------------------|-------------------|-------------------|----------------------|--------------------------|--------------------|
| | Beginning | Acquisition | Disposal | Depreciation | Transfer | Exchange differences | Changes in consolidation | Ending |
| Land | ₩ 1,436,253 | ₩ - | ₩ (187) | ₩ - | ₩ (54,175) | ₩ (11) | ₩ (776,836) | ₩ 605,044 |
| Buildings | 612,185 | 928 | (20,194) | (26,901) | 3,390 | 5,966 | (291,726) | 283,648 |
| Structures | 78,245 | 618 | (23) | (2,957) | - | 26 | (63) | 75,846 |
| Machinery | 18,481 | 11,063 | (50) | (2,666) | (231) | (63) | (14,072) | 12,462 |
| Construction equipment | 57,536 | 25,654 | (9) | (11,424) | - | 270 | - | 72,027 |
| Vehicles | 3,125 | 2,301 | (636) | (833) | - | 46 | (123) | 3,880 |
| Tools | 6,497 | 3,968 | (68) | (2,198) | - | (83) | - | 8,116 |
| Equipment | 85,863 | 13,878 | (336) | (21,087) | (15) | 559 | (32,571) | 46,291 |
| Construction-in progress | 157,856 | 187,750 | - | - | (22,586) | 436 | (92,239) | 231,217 |
| Total | ₩ 2,456,041 | ₩ 246,160 | ₩ (21,503) | ₩ (68,066) | ₩ (73,617) | ₩ 7,146 | ₩ (1,207,630) | ₩ 1,338,531 |

| | 2014 | | | | | | | |
|--------------------------|--------------------|------------------|-------------------|-------------------|-------------------------|-----------------|----------------------|--------------------|
| | Beginning | Acquisition | Disposal | Depreciation | Reversal of impairments | Transfer | Exchange differences | Ending |
| Land | ₩ 1,373,258 | ₩ 85,717 | ₩ (22,705) | ₩ - | ₩ - | ₩ - | ₩ (17) | ₩ 1,436,253 |
| Buildings | 551,435 | 2,276 | (37,351) | (27,993) | 116 | 119,858 | 3,844 | 612,185 |
| Structures | 79,959 | 1,717 | - | (3,476) | - | 17 | 28 | 78,245 |
| Machinery | 9,035 | 2,711 | (393) | (2,071) | 1 | 9,208 | (10) | 18,481 |
| Construction equipment | 24,704 | 49,116 | (8,831) | (7,565) | - | - | 112 | 57,536 |
| Vehicles | 1,727 | 2,402 | (340) | (662) | - | - | (2) | 3,125 |
| Tools | 7,145 | 1,861 | (778) | (1,637) | - | - | (94) | 6,497 |
| Equipment | 49,734 | 32,402 | (1,021) | (16,896) | - | 21,416 | 228 | 85,863 |
| Construction-in progress | 145,899 | 142,142 | - | - | - | (131,548) | 1,363 | 157,856 |
| Total | ₩ 2,242,896 | ₩ 320,344 | ₩ (71,419) | ₩ (60,300) | ₩ 117 | ₩ 18,951 | ₩ 5,452 | ₩ 2,456,041 |

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14. Property, plant and equipment (cont'd)

(3) Collateral pledged to financial institutions for borrowings as at December 31, 2015 and 2014 are as follows (Korean won in millions).

| 2015 | | | | | |
|--------------------|---------------------|----------------|----------------------|----------------|------------------|
| | Carrying amount | Secured amount | Related account | Related amount | Secured party |
| Land and buildings | ₩ 276,583 56,105 | ₩ 260,840 | Long-term borrowings | ₩ 175,424 | Woori and others |

| 2014 | | | | | |
|--------------------|-----------------|----------------|----------------------|----------------|----------------|
| | Carrying amount | Secured amount | Related account | Related amount | Secured party |
| Land and buildings | ₩ 1,147,555 | ₩ 347,000 | Long-term borrowings | ₩ 63,812 | KDB and others |

15. Intangible assets

(1) Changes in intangible assets for the years ended as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| 2015 | | | | | | | | | |
|-------------------|------------------|----------------|------------------|-------------------|------------------|--------------|----------------------|---------------------------|------------------|
| | Beginning | Acquisition | Disposal | Amortization | Impairment | Transfer | Exchange differences | Changes in consoli dation | Ending |
| Goodwill | ₩ 57,436 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ (2,393) | ₩ - | ₩ 55,043 |
| Lease rights | 1,201 | - | - | (328) | - | - | - | - | 873 |
| Memberships | 52,193 | 207 | (2,714) | - | (3,074) | (31) | 13 | (1,644) | 44,950 |
| Computer software | 3,121 | 2,013 | (30) | (953) | - | 527 | (11) | (1,799) | 2,868 |
| Concession assets | 27,424 | 217 | - | (8,973) | - | - | (1,326) | - | 17,342 |
| Technical rights | 28,445 | - | - | (3,643) | - | - | (1,265) | - | 23,537 |
| Others | 142 | 5 | - | (106) | - | - | (6) | - | 35 |
| Total | ₩ 169,962 | ₩ 2,442 | ₩ (2,744) | ₩ (14,003) | ₩ (3,074) | ₩ 496 | ₩ (4,988) | ₩ (3,443) | ₩ 144,648 |

| 2014 | | | | | | | | | |
|-------------------|------------------|----------------|---------------|-------------------|-------------------|----------------------|--------------------------|--------|--|
| | Beginning | Acquisition | Disposal | Amortization | | Exchange differences | Changes in consolidation | Ending | |
| Goodwill | ₩ 62,555 | ₩ - | ₩ - | ₩ - | ₩ (5,119) | ₩ - | ₩ 57,436 | | |
| Lease rights | 1,528 | - | - | (327) | - | - | 1,201 | | |
| Memberships | 52,199 | - | (24) | - | 18 | - | 52,193 | | |
| Computer software | 2,700 | 1,221 | - | (768) | (29) | (3) | 3,121 | | |
| Concession assets | 40,354 | - | - | (10,060) | (2,870) | - | 27,424 | | |
| Technical rights | 35,220 | - | - | (4,060) | (2,715) | - | 28,445 | | |
| Others | 343 | - | - | (186) | (15) | - | 142 | | |
| Total | ₩ 194,899 | ₩ 1,221 | ₩ (24) | ₩ (15,401) | ₩ (10,730) | ₩ (3) | ₩ 169,962 | | |

15. Intangible assets (cont'd)

(2) Impairment tests for Goodwill

Goodwill is monitored by the management at the operating segment level (cash-generating units or group of cash-generating units). The following is a summary of goodwill allocation for each operating segment (Korean won in millions):

| <u>Operating segments</u> | <u>Allocated goodwill</u> |
|---------------------------|---------------------------|
| Plant | ₩ 54,735 |

Goodwill impairment reviews are undertaken annually. The impairment review performed in 2015 suggests that the carrying value of cash generating units does not exceed the recoverable amount. The recoverable amounts of all CGUs have been determined based on value-in-use calculations. The key assumptions used for value-in-use calculations in 2015 are as follows:

| | <u>Operation profit margin (*1)</u> | <u>Perpetual growth rate (*2)</u> | <u>Post-tax discount rate (*3)</u> |
|-----------------|-------------------------------------|-----------------------------------|------------------------------------|
| Main assumption | 5.3% ~ 18.6% | 2.00% | 8.56% |

(*1) Operation profit margin rate is used to extrapolate cash flows for the next five years.

(*2) Perpetual growth rate is consistent with the projected growth rate after five years in industry reports.

(*3) Post-tax discount rate is applied to cash flow projections.

Possible variations in the amount or timing of the estimated future cash flow may lead to changes in recoverable amount. Accordingly, management continues to monitor revenue and industrial trend.

16. Investment properties

(1) Changes in investment properties for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | <u>2015</u> | <u>2014</u> |
|--------------------------------|-----------------|------------------|
| Beginning | ₩ 121,138 | ₩ 167,188 |
| Changes in consolidation scope | (3,842) | - |
| Acquisition | 297 | 232 |
| Transfer | (1,796) | 10,876 |
| Disposal | (23,173) | (55,247) |
| Depreciation | (1,380) | (1,278) |
| Impairment | - | (700) |
| Exchange differences | 306 | 67 |
| Ending | ₩ 91,550 | ₩ 121,138 |
| Acquisition cost | ₩ 95,761 | ₩ 126,472 |
| Accumulated depreciation | (3,160) | (2,897) |
| Accumulated impairment losses | (1,051) | (2,437) |

(2) Gain and loss on investment properties recognized in profit or loss for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | <u>2015</u> | <u>2014</u> |
|--------------------|------------------|------------------|
| Lease income | ₩ 1,734 | ₩ 2,315 |
| Operating expenses | 3,715 | 4,333 |
| Total | ₩ (1,981) | ₩ (2,018) |

(3) Fair values of investment properties approximate their book values as at December 31, 2015 and 2014.

