



DOOSAN ENGINE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012,
AND INDEPENDENT AUDITORS' REPORT**

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Stockholders and Board of Directors of
Doosan Engine Co., Ltd.:

We have audited the accompanying consolidated financial statements of Doosan Engine Co., Ltd. and subsidiaries (the "Company"). The consolidated financial statements consist of the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the year ended December 31, 2013 and 2012. The Company's management is responsible for the preparation and fair presentation of the consolidated financial statements and our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the year then ended in conformity with Korean International Financial Reporting Standards ("K-IFRS").

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

Deloitte Anjin LLC.

March 18, 2014

Notice to Readers

This report is effective as of March 18, 2014, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditors' report.

DOOSAN ENGINE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by and are the responsibility of the Company.

Kim, Dong-Chul

Chief Executive Officer

Doosan Engine Co., Ltd.

DOOSAN ENGINE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012
(In Korean won)

<u>ASSETS</u>	<u>Notes</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
CURRENT ASSETS:			
Cash and cash equivalents	4 and 10	₩41,595,115,118	₩94,835,220,141
Short-term financial instruments	4 and 10	145,000,000,000	170,016,124,100
Short-term loans receivable	4 and 10	9,155,850,000	1,128,650,000
Trade and other receivable	4,6,10,15,31 and 33	25,567,476,650	86,226,939,813
Gross amount due from customers			
for contract work	24	10,720,649,184	5,930,477
Prepaid income tax		1,136,878,000	-
Current derivative instrument assets	4,9 and 10	40,345,302,756	38,140,126,990
Current firm commitment assets	9	20,346,022,821	20,627,029,543
Inventories	7	178,073,680,138	205,075,589,722
Other current assets		17,241,946,635	25,052,039,684
Total current assets		489,182,921,302	641,107,650,470
NON-CURRENT ASSETS:			
Long-term financial instruments	4,5,10 and 32	1,803,167,918	2,109,485,601
Long-term investment securities	4,8 and 10	7,072,048,000	7,922,117,114
Investments in associates	11 and 32	460,319,182,449	450,452,750,952
Long-term loans receivable	4 and 10	4,753,397,044	5,155,220,988
Long-term other receivable	4,6 and 10	9,693,320,091	14,958,733,970
Property, plant and equipment	2 and 12	627,445,657,537	592,944,406,494
Intangible assets	13	25,003,673,530	18,814,360,921
Non-current derivative instrument assets	4,9 and 10	6,095,491,976	12,352,565,282
Non-current firm commitment assets	9	26,435,478,337	36,354,513,147
Deferred income tax assets	3 and 29	1,562,546,141	386,441,384
Other non-current assets		3,241,722,244	3,644,543,005
Total non-current assets		1,173,425,685,267	1,145,095,138,858
TOTAL ASSETS		₩1,662,608,606,569	₩1,786,202,789,328

(Continued)

DOOSAN ENGINE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2013 AND 2012
(In Korean won)

<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>Notes</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
CURRENT LIABILITIES:			
Trade and other payable	4,10 and 33	₩ 89,569,231,247	₩ 170,479,700,203
Gross amount due to customers for contract work	24	3,773,450,411	19,416,602,363
Short-term borrowings	4,10,15 and 31	5,874,374,586	31,158,846,345
Advance receipts		321,969,651,812	374,193,000,937
Current portion of long-term borrowings	4,10,15 and 31	63,318,000,000	64,266,000,000
Income tax payable		3,822,392,136	18,195,115,048
Current derivative instrument liabilities	9 and 10	2,615,663,130	3,330,156,254
Current firm commitment liabilities	9	34,731,375,957	26,500,340,834
Financial warranty liabilities	10, 31 and 32	34,344,231	-
Other current liabilities	2	12,434,433,449	10,218,520,833
Total current liabilities		538,142,916,959	717,758,282,817
NON-CURRENT LIABILITIES:			
Long-term borrowings	4,9,10 and 15	53,133,620,000	117,359,840,000
Bonds	4,10 and 15	189,044,616,891	99,461,490,305
Long-term other payable	4 and 10	1,312,295,279	1,254,054,389
Retirement benefit obligation	3 and 16	10,608,946,661	19,815,842,555
Non-current derivative instrument liabilities	9 and 10	279,647,734	2,112,892,517
Non-current firm commitment liabilities	9	21,394,738,642	21,881,552,439
Financial warranty liabilities	10,31 and 32	2,942,780,895	4,121,160,256
Liability provisions	3 and 17	10,097,900,058	19,568,071,955
Deferred income tax liabilities	3 and 29	45,613,681,912	35,098,149,001
Total non-current liabilities		334,428,228,072	320,673,053,417
TOTAL LIABILITIES		872,571,145,031	1,038,431,336,234
STOCKHOLDERS' EQUITY			
Share capital	1 and 18	69,500,000,000	69,500,000,000
Capital surplus	18	367,214,701,425	367,214,701,425
Other capital items	19	355,389,958	397,167,523
Accumulated other comprehensive loss	8, 12 and 20	4,438,398,121	(22,211,187,691)
Retained earnings	21	348,528,972,034	332,870,771,837
Equity attributable to owners of the parent company		790,037,461,538	747,771,453,094
Non-controlling interests		-	-
TOTAL STOCKHOLDERS' EQUITY		790,037,461,538	747,771,453,094
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		₩1,662,608,606,569	₩1,786,202,789,328
(Concluded)			

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

DOOSAN ENGINE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Korean won)

	Notes	2013	2012
SALES	3,22,23,24 and 32	₩743,878,585,197	₩1,378,777,833,340
COST OF SALES	25,31 and 33	(691,241,404,734)	(1,223,596,496,060)
GROSS PROFIT		52,637,180,463	155,181,337,280
Selling and administrative expenses	25 and 26	51,915,830,581	85,415,009,951
OPERATING INCOME		721,349,882	69,766,327,329
Finance income	4,10 and 27	100,929,494,353	121,269,782,158
Finance expenses	4,10 and 27	(107,260,196,264)	(120,126,627,953)
Other non-operating income	10 and 28	4,666,431,149	12,712,859,887
Other non-operating expenses	10 and 28	(8,502,027,368)	(11,813,473,740)
Share of profit of associates	11	4,146,853,544	136,224,856,450
PROFIT(LOSS) BEFORE INCOME TAX EXPENSE (BENEFIT)		(5,298,094,704)	208,033,724,131
INCOME TAX EXPENSE (BENEFIT)	29	61,762,569	(17,654,165,699)
NET INCOME(LOSS)		(₩5,236,332,135)	₩190,379,558,432
Attributable to:			
Owners of the parent		(₩5,236,332,135)	₩190,379,558,432
Non-controlling interests		-	-
EARNINGS PER SHARE:	30		
Basic earnings per share		(₩75)	₩2,739
Diluted earnings per share		(₩75)	₩2,739

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

DOOSAN ENGINE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Korean won)

	Notes	2013	2012
NET INCOME (LOSS)		(₩5,236,332,135)	₩190,379,558,432
OTHER COMPREHENSIVE INCOME (LOSS)	20		
Items not reclassified subsequently to profit or loss:			
Re-measurements of net defined benefit liabilities	16	5,305,396,802	(643,917,859)
Revaluation of property, plant and equipment	12 and 20	36,207,539,902	-
Increase in retained earnings of associates	11	15,589,135,530	3,583,859,525
Items reclassified subsequently to profit or loss:			
Gain (loss) on translation of foreign operations	20	311,603,487	(1,082,288,012)
Gain on valuation of cash flow hedge derivatives	9 and 10	-	333,792,311
Decrease in equity of associates	11	(9,869,557,577)	(18,745,002,995)
Total other comprehensive income (loss)		47,544,118,144	(16,553,557,030)
TOTAL COMPREHENSIVE INCOME		₩42,307,786,009	₩173,826,001,402
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		₩42,307,786,009	₩173,826,001,402
Non-controlling interests		-	-

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

DOOSAN ENGINE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Korean won)

	Share capital	Capital surplus	Other equity items	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total
Balance at January 1, 2012	₩69,500,000,000	₩367,214,701,425	₩135,447,961	(₩2,717,688,995)	₩139,551,271,739	₩573,683,732,130
Total comprehensive income:						
Net income	-	-	-	-	190,379,558,432	190,379,558,432
Re-measurements of net defined benefit liabilities	-	-	-	-	(643,917,859)	(643,917,859)
Increase in retained earnings of associates	-	-	-	-	3,583,859,525	3,583,859,525
Loss on translation of foreign operations	-	-	-	(1,082,288,012)	-	(1,082,288,012)
Gain on valuation of cash flow hedge derivatives	-	-	-	333,792,311	-	333,792,311
Decrease in equity of associates	-	-	-	(18,745,002,995)	-	(18,745,002,995)
Subtotal	-	-	-	(19,493,498,696)	193,319,500,098	173,826,001,402
Capital transactions with stockholders						
Stock-based payment	-	-	261,719,562	-	-	261,719,562
Balance at December 31, 2012	₩69,500,000,000	₩367,214,701,425	₩397,167,523	(₩22,211,187,691)	₩332,870,771,837	₩747,771,453,094
Balance at January 1, 2013	₩69,500,000,000	₩367,214,701,425	₩397,167,523	(₩22,211,187,691)	₩332,870,771,837	₩747,771,453,094
Total comprehensive income:						
Net loss	-	-	-	-	(5,236,332,135)	(5,236,332,135)
Re-measurements of net defined benefit liabilities	-	-	-	-	5,305,396,802	5,305,396,802
Revaluation surplus of land	-	-	-	36,207,539,902	-	36,207,539,902
Increase in retained earnings of associates	-	-	-	-	15,589,135,530	15,589,135,530
Gain on translation of foreign operations	-	-	-	311,603,487	-	311,603,487
Decrease in equity of associates	-	-	-	(9,869,557,577)	-	(9,869,557,577)
Subtotal	-	-	-	26,649,585,812	15,658,200,197	42,307,786,009
Capital transactions with stockholders						
Stock-based payment	-	-	(41,777,565)	-	-	(41,777,565)
Balance at December 31, 2013	₩69,500,000,000	₩367,214,701,425	₩ 355,389,958	₩ 4,438,398,121	₩348,528,972,034	₩790,037,461,538