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17. Current and non-current liabilities

(1) Trade and other payables as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|----------------|--------------------|--------------------|
| Trade payables | ₩ 1,875,843 | ₩ 1,513,449 |
| Other payables | 190,944 | 119,758 |
| Total | ₩ 2,066,787 | ₩ 1,633,207 |

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

| | 2015 | 2014 |
|---|--------------------|--------------------|
| Advance from construction contracts | ₩ 929,014 | ₩ 1,330,769 |
| Advance from apartment sales | 112,353 | 43,898 |
| Dues to customers related to construction | 1,278,760 | 885,040 |
| Advance from customers | 54,004 | 36,999 |
| Withholdings | 247,126 | 96,282 |
| Deposits received | 18,373 | 7,757 |
| Accrued expenses | 58,013 | 76,770 |
| Dividends payable | 9 | 13 |
| Unearned revenue | 7,702 | 9,364 |
| Value added tax withheld | 36,352 | 31,435 |
| Membership guarantee deposits | 169,155 | 172,993 |
| Other liabilities | 67,616 | 77,467 |
| Total | ₩ 2,978,477 | ₩ 2,768,787 |

(3) Details of long-term trade and other payables as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|------------------------------------|-------------|-------------|
| Long-term trade and other payables | ₩ 162,564 | ₩ 136,080 |

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

| | 2015 | 2014 |
|-------------------------------|------------------|------------------|
| Long-term deposits received | ₩ 3,406 | ₩ 9,387 |
| Leasehold deposits received | 86,935 | 111,219 |
| Membership guarantee deposits | 59,920 | 112,528 |
| Total | ₩ 150,261 | ₩ 233,134 |

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18. Financial liabilities

(1) Details of short-term and long-term financial liabilities as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|---|--------------------|--------------------|
| Short-term financial liabilities | | |
| Short-term borrowings | ₩ 948,109 | ₩ 1,025,712 |
| Current portion of long-term debts | 979,769 | 484,120 |
| Present value discount | - | (475) |
| Discount on debentures | (1,236) | - |
| Conversion right adjustments | (2,665) | - |
| Derivative liabilities | 161,463 | 200,632 |
| Total | ₩ 2,085,440 | ₩ 1,709,989 |
| Long-term financial liabilities | | |
| Long-term borrowings | ₩ 1,315,306 | ₩ 1,573,427 |
| Present value discount | (67,140) | (95,403) |
| Debentures | 290,388 | 938,760 |
| Discount on debentures | (452) | (3,209) |
| Conversion right adjustments | - | (3,510) |
| Derivative liabilities | 4,200 | 4,647 |
| Others (*) | 77,453 | 72,518 |
| Total | ₩ 1,619,755 | ₩ 2,487,230 |

(*) Fair value of put options, which the Company was provided to financial investors by shareholders' agreement as regards participation in the acquisition of a subsidiary, was recorded.

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18. Financial liabilities (cont'd)

(2) Details of short-term borrowings as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| Type | Creditor | Maturity | Annual interest rate (%) | 2015 | 2014 |
|--------------------|-------------------------------------|------------|--------------------------|------------------|--------------------|
| Usance | ANZ | 2016-04-20 | 1.26~1.33 | ₩ 1,465 | ₩ 21,722 |
| | CACIB | - | - | - | 219 |
| | NOVASCOTIA | 2016-05-31 | 1.26 | 87 | 4,449 |
| | SC | 2016-05-25 | 0.72~1.35 | 13,210 | 5,880 |
| | SG | 2016-06-16 | 0.46~1.17 | 7,426 | 5,683 |
| | Kookmin | 2016-06-27 | 0.25~1.34 | 77,529 | 71,646 |
| | Nonghyup | 2016-06-01 | 0.35~1.03 | 7,661 | 34,334 |
| | Deutsche | - | - | - | 141 |
| | Suhyup | 2016-06-13 | 0.34~0.95 | 10,205 | 6,731 |
| | Shinhan | 2016-06-06 | 0.38~1.03 | 11,294 | 11,311 |
| | KEB Hana | 2016-06-27 | 0.30~2.01 | 17,155 | 19,994 |
| | Woori | 2016-06-27 | 0.30~1.13 | 40,184 | 39,248 |
| | ICBC | 2016-05-17 | 0.96~1.53 | 476 | 2,378 |
| | China | 2016-04-25 | 1.04~1.70 | 985 | 14,150 |
| | KEB Hana | 2016-06-27 | 0.30~1.63 | 34,997 | 55,274 |
| | KDB | 2016-06-27 | 0.50~1.33 | 37,900 | 59,026 |
| General borrowings | Full Moon 1 st Co., Ltd. | 2016-02-25 | 3.40 | 58,000 | - |
| | Pulmun 2 nd Co., Ltd. | 2016-06-23 | 3.60 | 58,000 | - |
| | Woori | 2016-06-29 | 3.27 | 40,000 | - |
| | Macquarie | 2016-12-26 | 4.90 | 50,000 | - |
| | KEB Hana | - | - | - | 22,559 |
| | KEB Hana | 2016-01-05 | 3M Libor + 1.58 | 24,490 | 16,777 |
| | KEB Hana | 2016-02-06 | 3M Libor + 1.73 | 46,685 | 53,901 |
| | Korea Exim | - | - | - | 254,868 |
| | Korea Exim | 2016-12-15 | 3M Libor + 1.56 | 181,776 | 181,063 |
| | KDB | 2016-02-24 | 3M Libor + 1.80 | 147,009 | 60,300 |
| Subsidiaries | HSBC | - | - | - | 54,818 |
| | Shinhan | - | - | - | 5,299 |
| | SABB | 2016-05-05 | 3M Libor + 1.05 | 64,391 | - |
| | HSBC | - | - | - | - |
| | and others (*) | 2016-12-31 | Euribor + 2.50 | 17,184 | 23,941 |
| Total | | | | ₩ 948,109 | ₩ 1,025,712 |

(*) Future cash flows from the service concession arrangements have been pledged as collateral (see Note 34).

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18. Financial liabilities (cont'd)

(3) Details of long-term borrowings as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| Type | Creditor | Maturity | Annual interest rate (%) | 2015 | 2014 |
|--|-------------------------|------------|--------------------------|--------------------|--------------------|
| Long-term borrowings in Korean won | Korea Housing Guarantee | - | - | ₩ - | ₩ 11,940 |
| | 1st BPFC | - | - | - | 150,000 |
| | SK Securities | 2018-01-29 | 3.48 | 500,000 | 500,000 |
| | Woori | 2045-06-11 | 2.50~3.00 | 91,819 | - |
| | KB Insurance | - | - | - | 29,000 |
| | KTB Securities | 2019-02-20 | 3.48~3.49 | 300,000 | 300,000 |
| | SC | 2017-04-24 | 3.20 | 80,000 | - |
| | Korea Exim | 2019-05-29 | 4.25~4.40 | 160,000 | 180,000 |
| Long-term borrowings in foreign currency | Korea Exim | 2016-11-28 | 3M Libor + 2.27~2.35 | 311,062 | 603,036 |
| | HSBC | 2017-05-21 | 3M Libor + 3.25 | 23,440 | 21,984 |
| | First Gulf Bank | 2017-07-16 | 3M Libor + 2.00 | 58,600 | - |
| | National Bank of Kuwait | 2017-11-16 | 4.00 | 115,848 | - |
| Subsidiaries | KDB (*1) | - | - | - | 34,812 |
| | Korea Exim | 2016-08-26 | 3M Libor + 2.37 | 118,412 | 109,882 |
| | Caixa and others (*2) | 2038-11-07 | TR + 8.30 | 94,568 | 115,502 |
| Sub-total | | | | 1,853,749 | 2,056,156 |
| Less: current portion | | | | (538,443) | (482,729) |
| Sub-total | | | | 1,315,306 | 1,573,427 |
| Less: present value discount | | | | (67,140) | (95,403) |
| Total | | | | ₩ 1,248,166 | ₩ 1,478,024 |

(*1) As the Group wholly disposed of its equity interest in Parnas Hotel Co., Ltd. in 2015, liabilities of the Parnas Hotel Co., Ltd. was excluded from consolidation.

(*2) Future cash flows from the service concession arrangements have been pledged as collateral (see Note 34).

(4) Details of debentures as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| Type | Series | Maturity | Annual interest rate (%) | 2015 | 2014 |
|---|---------------------------------------|------------|--------------------------|------------------|------------------|
| Bonds with fixed interest rate | 127th - non-guaranteed debentures | 2017-10-09 | 3.36 | ₩ 200,000 | ₩ 200,000 |
| | 128-1st - non-guaranteed debentures | 2016-02-05 | 3.54 | 320,000 | 320,000 |
| | 128-2nd - non-guaranteed debentures | 2018-02-05 | 3.70 | 60,000 | 60,000 |
| Foreign bonds | Convertible bonds (*1) | 2019-01-28 | 3.25 | 116,865 | 109,882 |
| Bonds of subsidiaries in Korean won | 29th - non-guaranteed debentures (*2) | - | - | - | 100,000 |
| | 30th - non-guaranteed debentures (*2) | - | - | - | 100,000 |
| Bonds of subsidiaries in foreign currency | Bonds (*3) | 2030-03-01 | TR + 9.00 | 34,850 | 50,269 |
| Sub-total | | | | 731,715 | 940,151 |
| Less: current portion | | | | (441,327) | (1,391) |
| Sub-total | | | | 290,388 | 938,760 |
| Less: discount on debentures | | | | (452) | (3,209) |
| Less: conversion right adjustments | | | | - | (3,510) |
| Total | | | | ₩ 289,936 | ₩ 932,041 |

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18. Financial liabilities (cont'd)

(*1) Convertible bonds

The Company issued non-guaranteed foreign convertible bonds on January 23, 2014 in accordance with resolution of the Board of Director's meeting, and details are as follows.

| Division | 129th - non-guaranteed foreign convertible bond |
|---|--|
| Aggregate principal amount of the bonds | USD 100,000,000 |
| Par interest rate | 3.25% |
| Yield to maturity | 3.25% |
| Conversion period | From January 28, 2015 to January 21, 2019 |
| Type of shares to be issued in accordance with the conversion | Fully paid ordinary shares |
| Details of conversion rights | <ol style="list-style-type: none"> 1. Conversion price: ₩ 41,602 per share 2. Payments: paid in full at maturity, redemption at the option of the bondholders, redemption at the option of the issuer 3. Issued: Public offering 4. Adjustments to conversion price: adjustment in the circumstances described under terms and conditions of the bonds (consolidation, subdivision, reclassification or capital reduction, share dividends, capitalization of profits or reserves, distributions, rights issues of shares or options over shares, issues at less than current market price and etc.) |

(*2) As the Group wholly disposed of its equity interest in Parnas Hotel Co., Ltd. in 2015, liabilities of the Parnas Hotel Co., Ltd. was excluded from consolidation.

(*3) Future cash flows from the service concession arrangements have been pledged as collateral (see Note 34).

19. Net defined benefit liability

The Group operates a defined benefit pension plan for its employees, which is recorded at present value of benefits paid using the projected unit credit method based on actuarial assumptions and on a discount basis by Aon Hewitt, an independent actuary firm.

(1) The amounts recognized in the consolidated statements of financial position are as follows (Korean won in millions):

| | December 31, 2015 | December 31, 2014 |
|---|--------------------------|--------------------------|
| Present value of the defined benefit obligation (*) | ₩ 380,012 | ₩ 340,943 |
| Fair value of plan assets | (255,862) | (247,404) |
| Defined benefit liability in the consolidated statements of financial position | ₩ 124,150 | ₩ 93,539 |

(*) The present value of the defined benefit obligation is calculated by deducting contributions to the National Pension Fund of ₩809 million as at December 31, 2015 (2014: ₩972 million).

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19. Net defined benefit liability (cont'd)

(2) Changes in the carrying amount of defined benefit obligation for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|---|------------------|------------------|
| Beginning balance | ₩ 340,943 | ₩ 274,058 |
| Current service cost | 57,129 | 47,333 |
| Past service cost | 11,700 | - |
| Interest expenses | 9,847 | 10,313 |
| Remeasurements: | 26,075 | 47,309 |
| Actuarial gain and loss arising from changes in demographic assumptions | (452) | 1,470 |
| Actuarial gain and loss arising from changes in financial assumptions | 20,346 | 30,204 |
| Experience adjustments | 6,181 | 15,635 |
| Exchange differences | 154 | 73 |
| Payments from plans: | (29,094) | (38,033) |
| Benefit payments | (29,094) | (38,033) |
| Liabilities transferred to a related party | 61 | (110) |
| Changes in consolidation scope | (36,803) | - |
| Ending balance | ₩ 380,012 | ₩ 340,943 |

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

| | 2015 | 2014 |
|---|------------------|------------------|
| Beginning balance | ₩ 247,404 | ₩ 224,557 |
| Interest income | 6,791 | 8,452 |
| Remeasurements: | | |
| Return on plan assets (excluding amounts included in interest income) | (1,847) | (2,854) |
| Contributions: | | |
| Employers | 51,294 | 47,665 |
| Payments from plans: | (22,131) | (30,320) |
| Benefit payments | (21,673) | (29,865) |
| Service costs | (458) | (455) |
| Assets transferred from a related party | 38 | (96) |
| Changes in consolidation scope | (25,687) | - |
| Ending balance | ₩ 255,862 | ₩ 247,404 |

(4) The amounts recognized in the consolidated statement of profit or loss for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|---------------------------|-----------------|-----------------|
| Current service cost | ₩ 57,129 | ₩ 47,333 |
| Past service cost | 11,700 | - |
| Net interest | 3,513 | 2,316 |
| Ending balance (*) | ₩ 72,342 | ₩ 49,649 |

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19. Net defined benefit liability (cont'd)

(*) Represents total expenses for pension benefits:

| | 2015 | 2014 |
|-------------------------------------|-----------------|-----------------|
| Cost of sales | ₩ 55,966 | ₩ 37,455 |
| Selling and administrative expenses | 16,376 | 12,194 |
| Total | ₩ 72,342 | ₩ 49,649 |

(5) The principal actuarial assumptions as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|--|-------|-------------|
| Discount rate | 2.46% | 2.92%~3.14% |
| Future salary increase (including inflation) | 3.00% | 3.00%~4.38% |

Mortality rates used as actuarial assumptions are based on post 2015 figures announced by the Insurance Development Institute.

(6) A quantitative sensitivity analysis for significant assumptions as at December 31, 2015 is as follows (Korean won in millions):

| Assumptions | Sensitivity level (%) | Impact on defined benefit obligation | |
|-------------------------|-----------------------|--------------------------------------|-------------|
| | | 1% increase | 1% decrease |
| Discount rate | 1.00 | ₩ (26,955) | ₩ 30,918 |
| Future salary increases | 1.00 | 30,523 | (27,145) |

20. Non-current provisions

Details of non-current provisions as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | | | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | Beginning | Increase | Decrease | Ending |
| Provisions for financial guarantee | ₩ 146,527 | ₩ 153,631 | ₩ 29,038 | ₩ 271,120 |
| Provisions for construction warranty | 129,237 | 68,011 | 69,950 | 127,298 |
| Provisions for others | 11,314 | 35,116 | 42,175 | 4,255 |
| Total | ₩ 287,078 | ₩ 256,758 | ₩ 141,163 | ₩ 402,673 |

| | 2014 | | | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | Beginning | Increase | Decrease | Ending |
| Provisions for financial guarantee | ₩ 162,474 | ₩ 134,265 | ₩ 150,212 | ₩ 146,527 |
| Provisions for construction warranty | 130,994 | 64,638 | 66,395 | 129,237 |
| Provisions for others | 8,283 | 84,289 | 81,258 | 11,314 |
| Total | ₩ 301,751 | ₩ 283,192 | ₩ 297,865 | ₩ 287,078 |

21. Commitments and contingencies

(1) As at December 31, 2015, the Group has been provided with guarantees of ₩9,761,645 million (2014: ₩8,541,380 million) from the Construction Guarantee and other business partners in relation to its construction performance, sales of housing lots and construction warranty. As at December 31, 2015, the Group has been provided with guarantees of ₩288,570 million (2014: ₩540,413 million) from the Korea Exim Bank and others in relation to letter of credits and ₩4,851,095 million (2014: ₩4,934,488 million) from the Korea Exim Bank and others in relation to the performance of its overseas construction projects.

(2) As at December 31, 2015, the Group has provided construction performance guarantees and payment guarantees of ₩261,092 million (2014: ₩240,403 million) in relation to its overseas construction projects and the Group has provided guarantees of ₩6,704,228 million (2014: ₩2,475,893 million) to its business partners.

(3) As at December 31, 2015, in relation to housing loans and temporary relocation costs of future tenants during the construction period, the Group has provided guarantees of ₩121,097 million (2014: ₩591,712 million) within the limit of ₩121,097 million through agreements with financial institutions. Also, in relation to redevelopment projects, the Group has provided payment guarantees of ₩602,624 million (2014: ₩686,311 million) within the limit of ₩987,168 million through agreements with reconstruction project cooperatives as at December 31, 2015.