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

DOOSAN ENGINE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Korean won)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations	(W34,470,957,727)	(W179,581,675,531)
Net income (loss)	(5,236,332,135)	190,379,558,432
Adjustments	2,590,916,931	(87,294,952,274)
Changes in operating assets and liabilities	(31,825,542,523)	(282,666,281,689)
Interest received	6,817,133,106	14,235,035,646
Interest paid	(13,007,780,072)	(9,877,274,345)
Dividend received	826,620	-
Income tax paid	(19,383,887,975)	(13,612,101,477)
Net cash used in operating activities	(60,044,666,048)	(188,836,015,707)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in short-term financial instruments	25,016,124,100	-
Decrease in short-term loans receivable	-	1,343,900,000
Decrease in long-term financial instruments	356,200,000	2,524,467,359
Decrease in long-term loans receivable	446,615,987	1,496,624,257
Disposal of property, plant and equipment	34,998,878	863,458,275
Disposal of intangible assets	-	197,561,362
Disposal of non-current assets held for sale	4,872,000,000	-
Subtotal	30,725,938,965	6,426,011,253
Cash outflows for investing activities:		
Increase in short-term financial instruments	-	23,401,597,898
Increase in short-term loans	6,994,550,000	-
Increase in long-term financial instruments	37,442,317	-
Acquisition of long-term investment securities	-	7,000,000,000
Increase in long-term loans receivable	982,800,000	971,800,000
Acquisition of property, plant and equipment	7,526,413,843	13,417,972,768
Acquisition of intangible assets	8,345,179,608	6,806,526,149
Subtotal	(23,886,385,768)	(51,597,896,815)
Net cash provided by (used in) investing activities	6,839,553,197	(45,171,885,562)

(Continued)

DOOSAN ENGINE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Korean won)

	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	₩-	₩6,521,796,822
Proceeds from long-term borrowings	-	50,000,000,000
Proceeds from issuance of bonds	89,421,600,000	99,461,490,305
Subtotal	89,421,600,000	155,983,287,127
Cash outflows for financing activities:		
Repayment of short-term borrowings	25,197,303,846	-
Repayment of long-term borrowings	64,266,000,000	72,412,440,000
Repayment of bonds	-	80,000,000,000
Subtotal	(89,463,303,846)	(152,412,440,000)
Net cash provided by (used in) financing activities	(41,703,846)	3,570,847,127
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	6,711,674	(142,952,973)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(53,240,105,023)	(230,580,007,115)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	94,835,220,141	325,415,227,256
CASH AND CASH EQUIVALENTS, END OF YEAR	₩41,595,115,118	₩94,835,220,141

(Concluded)

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

DOOSAN ENGINE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

(1) Parent company

Doosan Engine Co., Ltd. ("DE" or the "Parent") was incorporated on December 30, 1999, under the Commercial Code of the Republic of Korea to manufacture and sell marine diesel engines. The Company's head-office and plants are located in Changwon, Korea.

Under the Company's Articles of Incorporation, the Company is authorized to issue 120,000 thousand shares of capital stock (par value of ₩1,000). As of December 31, 2013, the Company issued 69,500 thousand common shares for ₩69,500,000 thousand.

On January 4, 2011, the DE's shares were listed in the Korea Exchange.

The DE's shares as of December 31, 2013, are owned as follows:

Name of stockholders	Number of shares owned	Ownership percentage (%)
Doosan Heavy Industries Construction Co., Ltd.	29,650,000	42.66%
Samsung Heavy Industries Co., Ltd.	9,815,000	14.12%
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	5,600,000	8.06%
Employee stock ownership association	1,704,754	2.45%
Others	22,730,246	32.71%
Total	<u>69,500,000</u>	<u>100.00%</u>

(2) Consolidated Subsidiaries

1) DE's consolidated subsidiary as of December 31, 2013 and 2012, are as follows (in millions of Korean won):

Subsidiaries	Type of Business	Location	Proportion of ownership interests held by DE		Proportion of ownership interests held by non-controlling interests		Financial closing date
			2013	2012	2013	2012	
Doosan Marine Industry (Dalian) Co., Ltd. ("DMI")	Manufacturing of marine engine parts	China	100.00	100.00	-	-	December 31

- 2) Condensed financial information of DE's consolidated subsidiary as of December 31, 2013 is as follows (in millions of Korean Won):

Subsidiaries	Asset	Liability	Equity	Sales	Net income (loss)	Total comprehensive income(loss)
Doosan Marine Industry (Dalian) Co., Ltd. ("DMI")	29,691,498	15,914,703	13,776,795	5,939,212	(3,914,558)	(3,914,558)

(3) Changes in the scope of consolidation

There is no change in the scope of consolidation for the year ended December 31, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DE and its subsidiary (the "Company") maintains its official accounting records in Korean Won and prepares separate financial statements in conformity with Korean statutory requirements and Korean International Financial Reporting Standards ("K-IFRS"), in the Korean language (Hangul).

(1) Basis of Preparation

The Company has adopted the K-IFRS for the annual period beginning on January 1, 2011.

The significant accounting principles as applied in the consolidated financial statements correspond to those pertaining to the annual consolidated financial statements for the year ended December 31, 2012, except for the effects of the changes in accounting policies and accounting for land in property, plant and equipment from cost model to revaluation model as follows.

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

- 1) Changes in accounting policies by newly adopted standards and interpretations for the current year are as follows:

K-IFRS 1001 Presentation of Financial Statements

The amendments to K-IFRS 1001 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have an effect on only presentation of consolidated financial statements and no effect on the financial position and operating results. The amendments have been applied retrospectively for the comparative period.

K-IFRS 1019 *Employee Benefits*

The amendments to K-IFRS 1019 require the recognition of actuarial gains and losses in other comprehensive income and eliminate the 'corridor approach' and 'immediate recognition in profit and loss approach' permitted under the previous version of K-IFRS 1019. Expected return on plan assets is measured by using the discount rate used in measuring defined benefit obligations instead of using an independent expected return and presented in net interest on the net defined benefit liability. Meanwhile, the Company shall recognize past service cost as an expense or income at the earlier date between when the plan amendment or curtailment occurs and when the entity recognizes related restructuring costs or termination benefits.

The amendment, however, that requires using the discount rate to measure the expected return on plan assets has not been applied retrospectively for the comparative period as the retroactivity in calculation does not have a significant effect on the consolidated financial statements.

K-IFRS 1107 *Financial Instruments: Disclosures*

The Company may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. The amendments to K-IFRS 1107 increase the disclosure requirements for transactions involving transfers of financial assets in order to provide greater transparency around the nature of the transferred assets, the nature of the risks and rewards of ownership to which the Company is exposed, description of the nature of the relationship between the transferred assets and the associated liabilities and carrying value of the associated liabilities. When the Company continues its involvement on the transferred assets although the transferred assets are derecognized in their entirety, the Company discloses the carrying amounts of the transferred assets and the associated liabilities and information showing the maximum exposure to loss. As the Company has neither any offsetting financial instruments under K-IFRS 1032 *Financial Instruments: Presentation* nor any rights of offset or related arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

K-IFRS 1110 *Consolidated Financial Statements*

K-IFRS 1110 replaces the parts of K-IFRS 1027 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and K-IFRS 2012 *Consolidation – Special Purpose Entities*, and establishes a single basis for consolidation for all entities, including structured entities (the term from K-IFRS 2012, 'special purpose entities,' is no longer used). Under K-IFRS 1110, an investor controls an investee when the investor 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. The Company has applied these changes and restated the comparative amounts on a retrospective basis (see the tables below for details).

K-IFRS 1111 Joint Arrangement

K-IFRS 1111 deals with how a joint arrangement, of which two or more parties have joint control, should be classified either as a joint operation or a joint venture. The classification of joint arrangements under K-IFRS 1111 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control over the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement. If the Company is a joint operator, the Company is to recognize assets, liabilities, revenues and expenses in relation to its interest in a joint operation and if the Company is a joint venturer, the Company is to account for that investment using the equity method. The application of K-IFRS 1111 has not had any material impact on the Company's consolidated financial statements.

K-IFRS 1112 Disclosure of Interest in Other Entities

K-IFRS 1112 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates, or unconsolidated structured entities. This standard requires an entity to disclose the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

K-IFRS 1113 Fair Value Measurement

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosure about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. K-IFRS 1113 defines fair value as 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. Fair value is measured by taking into account the characteristics of the asset or liability that market participants would take when pricing the asset or liability at the measurement date. A fair value measurement under K-IFRS 1113 requires an entity to determine the particular asset or liability that is subject of the measurement, the principal (or most advantageous) market for the asset or liability, and the valuation technique(s) appropriate for the measurement. In addition, K-IFRS 1113 requires extensive disclosures about fair value measurements.

There are some other amendments made to K-IFRSs as part of the Annual Improvements to K-IFRSs 2009 – 2011, such as the tax effect of distribution to holders of equity instruments (the amendments to K-IFRS 1032), which has not resulted in material effects on the consolidated financial statements.

- 2) The Company has not applied the following new or revised K-IFRSs that have been issued, but are not yet effective:

K-IFRS 1032 Financial Instruments: Presentation

The amendments to K-IFRS 1032 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of setoff’ and ‘simultaneous realization and settlement.’

The Company’s right to offset must not be conditional on the occurrence of future events, but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The amendments to K-IFRS 1032 are effective for annual periods beginning on January 1, 2014.

K-IFRS 1039 *Financial Instruments: Recognition and Measurement*

The amendments to K-IFRS 1039 allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty or entity acting in a similar capacity and certain conditions are met. The amendments to K-IFRS 1039 are effective for annual periods beginning on or after January 1, 2014.

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

The amendments introduce an exception to the principle under K-IFRS 1110 that all subsidiaries shall be consolidated and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries, but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. In addition, consequential amendments have been made to K-IFRS 1112 and K-IFRS 1027 to introduce new disclosure requirements for investment entities. The investment entities amendments are effective for annual periods beginning on or after January 1, 2014.

K-IFRS interpretation 2121 *Levies*

K-IFRS 2121 defines a levy as a payment to a government for which an entity receives no specific goods or services. The interpretation requires that a liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy and is typically specified in the legislation that imposes the levy. The interpretation is effective for annual periods beginning on or after January 1, 2014.

The list above does not include some other amendments such as the Amendments to K-IFRS 1036 *Impairment of Assets*, relating to recoverable amount disclosures for non-financial assets that are effective from January 1, 2014 with earlier application permitted.

The Company does not anticipate that the application of these new and revised K-IFRSs that have been issued but not effective will have any impact on the Company’s consolidated financial statements.