(4) On behalf of the entities incorporated under the *Act on Private Investment in Social Overhead Capital*, the Group and its partners have provided payment guarantees of ₩851,868 million (Group's share: ₩204,237 million) (2014: ₩908,889 million (Group's share: ₩206,556 million)) and provided ₩105,137 million (2014: ₩73,212 million) of its shares as collateral as at December 31, 2015. Also, the Group and its partners have provided put options and other commitments of ₩448,679 million (Group's share: ₩118,004 million) (2014: ₩352,679 million (Group's share: ₩66,317 million)) to the financial investors of Ulsan Green Co., Ltd. and others.

(5) In relation to asset securitization, the Group has provided payment guarantees of ₩115,985 million (2014: ₩140,551 million) to MSK Yeonsan Limited and other parties, as at December 31, 2015.

(6) As at December 31, 2015, the Group has provided construction guarantees and sales-guarantees of ₩1,621,238 million (2014: ₩217,300 million), payment guarantees of ₩76,037 million in relation to conditional repurchase of apartment sales.

(7) As at December 31, 2015, the Group has provided 12 blank notes and checks, 40 notes amounting to ₩409,586 million (2014: 12 blank notes, 25 notes amounting to ₩230,525 million) in face value as collaterals to guarantee its construction contracts.

(8) The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. The Group is involved in 74 lawsuits with aggregated claims sought by the Group amounting to ₩457,327 million (2014: 52 litigations amounting to ₩365,697 million) as the plaintiff, and 109 lawsuits with aggregated claims against the Group amounting to ₩223,260 million (2014: 115 litigations amounting to ₩72,775 million) as the defendant. As at December 31, 2015, the outcome of these cases cannot be reasonably determined.

(9) As at December 31, 2015, the Group has provided put options to Copa Inima, a financial investor who participated in the acquisition of a subsidiary in accordance with the shareholders' agreement, and regarding the participation in the acquisition of a subsidiary, the put options can be exercised in three months after seven years from May 31, 2012 (acquisition date) at the exercise price which is the principal amount including 3.84% annual compound interest.

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21. Commitments and contingencies (cont'd)

(10) As at December 31, 2015, the Group provided payment guarantees of ₩1,710,372 million (2014: ₩1,593,675 million) within the limit of ₩1,756,372 million through agreements with financial institutions for the borrowings of the developers of the construction projects. Details of guaranteed borrowings are ABCP and ABSTB amounting to ₩1,263,900 million (2014: ₩1,067,400 million) and other PF loans amounting to ₩446,472 million (2014: ₩526,275 million), respectively (excluding borrowings for intermediate payments, relocation expenses, completion guarantee, SOC and others.).

Major guarantees the Group provided to developers as at December 31, 2015 are as follows (Korean won in millions):

| Location | creditor | Loan balance | Guaranteed amount | Details | Loan period | Type |
|----------------------|-----------------------|--------------|-------------------|----------------|-----------------|-----------------------------|
| Gyeonggi province | Securities and others | ₩ 330,621 | ₩ 330,621 | Debt guarantee | 2014.07~2016.10 | ABCP, ABSTB and other loans |
| Gyeonggi province | Securities and others | 134,200 | 134,200 | Debt guarantee | 2014.04~2017.08 | ABCP, ABSTB and other loans |
| Gyeonggi province | Securities and others | 165,000 | 165,000 | Debt guarantee | 2014.10~2016.09 | ABCP, ABSTB and other loans |
| Gyeonggi province | Securities and others | 140,000 | 140,000 | Debt guarantee | 2015.10~2016.11 | ABCP, ABSTB and other loans |
| Gyeonggi province | Securities and others | 125,000 | 125,000 | Debt guarantee | 2015.10~2016.09 | ABCP, ABSTB |
| Gyeonggi province | Securities | 120,000 | 120,000 | Debt guarantee | 2015.06~2016.06 | ABCP, ABSTB |
| Seoul | Securities | 89,600 | 89,600 | Debt guarantee | 2015.03~2016.04 | ABCP, ABSTB and other loans |
| Chungcheong province | Securities and others | 89,351 | 89,351 | Debt guarantee | 2015.08~2016.08 | ABCP, ABSTB and other loans |
| Gyeonggi province | Securities and others | 73,000 | 73,000 | Debt guarantee | 2015.11~2019.03 | ABCP, ABSTB and other loans |
| Seoul | Securities and others | 62,000 | 62,000 | Debt guarantee | 2015.11~2019.01 | ABCP, ABSTB |

(11) GS Inima Environment S.A., a subsidiary, has provided as collateral future cash flows from the service concession arrangements and has pledged payment guarantees related to borrowings from financial institutes.

22. Issued capital and share premium

(1) Details of issued capital as at December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---------------------|--------------------|--------------------|
| Authorized shares | 200,000,000 shares | 200,000,000 shares |
| Par value per share | ₩ 5,000 | ₩ 5,000 |
| Outstanding shares | 71,000,000 shares | 71,000,000 shares |
| Issued capital | ₩ 355,000 million | ₩ 355,000 million |

(2) Details of share premium as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|--------------------------------|------------------|------------------|
| Gain on sale of treasury stock | ₩ 9,725 | ₩ 9,724 |
| Additional paid-in capital | 558,104 | 558,104 |
| Gain on business combination | 15,002 | 15,002 |
| Other additional capital | 27,818 | 27,804 |
| Total | ₩ 610,649 | ₩ 610,634 |

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

(3) Details of other components of equity as at December 31, 2015 and 2014, are as follows (Korean won in millions):

| | 2015 | 2014 |
|---------------------------------|-------------------|--------------------|
| Treasury stock (*1) | ₩ (75,733) | ₩ (75,733) |
| Other components of equity (*2) | (67,616) | (65,078) |
| Hybrid securities (*3) | 56,141 | - |
| Total | ₩ (87,208) | ₩ (140,811) |

(*1) To stabilize the Group's share price, the Group purchased 1,439,281 shares of own stock.

(*2) Present value of exercising price of put option, which the Group has provided to financial investors who participated in the acquisition of a subsidiary in accordance with the shareholders' agreement was recorded.

(*3) The Company issued hybrid bonds in 2015, and details are as follows:

| Type | Hybrid bonds |
|-----------------------|---|
| Amounts | ₩ 56,995,527,600 |
| Maturity date | April 14, 2045 (The Company has an option to extend its maturity period.) |
| Interest rate | Annual interest rate of 2.9% (under Step-up provisions, after 5 years of issuance, an additional interest rate will be added on the average yield of 5-year unsecured bonds and redetermined every year.) |
| Interest payment term | Interest is payable every 3 months, and the Company has an option to extend payments. |
| Dividend policy | If the interest of the hybrid bonds is not paid, It is not allowed to pay dividend or interest for the same priority ranking debt, preferred stock, or common stock. |
| Exchange policy | Hybrid securities are exchangeable with treasury stock for, ₩39,600 the Hybrid securities face value of. |
| Exercise period | From May 14, 2015 to March 14, 2045 |
| Others | After 5 years of issuance, call option is exercisable for the entire unexchanged securities with at the Company's discretion on interest payment dates thereafter. According to the amendments to IFRS, call option is exercisable for the entire unexchanged securities when these securities are not qualified to be recorded as equity. |

The Company is not liable for payments according to the hybrid securities contract, and classified the securities as equity.

(4) Details of other comprehensive loss as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|--|--------------------|-------------------|
| Gain on valuation of derivative instruments | ₩ 22,860 | ₩ 28,427 |
| Loss on valuation of derivative instruments | (93,837) | (86,681) |
| Gain on valuation of available-for-sale financial assets | 424 | 6,766 |
| Loss on valuation of available-for-sale financial assets | (2,863) | (3,337) |
| Gain on exchange differences on translations of foreign operations | 40,047 | 56,814 |
| Loss on exchange differences on translations of foreign operations | (99,110) | (90,940) |
| Share of other comprehensive income of associates | 1,019 | 1,243 |
| Share of other comprehensive loss of associates | - | (230) |
| Total | ₩ (131,460) | ₩ (87,938) |

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23. Retained earnings

Retained earnings as at December 31, 2015 and 2014 consist of the following (Korean won in millions):

| | 2015 | 2014 |
|---|--------------------|--------------------|
| Legal reserves | ₩ 80,205 | ₩ 79,869 |
| Appropriated retained earnings for business stabilization | 844,653 | 844,653 |
| Discretionary reserves | 2,681,702 | 2,870,344 |
| Remeasurements of net defined benefit liability | (44,195) | (26,040) |
| Other consolidated retained earnings | 21,773 | 18,294 |
| Unappropriated accumulated deficit | (1,046,821) | (1,253,069) |
| Total | ₩ 2,537,317 | ₩ 2,534,051 |

24. Profit (loss) per share

Basic and diluted profit (loss) per share of equity holders of parent for the years ended December 31, 2015 and 2014 are as follows (Korean won except for shares):

| | 2015 (*1) | 2014 |
|--|------------------|--------------------|
| Loss attributable to equity holders of the parent (*2) | ₩ 25,237,281,687 | ₩ (41,071,813,801) |
| Weighted average number of ordinary shares in issue (*3) | 69,560,462 | 61,595,606 |
| Basic and diluted profit (loss) per share | ₩ 363 | ₩ (667) |

(*1) Although the Group holds convertible bonds and hybrid securities which have a potential dilutive effect, diluted loss per share amounts are the same as basic loss per share amounts due to an anti-dilutive effect on loss per share.