- 3) For the year ended December 31, 2013, the Company altered its accounting for land in property, plant and equipment from cost model to revaluation model. The effect of the change in an accounting policy on the statement of consolidated financial position as of December 31, 2013 is as follows (in thousands of Korean won):

Description	Before	After	Changes	Description		
				Revaluation surplus	Deferred tax liabilities	Revaluation deficit
Land	₩236,132,293	₩283,761,955	₩47,629,662	₩36,207,540	₩11,559,663	(₩137,541)
Asset	1,614,978,945	1,662,608,607	47,629,662			
Liability	861,011,482	872,571,145	11,559,663			
Equity	753,967,463	790,037,462	36,069,999			

Revaluation surplus of ₩36,207,540 thousand resulting from an increase in the land's value is recognized in other comprehensive income and ₩137,541 thousand of revaluation deficit resulting from a decrease in the land's value is recognized in loss.

4) Correction of classification

For the year ended December 31, 2013, the Company corrected the classifications of certain line items previously reported in the consolidated financial statements for the year ended December 31, 2012, and for year ended December 31, 2012, to conform to the consolidated financial statement presentation as follows (in thousands of Korean won):

Description	Before correction	After correction	Amounts	Correction to
Account payable for employee	Trade and other payable	Other current liabilities	₩6,811,828	Statement of financial position as of December 31, 2012
Increase in security deposit	Cash flows from investing activities	Cash flows from operating activities	(2,598,063)	Statement of cash flows for the year ended December 31, 2012

(2) Basis of Consolidation

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies.

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

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1039 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(3) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 *Income Taxes* and, K-IFRS 1019 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held interest in the acquiree (if any) the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS 1039 *Financial Instruments: Recognition and Measurement*, or K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(4) Investments in associates and joint ventures

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

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

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

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

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

When the Company reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Company applies K-IFRS 1105 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

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

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

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

(5) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Company's policy for goodwill arising on the acquisition of an associate is described at Note 2. (4).

(6) Foreign Currency Translation

1) Functional currency and presentation currency

The Company's financial statements are presented in the currency of the primary economic environment in which it operates (its functional currency). The functional currency of DE and the presentation currency for the consolidated financial statements of the Company are Korean won.

2) Foreign currency transaction and translation of balance

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Foreign currency gain (loss) from settlements of foreign currency transactions or translation of monetary items denominated in foreign currencies is recognized in income or loss, whereas the gain (loss) from qualified cash flow hedge and net investment hedge for foreign operations is deferred as an equity item.

(7) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, short-term, highly liquid investments with maturities (or date of redemption) of three months or less upon acquisition. Bank overdraft is classified as short-term borrowings in the consolidated statements of financial position.

(8) Financial Assets

1) Classification of financial assets

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

a) FVTPL

FVTPL includes financial assets classified as held for trading financial assets and financial assets designated at FVTPL upon initial recognition. A financial asset is classified as held for trading financial assets, if it has been acquired principally for the purpose of selling or repurchasing in near term. All derivative assets including an embedded derivative separated from the host contract and accounted for as derivative are classified as held for trading financial assets unless they are designated as effective hedging instruments. These categories of assets are classified as current assets or non-current assets depending on the timing of settlement.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, with maturities of more than 12 months from the end of the reporting period, are classified as non-current assets. Otherwise they are classified as current assets.

c) AFS

AFS financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or FVTPL. AFS financial assets are classified as non-current assets, unless management has intention to sell them within 12 months.

d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments, with maturities of more than 12 months from the end of the reporting period, are classified as non-current assets. Otherwise they are classified as current assets.

2) Recognition and measurement

All financial assets are recognized on trade date when the purchase or sale of a financial asset is under a contract and are initially measured at fair value, plus transaction costs, except for FVTPL, which are initially measured at fair value and related transaction costs are recognized in income or loss.

FVTPL and AFS are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method. Gains or losses arising from changes in fair value of financial assets at FVTPL are recognized in the other non-operating income and expense line item in the separate statement of income. Dividends on FVTPL are recognized in the finance income when the Company's right to receive the dividends is established.

Changes in fair value of monetary and non-monetary financial assets that are classified as AFS are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the equity is reclassified into other non-operating income and expense in the statement of income.

Interest from AFS calculated using the effective interest method, is recognized in finance income in the consolidated statement of income. Dividends on AFS equity instruments are recognized in finance income when the Company's right to receive the dividends is established.

3) Impairment of financial assets

a) Financial assets measured at amortized cost

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate at initial recognition. The carrying amount of the financial asset is reduced by the impairment loss and the amount of the loss is recognized in income or loss. The Company measures impairment loss based on fair value of financial assets from observable market data.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in income or loss.

b) AFS

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. If there is objective evidence of impairment on AFS, the cumulative loss that has been recognized in other comprehensive income, less any impairment loss previously recognized in income or loss, is reclassified from equity to income or loss. Impairment losses recognized in income or loss for an investment in an equity instrument classified as AFS are not reversed through income or loss. Meanwhile, if, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income or loss, the impairment loss is reversed through income or loss.

4) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(9) Accounts receivable

Accounts receivables are amounts owed by customer for products and services provided in the ordinary course of business. Receivables expected to be collected within one year are classified as current assets. Otherwise they are classified as non-current assets. Trade receivables are initially measured at fair value and are presented as net of allowance for doubtful accounts, estimated on an individual basis based on past bad debt experience.