(*2) Excludes interest payment of the hybrid securities.

(*3) The calculation of weighted average number of ordinary shares outstanding are as follows (Korean won except for shares):

| 2015 | | | |
|---|-----------------------|----------------|-----------------------------------|
| Period | Number of shares | Number of days | Number of shares X number of days |
| Beginning | 2015.1.1~2015.12.31 | 71,000,000 | 365 |
| Treasury stock | 2015.1.1~2015.12.31 | (1,439,281) | 365 |
| | 2015.10.19~2015.10.21 | (14,846) | 3 |
| | 2015.10.19~2015.10.22 | (4,456) | 4 |
| | 2015.10.19~2015.10.23 | (6,324) | 5 |
| Total | | | 25,389,568,453 |
| Weighted average number of ordinary shares outstanding | | | 69,560,462 |

| 2014 | | | |
|---|----------------------|----------------|-----------------------------------|
| Period | Number of shares | Number of days | Number of shares X Number of days |
| Beginning | 2014.1.1~2014.12.31 | 51,000,000 | 365 |
| Treasury stock | 2014.1.1~2014.12.31 | (1,439,281) | 365 |
| Paid-in capital increase | 2014.6.13~2014.12.31 | 17,089,783 | 202 |
| Increase in issued capital without consideration (*) | 2014.6.13~2014.12.31 | 746,206 | 202 |
| | 2014.1.1~2014.12.31 | 2,164,011 | 365 |
| Total | | | 22,482,396,228 |
| Weighted average number of ordinary shares outstanding | | | 61,595,606 |

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24. Profit (loss) per share (cont'd)

(*) Represents the effect of increase in issued capital without consideration due to an increase in paid-in capital at less than per value.

25. Selling and general administrative expenses

Selling and general administrative expenses for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|---|------------------|------------------|
| Salaries | ₩ 169,063 | ₩ 163,152 |
| Pension benefits | 16,376 | 12,194 |
| Employee welfare benefits | 27,836 | 32,890 |
| Taxes and dues | 10,166 | 16,845 |
| Commissions | 62,008 | 67,797 |
| Rental expenses | 27,950 | 25,623 |
| Depreciation | 5,971 | 6,448 |
| Depreciation of investment properties | 70 | 82 |
| Advertising | 9,010 | 13,465 |
| Bad debt expenses | 38,334 | (34,829) |
| Amortization | 4,038 | 4,389 |
| Development | 34,478 | 44,204 |
| Warranty | (160) | 1,392 |
| Insurance premium | 7,209 | 7,385 |
| Travel | 7,377 | 5,062 |
| Reversal of financial guarantee liability | (612) | (584) |
| Others | 6,403 | 11,990 |
| Total | ₩ 425,517 | ₩ 377,505 |

26. Other operating income and expenses

(1) Other operating income for the years ended December 31, 2015 and 2014 consists of the following (Korean won in millions):

| | 2015 | 2014 |
|--|------------------|------------------|
| Gain on disposal of property, plant and equipment | ₩ 847 | ₩ 21,760 |
| Reversal of impairment loss on property, plant and equipment | - | 117 |
| Gain on disposal of intangible assets | 84 | - |
| Gain on disposal of investment properties | 1,758 | 2,316 |
| Gain on foreign currency transactions | 92,789 | 90,402 |
| Gain on foreign currency translation | 64,702 | 29,791 |
| Reversal of allowance for bad debt | 7,663 | 19,104 |
| Gain on valuation of derivatives | 12,012 | 9,990 |
| Gain on derivatives transactions | 40,987 | 29,274 |
| Gain on valuation of firm commitments | 114,619 | 109,391 |
| Miscellaneous gain | 18,954 | 21,657 |
| Dividend income | 573 | 236 |
| Gain on disposal of available-for-sale financial assets | 10,228 | 205 |
| Reversal of gain on exchange differences on translations of foreign operations | 3,393 | 690 |
| Total | ₩ 368,609 | ₩ 334,933 |

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26. Other operating income and expenses (cont'd)

(2) Other operating expenses for the years ended December 31, 2015 and 2014 consist of the following (Korean won in millions):

| | 2015 | | 2014 |
|--|------------------|---|----------------|
| Bad debt expense | ₩ 125,721 | ₩ | 41,692 |
| Loss on disposal of property, plant and equipment | 20,330 | | 21,255 |
| Loss on disposal of intangible assets | 707 | | 6 |
| Impairment loss on intangible assets | 3,074 | | - |
| Loss on disposal of investment property | 3,609 | | 3,984 |
| Impairment loss on investment property | - | | 700 |
| Loss on foreign currency transactions | 110,410 | | 56,252 |
| Loss on foreign currency translation | 20,495 | | 14,280 |
| Loss on valuation of derivatives | 53,472 | | 82,299 |
| Loss on derivatives transactions | 73,977 | | 26,599 |
| Loss on valuation of firm commitments | 13,125 | | 21,957 |
| Loss on disposal of trade receivables | 1,667 | | 1,836 |
| Reversal of gain on exchange differences on translations of foreign operations | 1,140 | | 20 |
| Loss on disposal of financial assets | 515 | | 811 |
| Impairment loss on financial assets | 128 | | 4,401 |
| Miscellaneous loss and others | 51,287 | | 73,530 |
| Total | ₩ 479,657 | ₩ | 349,622 |

27. Finance income and costs

(1) Finance income for the years ended December 31, 2015 and 2014 consists of the following (Korean won in millions):

| | 2015 | | 2014 |
|--|------------------|---|----------------|
| Interest income | ₩ 42,514 | ₩ | 59,760 |
| Dividend income | 8 | | 29 |
| Gain on foreign currency transactions | 51,249 | | 80,554 |
| Gain on foreign currency translation | 31,190 | | 31,044 |
| Gain on disposal of long-term financial assets | - | | 862 |
| Gain on valuation of derivatives | 7,410 | | - |
| Gain on disposal of equity-method investments (*1) | 290,822 | | - |
| Reversal of financial guarantee liabilities | 8,924 | | 92,583 |
| Total | ₩ 432,117 | ₩ | 264,832 |

(*1) It was incurred from the disposal of equity interests in Parnas Hotel Co., Ltd., a subsidiary of the Company

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27. Finance income and costs (cont'd)

(2) Finance costs for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | | 2014 |
|---|------------------|----------|----------------|
| Interest expenses | ₩ 118,899 | ₩ | 116,031 |
| Loss on foreign currency transaction | 110,782 | | 63,760 |
| Loss on foreign currency translation | 62,806 | | 73,493 |
| Loss on disposal of short-term financial assets | 118 | | 329 |
| Impairment loss on financial assets | 233 | | - |
| Loss on disposal of long-term financial assets | 381 | | 137 |
| Loss on derivatives transactions | - | | 12,571 |
| Loss on valuation of derivatives | 1,037 | | - |
| Loss on disposal of equity-method investments | 806 | | 1,915 |
| Loss on retirement of bonds | 267 | | - |
| Financial guarantee expenses | 119,384 | | 68,629 |
| Total | ₩ 414,713 | ₩ | 336,865 |

28. Income tax

(1) Income tax benefit for the years ended December 31, 2015 and 2014 consists of the following (Korean won in millions):

| | 2015 | | 2014 |
|--|----------------|----------|----------------|
| Current tax on profits for the year | ₩ 61,708 | ₩ | 71,693 |
| Origination and reversal of temporary differences (*1) | (73,433) | | (107,980) |
| Deferred income tax charged to equity (*2) | (13,557) | | (29,120) |
| Income tax expense (benefit) | ₩ 1,832 | ₩ | (7,167) |

(*1) Changes in deferred income tax for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | | 2014 |
|--|------------------|----------|----------------|
| Beginning balance of deferred tax assets | ₩ 319,133 | ₩ | 211,153 |
| Changes in deferred income tax | 73,433 | | 107,980 |
| Changes in consolidation scope | 162,180 | | - |
| Ending balance of deferred tax assets | ₩ 554,746 | ₩ | 319,133 |

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28. Income tax (cont'd)