(10) The gross amounts due from (to) customers

The gross amount due from customers for contract work is the net amount of costs incurred plus recognized profits and the sum of recognized losses and progress billings for all contract in progress for which costs incurred plus recognized profits exceed progress billings. Total costs include cost to specific contract and fixed and variable common cost, which are distributed in normal operation.

Contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, a gross amount due from customers for contract work is recognized as an asset in the consolidated statements of financial position. Similarly, at each consolidated statement of financial position date, for all contracts in progress for which progress billings exceed costs incurred, plus recognized profits (less recognized losses), a gross amount due to customers for contract work is recognized as a liability in the consolidated statements of financial position.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes fixed and variable manufacturing overhead costs that are systematically allocated to inventories by appropriate methods based on each category of inventory. The cost of inventories is determined by the specific identification method for materials in transit. During the year, perpetual inventory systems are used to value inventories, which are adjusted to physical inventory counts performed at the end of the year.

The Company periodically reviews changes in net realizable value of inventories (current replacement cost for raw materials) due to damage, obsolescence, decline in selling prices and others and recognizes loss on inventory valuation.

Loss on inventory valuation is charged to cost of sales when it is ordinary and to other non-operating expense when it is extraordinary. When the circumstances that previously caused inventories to be written down below cost no longer exist and the new market value of inventories subsequently recovers, the valuation loss is reversed to the extent of the original valuation loss and the reversal is deducted from cost of sales.

(12) Property, Plant and Equipment

Property, plant and equipment are stated at cost less, subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to its purchase or construction, including the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs incurred to replace part of previously recognized item of property, plant and equipment are added to the carrying amount of an asset, or recognized as a separate asset, if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. The carrying amount of what was replaced is derecognized. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land. Depreciation expense for property, plant and equipment other than land is computed using the straight-line method, which reflects most closely the pattern in which the asset's economic benefits are expected to be consumed by the Company, over the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings	20 – 40
Structures	10 – 20
Machinery	5 – 20
Vehicles	3 – 5
Tools	10
Office equipment	3 – 5

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

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

The Company eliminates the carrying amount of asset when it is hard to expect inflow of future economic benefits incurred by disposal or using it. Upon the derecognition of a property, plant and equipment, the difference between the net disposal proceed and carrying amount of the item is recognized in other non-operating income (expense).

(13) Intangible Assets

Intangible assets are initially measured at cost and are carried at cost, less accumulated amortization and accumulated impairment losses. Subsequent expenditure on an intangible asset is capitalized only when it is probable that the expected future economic benefits that are attributable to the asset will increase.

Intangible assets other than goodwill and intangibles with indefinite useful lives are amortized using the straight-line method with no residual value, with amortization beginning when the asset is available for use.

The estimated useful lives of the assets are as follows:

	Estimated useful lives (years)
Development costs	5
Right of utilization	16
Software	5
Others	5

However, useful lives of membership and other intangible assets with similar nature are determined to be indefinite as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Company and they are not amortized, but tested for impairment once a year.

Expenditures relating to development activities are capitalized when the result of the development is for the development of new products or substantial improvement of functions of existing products; there is technical and commercial feasibility of completing the development; and the Company has the ability to measure reliably the expenditure attributable to the development. Capitalized development cost includes expenditure on materials, salaries, wages and other employment-related costs of personnel directly engaged in generating assets and related overhead cost that is systematically allocated. The expenditure on research and development that does not meet conditions noted above is recognized as an expense when it is incurred.

The estimated useful life and amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period and for the assets that have been assessed as having indefinite useful life, that assessment is revisited each period, with the effect of any changes in estimate being accounted for as a change in accounting estimate.

(14) Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the book value of investment property is presented at cost, less accumulated depreciation and accumulated impairment. While land is not depreciated, all other investment property is depreciated using the straight-line method over 40 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for as a change in accounting estimate.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(15) Borrowing Costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(16) Impairment of non-financial assets, except for goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, except for goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(17) Financial Liabilities and Equity Instruments

1) Classification as debt or equity

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

2) Equity instruments

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

When the Company reacquires its own shares, those shares are deducted from equity. No gain or loss is recognized in income or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

3) Compound instruments

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. Conversion option over an entity's own equity is accounted for as equity only when it will be settled by the entity delivering (or receiving) a fixed number of its own equity instruments and receiving (or delivering) a fixed amount of cash or another financial asset.

4) Financial liabilities

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

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

5) FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL. A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition. FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in income or loss. The net gain or loss recognized in income or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

6) Other financial liabilities

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

The effective interest method is a method of calculating the amortized cost of a financial liability, and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial liability, or (when appropriate) a shorter period, to the net carrying amount on initial recognition. When calculating the estimated future cash payments or receipts, certain factors, such as commission income and expense; points; transaction costs; and premiums and discounts, are factored into the calculation.

(18) Financial guarantee contract liabilities

The Company measures payments required to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument and recognizes financial liability.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized, less cumulative amortization recognized in accordance with the K-IFRS 1018 *Revenue*

(19) Retirement Benefit Obligation

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

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

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

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

(20) Provisions

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

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

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

(21) Derivative Financial Instruments

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

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

1) Hedge accounting

The Company designates certain derivatives as either hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges). At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

a) Fair value hedges

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

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

b) Cash flow hedges

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

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss in the same line of the consolidated statement of income as the recognized hedged item.

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

2) Other derivatives

Derivatives, except for those designated and qualify as effective hedging instruments are measured at fair values and the changes in fair values are recognized in income or loss.