(*2) Income tax (charged)/credited directly to equity as at December 31, 2015 and 2014 is as follows (Korean won in millions):

| | 2015 | | | 2014 | | |
|---|-------------------|------------------------|-------------------|--------------------|------------------------|--------------------|
| | Before tax | Tax (charge) credit | After tax | Before tax | Tax (charge) credit | After tax |
| Gain on valuation of available for-sale securities | ₩ (8,367) | ₩ 2,025 | ₩ (6,342) | ₩ (1,324) | ₩ 320 | ₩ (1,004) |
| Loss on valuation of available for-sale securities | 651 | (98) | 553 | 469 | (113) | 356 |
| Gain on valuation of derivatives | (7,344) | 1,777 | (5,567) | (19,016) | 4,602 | (14,414) |
| Loss on valuation of derivatives | (12,112) | 4,638 | (7,474) | (57,158) | 14,827 | (42,331) |
| Gain on exchange differences on translations of foreign operations | (12,838) | (3,928) | (16,766) | 2,677 | (4,210) | (1,533) |
| Loss on exchange differences on translations of foreign operations | (14,362) | 2,609 | (11,753) | (10,133) | 2,452 | (7,681) |
| Remeasurements of the net defined benefit pension plans | (27,923) | 6,757 | (21,166) | (50,164) | 12,140 | (38,024) |
| Equity method and others | 340 | (223) | 117 | 4,207 | (898) | 3,309 |
| Total | ₩ (81,954) | ₩ 13,557 | ₩ (68,397) | ₩ (130,442) | ₩ 29,120 | ₩ (101,322) |

(2) A reconciliation between loss before tax at the Korea statutory tax rate to income tax expense at the effective income tax rate of the Company as at December 31, 2015 and 2014 is as follows (Korean won in millions):

| | 2015 | 2014 |
|---|----------------|------------------|
| Profit (loss) before tax | ₩ 31,308 | ₩ (29,619) |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | 7,577 | (7,168) |
| Tax effects of: | | |
| Income not subject to tax | (3,251) | (28) |
| Expenses not deductible for tax purposes | 15,261 | 12,515 |
| Foreign income tax expense | 21,412 | 19,310 |
| Re-measurement of deferred tax liabilities | 23,037 | 23,136 |
| Additional income taxes for prior periods and others | (62,204) | (54,932) |
| Sub total | (5,745) | 1 |
| Income tax expense (benefit) | ₩ 1,832 | ₩ (7,167) |

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29. Expenses classified by nature

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

| | 2015 | | 2014 |
|---------------------------|---------------------|----------|------------------|
| Labor cost | ₩ 945,201 | ₩ | 982,519 |
| Materials | 3,216,585 | | 2,963,837 |
| Outsourcing | 4,132,057 | | 3,543,707 |
| Employee welfare benefits | 142,648 | | 136,112 |
| Bad debt expense | 38,334 | | (34,829) |
| Rents | 217,345 | | 194,438 |
| Changes in inventories | (119,330) | | (107,805) |
| Depreciation | 68,066 | | 60,300 |
| Amortization | 14,003 | | 15,401 |
| Taxes and dues | 84,736 | | 78,511 |
| Service fees | 874,754 | | 764,854 |
| Others | 836,154 | | 839,338 |
| Total (*) | ₩ 10,450,553 | ₩ | 9,436,383 |

(*) Includes cost of sales, selling and administrative expenses.

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30. Related party transactions

(1) Related parties as at December 31, 2015 are as follows:

| Relationship | Related parties |
|----------------|--|
| Associates (*) | Major Development Co., Ltd., Cadiz San Fernando, A.I.E., Participes de Biorreciclaje S.A., Shariket Miyeh Ras Djinet, Spa, Shariket Tahlya Miyah Mostaganem, Spa |
| Joint venture | G&M Estate Co., Ltd, Hialeah Water, LLP |

(*) As the Company disposed all of its equity interest in Parnas Hotel Co., Ltd., GS-HP Corp was excluded from consolidation in 2015.

(2) Significant transactions with related parties for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | | 2015 | |
|---------------|-----------------------------|--------------|--------------|
| | Related party | Sales | Purchases |
| | | | |
| Associates | Major Development Co., Ltd. | ₩ 539 | ₩ - |
| Joint venture | G&M Estate Co., Ltd. | 129 | 944 |
| Total | | ₩ 668 | ₩ 944 |

| | | 2014 | | | |
|---------------|-----------------------------|------------------|--------------|--------------|--------------|
| | Related party | Sales and others | | | Purchases |
| | | Sales | Other income | Total | |
| Associates | Major Development Co., Ltd. | 709 | - | 709 | - |
| | GS-HP Corp. | - | 8 | 8 | - |
| Joint venture | G&M Estate Co., Ltd. | 217 | - | 217 | 920 |
| Total | | ₩ 926 | ₩ 8 | ₩ 934 | ₩ 920 |

(3) Receivables and payables arising from related party transactions as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | | 2015 | | | | | |
|---------------|---------------------------------------|-------------------|-------------------|------------------|----------------|----------------|----------------|
| | Related party | Receivables | | | Payables | | |
| | | Trade receivables | Other receivables | Total | Trade payables | Other payables | Total |
| Associates | Major Development Co., Ltd. | ₩ 90,069 | ₩ - | ₩ 90,069 | ₩ - | ₩ - | ₩ - |
| | Cadiz San Fernando, A.I.E | 229 | - | 229 | 1,459 | - | 1,459 |
| | Participes de Biorreciclaje S.A. | 2,276 | - | 2,276 | - | - | - |
| | Shariket Miyeh Ras Djinet, Spa | 1,934 | - | 1,934 | - | - | - |
| | Shariket Tahlya Miyah Mostaganem, Spa | 7,453 | - | 7,453 | - | - | - |
| Joint venture | G&M Estate Co., Ltd. | - | 24 | 24 | 48 | 95 | 143 |
| Total | | ₩ 101,961 | ₩ 24 | ₩ 101,985 | ₩ 1,507 | ₩ 95 | ₩ 1,602 |

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30. Related party transactions (cont'd)

| | | 2014 | | | | | |
|---------------|---------------------------------------|-------------------|-------------------|------------------|----------------|----------------|--------------|
| | | Receivables | | | Payables | | |
| | Related party | Trade receivables | Other receivables | Total | Trade payables | Other payables | Total |
| Associates | Major Development Co., Ltd. | ₩ 205,047 | ₩ - | ₩ 205,047 | ₩ - | ₩ 23 | ₩ 23 |
| | Cadiz San Fernando, A.I.E | 218 | - | 218 | 200 | - | 200 |
| | Participes de Biorreciclaje S.A. | 2,334 | - | 2,334 | 29 | - | 29 |
| | Shariket Miyeh Ras Djinet, Spa | 1,898 | - | 1,898 | - | - | - |
| | Shariket Tahlya Miyah Mostaganem, Spa | 7,011 | - | 7,011 | - | - | - |
| | G&M Estate Co., Ltd. | - | 28 | 28 | - | 212 | 212 |
| Joint venture | | - | - | - | - | - | - |
| Total | | ₩ 216,508 | ₩ 28 | ₩ 216,536 | ₩ 229 | ₩ 235 | ₩ 464 |

Allowance for doubtful accounts of receivables from related parties as at December 31, 2015 and 2014 is as follows (Korean won in millions):

| | | Allowance for doubtful accounts (*) | |
|-----------------------------|---|-------------------------------------|----------|
| | | 2015 | 2014 |
| Major Development Co., Ltd. | ₩ | 47,741 | ₩ 47,741 |

(*) Allowance for doubtful accounts associated with trade receivable from construction.

(4) The Group had no significant transactions with related parties for the year ended December 31, 2015, and significant transactions with related parties for the year ended December 31, 2014 are as follows (Korean won in millions):

| | | 2014 | | | | | | | |
|------------|-------------|--|---------------|-----------|----------|-----------|--|--------|-----------------|
| | | Annual interest rate (%) as at December 31, 2014 | Maturity date | Beginning | Increase | Repayment | Effects of changes in foreign exchange rates | Ending | Interest income |
| Associates | GS-HP Corp. | 6M Bibor + 1.75 | - | ₩ 306 | ₩ - | ₩ 311 | ₩ 5 | ₩ - | ₩ 8 |

(5) Details of payment guarantees the Group provides to the related parties as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | | Type | Beneficiary | Period | 2015 | 2014 |
|------------|-----------------------------|--------------------|--|------------------|-------------------|-----------------|
| Associates | Major Development Co., Ltd. | Payment guarantees | MERITZ SECURITIES CO., LTD. and others | 2013.12~ 2015.06 | ₩ - | ₩ 1,006 (1,006) |
| | | | KYOBO SECURITIES CO., LTD. | 2015.06~ 2016.06 | 120,000 (120,000) | - |

(6) Compensation for key management personnel of the Group as at December 31, 2015 and 2014 consists of (Korean won in millions):

| | 2015 | 2014 |
|------------------|-----------------|-----------------|
| Salaries | ₩ 24,073 | ₩ 21,951 |
| Pension benefits | 4,886 | 4,221 |
| Total | ₩ 28,959 | ₩ 26,172 |

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31. Cash flows

(1) Cash flows from operating activities for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|--|------------------|------------------|
| | ₩ | ₩ |
| Profit (loss) for the year | 29,477 | (22,453) |
| Adjustments for: | | |
| Income tax expense (benefit) | 1,832 | (7,167) |
| Interest expenses | 118,899 | 116,031 |
| Interest income | (42,514) | (59,760) |
| Dividend income | (581) | (265) |
| Depreciation | 68,066 | 60,300 |
| Depreciation of investment properties | 1,380 | 1,278 |
| Amortization | 14,003 | 15,401 |
| Bad debt expenses | 164,302 | 43,257 |
| Reversal of bad debt expense | (7,910) | (55,498) |
| Provision for severance benefits | 72,342 | 49,649 |
| Loss on disposal of trade receivables | 1,667 | 1,836 |
| Gain or loss on foreign currency translation, net | (12,591) | 26,938 |
| Gain or loss on disposal of property, plant and equipment, net | 19,483 | (505) |
| Reversal of impairment loss on property, plant and equipment | - | (117) |
| Impairment loss on investment property | - | 700 |
| Gain or loss on disposal of investment properties, net | 1,851 | 1,668 |
| Gain or loss on disposal of intangible assets, net | 623 | 6 |
| Impairment loss on intangible assets | 3,074 | - |
| Gain or loss on valuation of derivatives, net | 35,087 | 72,310 |
| Gain or loss on derivatives transactions, net | 32,990 | 9,896 |
| Gain or loss on valuation of firm commitments, net | (101,494) | (87,434) |
| Financial guarantee expenses | 119,384 | 68,629 |
| Reversal of provision for financial guarantee | (9,536) | (93,167) |
| Construction warranty expenses | 35,987 | 25,058 |
| Reversal of provision for construction warranties | (11,041) | (4,573) |
| Gain or loss on disposal of financial assets, net | (9,214) | 210 |
| Impairment loss on financial assets | 361 | 4,401 |
| Loss on overseas operations translation | 1,140 | 20 |
| Gain on overseas operations translation | (3,393) | (690) |
| Valuation gain on investments in associates | (2,884) | (5,935) |
| Gain on disposal of investments in associates | (290,016) | - |
| Others | 32,504 | 42,999 |
| Sub-total | 233,801 | 225,476 |
| Changes in operating assets and liabilities | | |
| Trade and other receivables | (187,969) | 197,574 |
| Inventories | 853 | (88,822) |
| Settlement of derivatives transactions | (76,332) | 41,082 |
| Other current assets | (245,528) | (152,873) |
| Other non-current assets | (3,440) | (18,148) |
| Trade and other payables | 299,502 | 233,947 |
| Other current liabilities | 217,422 | 318,165 |
| Non-current provisions | (28,912) | (7,623) |
| Other non-current liabilities | (53,979) | (24,887) |
| Payment of severance benefits | (58,716) | (55,833) |
| Overseas operations translation | 305 | 6,853 |
| Sub-total | (136,794) | 449,435 |
| Cash flows from operations | ₩ 126,484 | ₩ 652,458 |

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31. Cash flows (cont'd)

(2) Details of significant non-cash transactions for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|---|-----------|-----------|
| Reclassification of borrowings | ₩ 782,628 | ₩ 626,077 |
| Reclassification of bonds payable | 425,560 | - |
| Reclassification of payables | 60,746 | - |
| Reclassification of property, plant and equipment to inventories | 54,175 | - |
| Reclassification loans | 47,995 | - |
| Reclassification of construction-in-progress to property, plant and equipment | 22,246 | 150,906 |
| Reclassification of advance payments to inventories | - | 40,347 |
| Write off of trade receivables and long-term loans | - | 14,454 |
| Reclassification of advance payments to property, plant and equipment | 96 | 12,321 |
| Reclassification of inventories to investment properties | - | 10,876 |

32. Financial risk management

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group supports to generate stable and continuous business performance and simultaneously focuses on improvement of cost competitiveness by improving financial structure and reducing financial cost.

The Group's overall risk management program focuses to minimize potential adverse effects on the Group's financial risk by monitoring periodical financial risk and rearranging the financial risk management policy.

(1) Financial risk

(a) Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group's principal monetary assets and liabilities denominated in currencies other than its functional currency as at December 31, 2015 and 2014 are as follows (Korean won in millions / foreign currencies in thousands):

| | 2015 | | | |
|-----|------------------|-----------------------|-----------------------|-----------------------|
| | Financial assets | | Financial liabilities | |
| | Foreign currency | Korean won equivalent | Foreign currency | Korean won equivalent |
| USD | ₩ 1,180,231 | ₩ 1,383,231 | ₩ 1,248,807 | ₩ 1,463,602 |
| EUR | 120,216 | 153,940 | 80,781 | 103,442 |
| KWD | 14,742 | 56,930 | 30,087 | 116,185 |
| JPY | 10,364 | 101 | 3,272,230 | 31,806 |
| SGD | - | - | 764 | 633 |

32. Financial risk management (cont'd)

| 2014 | | | | | |
|------------------|------------------|-----------------------|-----------------------|------------------|-----------------------|
| Financial assets | | | Financial liabilities | | |
| | Foreign currency | Korean won equivalent | | Foreign currency | Korean won equivalent |
| USD | ₩ 662,846 | ₩ 728,600 | ₩ 1,563,486 | ₩ 1,718,584 | |
| EUR | 122,803 | 164,128 | 163,909 | 219,068 | |
| KWD | 14,567 | 54,714 | 146 | 547 | |
| JPY | 7,574 | 70 | 3,921,998 | 36,088 | |
| SGD | - | - | 1,758 | 1,462 | |

As at December 31, 2015 and 2014, if the Group's functional currency had fluctuated by 5% against foreign currencies with all other variables held constant, profit before income tax would have been affected as follows (Korean won in millions):

| 2015 | | | | 2014 | | | |
|------|-------------|-------------|------------|-------------|-------------|--|--|
| | 5% increase | 5% decrease | | 5% increase | 5% decrease | | |
| USD | ₩ (4,019) | ₩ 4,019 | ₩ (49,499) | ₩ 49,499 | | | |
| EUR | 2,525 | (2,525) | (2,747) | 2,747 | | | |
| KWD | (2,963) | 2,963 | 2,708 | (2,708) | | | |
| JPY | (1,585) | 1,585 | (1,801) | 1,801 | | | |
| SGD | (32) | 32 | (73) | 73 | | | |

ii) Interest rate risk

The Group's interest rate risk arises from variable-rate borrowings, and related interest expense is exposed to interest risk. As at December 31, 2015, the financial liabilities that are exposed to interest risk are the variable-rate borrowings issued at variable rates amounting to ₩1,125,104 million (2014: ₩1,580,622 million).

As at December 31, 2015, and 2014, if interest rates had fluctuated by 100bp with all other variables held constant, interest expenses would have been affected as follows (Korean won in millions):

| 2015 | | | | 2014 | | | |
|-------------------|----------------|----------------|----------|----------------|----------------|--|--|
| | 100bp increase | 100bp decrease | | 100bp increase | 100bp decrease | | |
| Interest expenses | ₩ 7,651 | ₩ (7,651) | ₩ 12,884 | ₩ (12,884) | | | |

(b) Credit Risk

The credit risk occurs in the ordinary course of business and investment activities of the Group when the customers or counterparties could not comply with the obligations of the contract. To manage the credit risk, the Group evaluates the credit of customers periodically, considering past experience and other factors and sets individual credit limit considering the credit quality of customer.

Credit risk arises from cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit risk to primary customers, including outstanding receivables and firm committed transactions.

The Group's credit risk is managed in accordance with the Group's credit policy with the purpose of minimizing possible loss through efficient credit risk management, support for rapid decision making and implementation of safety measures on the Group's accounts receivable.

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32. Financial risk management (cont'd)

Details of maximum exposure to credit risk as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|--|-------------|-------------|
| Cash equivalents (excluding cash on hands) | ₩ 2,421,102 | ₩ 2,142,808 |
| Trade and other receivables | 4,748,789 | 4,573,822 |
| Short-term financial assets | 368,870 | 332,671 |
| Long-term financial assets (*1) | 141,784 | 175,760 |
| Long-term trade and other receivables | 887,676 | 842,194 |
| Non-current provisions (*2) | 4,316,955 | 2,849,829 |

(*1) Excludes equity securities.

(*2) The maximum exposure to credit risk is the principal amount of contractual cash flows from the PF, redevelopment projects, SOC, overseas operations and others that are recognized as non-current liabilities.