(22) Dividend

Dividend payable is recognized as liability when declaration of the dividend is approved at the stockholders' meeting.

(23) Share-Based Payment Arrangement

The Company recognizes share options granted to employees at the fair value at the grant date. The fair value determined at the grant date of the share option is expensed on a straight-line basis over the vesting period. The Company determines fair value of share option using the Black-Scholes option-pricing model.

(24) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services arising in the course of the ordinary activities of the Company. Revenue is reduced for value-added tax, estimated customer returns, rebates and trade discounts and is presented after eliminating intercompany transactions. The Company recognizes revenue when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company and when transaction meets the revenue recognition criteria specified by activity. When measuring revenue, the Company reliably estimates on contingencies related to sales based on historical data, such as customer type, transaction type and trading terms.

1) Sale of goods

Revenue from the sale of goods is recognized when the Company has transferred the significant risks and rewards of ownership of the goods to the buyer. Revenue is recognized on initial delivery of the goods net of expected discounts and returns estimated based on historical data. The Company estimates and recognizes provision for warranty and sales return arising from sale of goods.

2) Rendering of service

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period.

The reliable method to measure the value of the services performed is determined based on the nature of transaction. The process involved in the execution of the task is studied to understand the percentage of completeness and measure the progress by calculating the ratio of accumulated costs incurred to the total estimated costs.

3) Other revenue

Revenues arising from dividends are recognized when the right to receive the dividend payment is established.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognized using the effective interest method. Rental income is recognized on a straight-line basis.

(25) Income Tax and Deferred Tax

Income tax expense is composed of current tax and deferred tax. Current tax and deferred tax are recognized in income or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Income tax (current tax) expense is the sum of corporate tax for each fiscal year and tax added to corporate tax under corporate income tax law and other law. Additional income taxes or tax refunds for the prior periods are included in income tax expense for the current period when recognized. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income.

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

(26) Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(27) Fair value

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

(28) Approval of financial statements

The separate financial statements for the year ended December 31, 2013, were approved by the Board of Directors on March 5, 2014.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies that are described at Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

(1) Revenue recognition

Revenue from service or construction projects is recognized based on percentage-of-completion method. It needs to estimate a rate that can measure the service provided by the Company, and can be critically changed by relevant factors.

(2) Provision for construction losses

The Company provides warranty for product at the time of related revenue recognition (at the time of sale). Provisions for the expected cost of warranty obligations are recognized at the best estimate of the expenditure required to settle the Company's current and future obligations. These estimates could be changed in the future period by additional provision under local legislation and practice.

(3) Defined benefit obligation

The Company operates a defined benefit pension plan, which is funded by the Company and managed by insurance companies and trustees, based on actuarial calculations periodically performed. The assumptions about the method are based on discount rate, expected rate of salary increase and expected rate of return on plan assets; these estimates may contain significant uncertainty.

(4) Revaluation model on land and fair value model on investment in real properties

As stated in Note 12, the Company uses evaluation technique, including inputs that are not based on observable market data, to approximate revalued amount of land classified as property, plant and equipment and fair value of investment property.

(5) Deferred tax

Recognition and measurement of deferred tax assets and liabilities require the management's judgment, in particular, whether to recognize if the scope of deferred tax assets is affected by management's judgment and assumption in the future.

4. FINANCIAL RISK MANAGEMENT:

The Company is exposed to various financial risks, such as market, credit and liquidity. The purpose of financial risk management of the Company is to enhance efficiency of financial management and improve the financial structure to create a stable and continuous management performance.

Financial risk management activities, such as identification, evaluation and hedge, are mostly performed by Treasury department under close cooperation of the relevant department. The Company focuses on minimizing the effect of financial risk through regular monitoring.

(1) Market risk

1) Foreign exchange risk

The Company is exposed to foreign currency risk as it makes transactions in foreign currencies. The Company's goal about foreign exchange risk control is to minimize uncertainty and income/loss volatility by exchange fluctuations. Foreign exchange risk control is managed by the Company's policy on foreign exchange risk management. Foreign exchange management of speculative purpose is strictly prohibited.

The Company reduces exposure to foreign currency risk by matching the inflow and the outflow of foreign currencies (natural hedge) and manages foreign currency risk by using currency derivatives, such as currency forwards, for the remaining exposure

The book value of the Company's monetary assets and liabilities denominated in foreign currencies, which represents the maximum exposure to foreign currency risk, as of December 31, 2013 and 2012, is as follows (in thousands of Korean won):

December 31, 2013					
	USD	EUR	CNY	Others (*)	Total
Assets	₩27,476,354	₩4,052,072	₩1,346,019	₩100,977	₩32,975,421
Liabilities	(69,317,542)	(15,602,111)	(15,235,544)	(3,890,433)	(104,045,630)
Net assets (liabilities)	(₩41,841,188)	(₩11,550,039)	(₩13,889,525)	(₩3,789,456)	(₩71,070,208)
December 31, 2012					
	USD	EUR	CNY	Others (*)	Total
Assets	₩59,098,464	₩130,227	₩1,933,389	₩69,683	₩61,231,763
Liabilities	(136,346,001)	(21,637,843)	(12,888,861)	(7,872,808)	(178,745,513)
Net assets (liabilities)	(₩77,247,537)	(₩21,507,616)	(₩10,955,472)	(₩7,803,125)	(₩117,513,750)

(*) Others are assets and liabilities denominated in foreign currencies other than USD, EUR and CNY.