(c) Liquidity risk

The Group's liquidity risk arises when it lacks sufficient cash to fulfill payment obligations from financial liabilities or to meet operational needs.

The Group manages its liquidity through monitoring forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Major commitments related to financing arrangements with domestic financial institutions as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | Financial institutions | 2015 | | 2014 | |
|--|---------------------------|----------------|-------------|----------------|-------------|
| | | Limited amount | Used amount | Limited amount | Used amount |
| Short-term and long-term financial liability (*) | Korea Eximbank and others | ₩ 5,216,407 | ₩ 3,673,758 | ₩ 6,302,201 | ₩ 4,145,887 |

(*) Excludes firm commitment liability.

The table below summarizes the maturity profile of the Group's financial assets based on contractual undiscounted payments (Korean won in millions):

| | 2015 | | | | | |
|---|--------------------|-----------------------|--------------------|----------------------------|-----------------------------|--------------------|
| | Book value | Cash flow on contract | Less than 1 year | Residual maturity | | |
| | | | | Between 1 year and 2 years | Between 2 years and 3 years | Over 3 years |
| Trade and other payables | ₩ 2,066,787 | ₩ 2,066,787 | ₩ 2,066,787 | ₩ - | ₩ - | ₩ - |
| Long-term trade and other payables | 162,564 | 254,459 | 81,784 | 154,462 | 9,106 | 9,106 |
| Short-term and long-term financial liability (*1) | 3,673,758 | 3,956,996 | 1,911,407 | 569,118 | 817,361 | 659,110 |
| Non-current provisions (*2) | 402,673 | 4,316,955 | 1,805,348 | 568,307 | 953,955 | 989,345 |
| Total | ₩ 6,305,782 | ₩ 10,595,197 | ₩ 5,865,326 | ₩ 1,291,887 | ₩ 1,780,422 | ₩ 1,657,561 |

(*1) Excludes firm commitment liability and includes interest income.

(*2) The cash flows on contract is the principal amount from the PF, redevelopment projects, SOC, overseas operations and others that are recognized as non-current liabilities.

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32. Financial risk management (cont'd)

| | 2014 | | | | | |
|---|--------------------|-----------------------|--------------------|----------------------------|-----------------------------|--------------------|
| | Book value | Cash flow on contract | Less than 1 year | Residual maturity | | |
| | | | | Between 1 year and 2 years | Between 2 years and 3 years | Over 3 years |
| Trade and other payables | ₩ 1,633,207 | ₩ 1,634,002 | ₩ 1,634,002 | ₩ - | ₩ - | ₩ - |
| Long-term trade and other payables | 136,080 | 147,765 | - | 49,255 | 98,510 | - |
| Short-term and long-term financial liability (*1) | 4,145,887 | 4,248,460 | 1,428,662 | 881,705 | 453,001 | 1,485,092 |
| Non-current provisions (*2) | 146,526 | 2,849,829 | 2,115,807 | 230,703 | 327,500 | 175,819 |
| Total | ₩ 6,061,700 | ₩ 8,880,056 | ₩ 5,178,471 | ₩ 1,161,663 | ₩ 879,011 | ₩ 1,660,911 |

(*1) Excludes firm commitment liability and includes interest income.

(*2) The cash flows on contract is the principal amount from the PF, redevelopment projects, SOC, overseas operations and others that are recognized as non-current liabilities.

(2) Capital risk management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratios as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | 2014 |
|--------------------------------|-------------|-------------|
| Total liabilities (A) | ₩ 9,657,468 | ₩ 9,513,097 |
| Total equity (B) | 3,348,025 | 3,581,612 |
| Deposits (C) | 2,421,102 | 2,142,808 |
| Borrowings (D) | 3,462,079 | 3,919,423 |
| Debt-to-equity ratio (A/B) | 288% | 266% |
| Net borrowings ratio ((D-C)/B) | 31% | 50% |

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33. Fair value

For the year ended December 31, 2015, there are no significant changes in the business environment and economic environment that affect the fair value of financial assets and financial liabilities of the Group.

(1) Fair value of financial instruments by category

Carrying amount and fair value of financial instruments by category as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| | 2015 | | 2014 | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Book value | Fair value | Book value | Fair value |
| Financial assets | | | | |
| Cash and cash equivalents | ₩ 2,428,628 | ₩ 2,428,628 | ₩ 2,151,187 | ₩ 2,151,187 |
| Trade and other receivables (*1) | 2,694,387 | 2,694,387 | 2,192,243 | 2,192,243 |
| Short-term financial assets | 368,869 | 368,869 | 332,671 | 332,671 |
| Long-term trade and other receivables | 887,676 | 887,676 | 842,194 | 842,194 |
| Long-term financial assets | 344,104 | 344,104 | 347,466 | 347,466 |
| Total | ₩ 6,723,664 | ₩ 6,723,664 | ₩ 5,865,761 | ₩ 5,865,761 |
| Financial liabilities | | | | |
| Trade and other payables | ₩ 2,066,787 | ₩ 2,066,787 | ₩ 1,633,207 | ₩ 1,633,207 |
| Short-term financial liabilities | 2,085,440 | 2,085,440 | 1,709,989 | 1,709,989 |
| Other current liabilities (*2) | 227,177 | 227,177 | 249,776 | 249,776 |
| Long-term trade and other payables | 162,564 | 162,564 | 136,080 | 136,080 |
| Long-term financial liabilities | 1,619,755 | 1,619,755 | 2,487,230 | 2,487,230 |
| Other non-current liabilities (*3) | 146,855 | 146,855 | 223,747 | 223,747 |
| Non-current provisions (*4) | 271,120 | 271,120 | 146,526 | 146,526 |
| Total | ₩ 6,579,698 | ₩ 6,579,698 | ₩ 6,586,555 | ₩ 6,586,555 |

(*1) Excludes dues from customers related to construction.

(*2) Consists of accrued expenses, accrued dividends and current membership guarantee deposits.

(*3) Consists of security deposits and non-current membership guarantee deposits.

(*4) Represents financial guarantee provision liabilities.

(2) Financial instruments measured at cost

Certain investments in non-marketable equity securities include entities at their initial phase of business operations and the carrying arrangements have been measured at cost as the variability of estimated cash flows is significant, which the probabilities of the various estimates cannot be reasonably assessed and accordingly the fair value of the underlying assets cannot be reliably assessed are measured at cost.

(3) Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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

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33. Fair value (cont'd)

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at December 31, 2015 and 2014 are as follows (Korean won in millions):

| 2015 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|----------------|------------------|----------------|------------------|
| Financial assets | | | | |
| Available-for-sale financial assets | ₩ 209 | ₩ - | ₩ - | ₩ 209 |
| Derivatives assets | - | 221,957 | - | 221,957 |
| Total | ₩ 209 | ₩ 221,957 | ₩ - | ₩ 222,166 |
| Financial liabilities | | | | |
| Derivatives liabilities | ₩ - | ₩ 165,663 | ₩ - | ₩ 165,663 |

| 2014 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|----------------|------------------|----------------|------------------|
| Financial assets | | | | |
| Available-for-sale financial assets | ₩ - | ₩ - | ₩ 8,462 | ₩ 8,462 |
| Derivatives assets | - | 161,859 | - | 161,859 |
| Total | ₩ - | ₩ 161,859 | ₩ 8,462 | ₩ 170,321 |
| Financial liabilities | | | | |
| Derivatives liabilities | ₩ - | ₩ 205,279 | ₩ - | ₩ 205,279 |

The Group's financial assets and liabilities that are classified as level 3 are measured based on the fair value of financial instruments using net asset book value. There are no transfers between levels of each fair value hierarchy for the year ended December 31, 2015.

34. Service concession arrangements

GS Inima Environment S.A. has constructed, operated and maintained Service Concession Arrangements through its subsidiaries and details of significant business information are as follows (Korean won in millions):

| Subsidiaries | Principal business activity | Countries | Start date | Expiry date | Amount | Classification |
|---|--|------------------|-------------------|--------------------|---------------|-----------------------|
| Ambientaisde Ribeirao Preto, S.A. | Sewage purifying plant, DBOOT | Brazil | September 1995 | June 2023 | ₩ 28,343 | Financial assets |
| Araucaria Saneamento, S.A. (Campos do Jordao) | Sewage purifying plant, DBL | Brazil | April 2010 | April 2033 | 32,341 | Financial assets |
| Saneamento do Vale do Pariba, S.A. | Sewage purifying plant, DBL | Brazil | March 2011 | June 2034 | 24,808 | Financial assets |
| Servicos de Saneamento de Mogi Mirim, S.A. | Sewage purifying plant, DBOOT | Brazil | May 2008 | September 2038 | 18,953 | Financial assets |
| Sociedad de Economia Mixta Aguas de Soria S.L | Water supply and drainage combine management TOT | Spain | January 2014 | December 2038 | 15,287 | Intangible assets |