Net foreign currency translation gain/loss for the nine months ended December 31, 2013 and 2012, is ₩556,984 thousand and ₩9,497,029 thousand, respectively.

A sensitivity analysis on the Company's income before tax for the period, assuming a 10% increase and 10% decrease in currency exchange rates, as of December 31, 2013 and 2012, is as follows (in thousands of Korean won):

	December 31, 2013		December 31, 2012	
	10% Increase in Korean won against foreign currency	10% Decrease in Korean won against foreign currency	10% Increase in Korean won against foreign currency	10% Decrease in Korean won against foreign currency
Income before tax impact	<u>(₩7,107,021)</u>	<u>₩7,107,021</u>	<u>(₩11,751,375)</u>	<u>₩11,751,375</u>

The sensitivity analysis above is based on monetary assets and liabilities denominated in foreign currencies other than functional currency as of December 31, 2013 and 2012.

2) Interest rate risk

The Company's interest rate risk is related to borrowings and bank deposits with floating interest rates, and related interest income and expense are exposed to interest rate risk. The Company is exposed to interest rate risk mainly due to its borrowing with floating interest rates. Borrowings and bank deposits with fixed interest rates do not have influence on net income and equity due to the changes in market interest rates. The purpose of interest rate risk management is to minimize uncertainty and financial cost by interest rate volatility.

To manage its interest rate risk, the Company minimizes external borrowings using internal funds and reduces borrowings with high interest rates, and maintains the appropriate balance between borrowings with floating interest rate and fixed interest rate and short-term and long-term borrowings. The Company manages its interest rate risk through regular monitoring and adjustments to the changing domestic and overseas market conditions and nature of its interest rates.

The book value of the Company's financial assets and liabilities with floating interest rates exposed to interest rate risk as of December 31, 2013 and 2012, is as follows (in thousands of Korean won):

	December 31, 2013	December 31, 2012
Financial assets	₩31,275,520	₩31,977,271
Financial liabilities	<u>(72,325,995)</u>	<u>(173,070,000)</u>
Net assets (liabilities)	<u>(₩41,050,475)</u>	<u>(₩141,092,729)</u>

A sensitivity analysis on the Company's income before tax assuming a 1% increase and 1% decrease in interest rates as of December 31, 2013 and 2012, is as follows (in thousands of Korean won):

	December 31, 2013		December 31, 2012	
	1% increase	1% decrease	1% increase	1% decrease
Income before tax impact	(W410,505)	W410,505	(W1,410,927)	W1,410,927

3) Price risk

The Company is exposed to equity price risks arising from its listed equity investments among AFS equity investments. The Company periodically measures the risk that the fair value or future cash flows of equity investments may fluctuate due to the changes in market prices. Important investments in the Company's portfolio are individually managed and acquisition and disposal are approved by the Board of Directors.

(2) Credit risk

As one of the parties to financial instrument may fail to perform the duty, the Company is exposed to credit risk, which may inflict financial losses to the other party. Credit risk primarily affects account receivables and other receivables for customers, as well as AFS investments, deposits, financial derivatives and payment guarantees. The Company transacts with customers that are above an acceptable level in order to manage credit risk and operates policy and procedure to reinforce financial assets.

When the Company enters into contracts with new customers, it will be provided with security or payment guarantees based on open financial information and information provided by credit-rating agencies.

Also, the Company reassesses the credit rating of customers periodically, reconsiders maximum credit limit and readjusts security level. The Company reports the delinquent accounts receivable situation and proper measures about financial assets with delayed collection.

The maximum exposure amount of credit risk of financial assets as of December 31, 2013 and 2012, is as follows (in thousands of Korean won):

		December 31, 2013	December 31, 2012
Loans and receivables	Cash and cash equivalents	₩41,595,115	₩94,835,220
	Financial instruments	146,803,168	172,125,610
	Accounts and other receivables	25,567,477	86,226,940
	Loans	13,909,247	6,283,871
	Long-term other receivables	9,693,320	14,958,734
	Long-term investment securities	7,000,000	7,000,000
Held-to-maturity investments			
Derivative assets		46,440,795	50,492,692
Total		₩291,009,122	₩431,923,067

Meanwhile, the Company's guarantee amount is equal to (see Note 32) contingent liabilities, which is the maximum amount for claiming a warranty by a financial guarantee contract, except financial assets.

Aging analysis of the Company's receivables as of December 31, 2013 and 2012, is as follows (in thousands of Korean won):

		December 31, 2013					
Individually impaired receivables (*)		Receivables assessed for impairment on a collective basis					Total
		Within due	0-3 months	3-6 months	6-12 months	More than 12 months	
Accounts receivable	₩-	₩15,459,677	₩1,924,468	₩1,280,108	₩966,963	₩761,109	₩20,392,325
Other receivable	6,236	4,412,084	-	-	-	-	4,418,320
Accrued income	-	1,273,289	-	-	-	-	1,273,289
Long-term accounts receivable	-	3,284,133	-	-	-	-	3,284,133
Total	₩6,236	₩24,429,183	₩1,924,468	₩1,280,108	₩966,963	₩761,109	₩29,368,067

(*) Full amount impaired.

December 31, 2012

	Individually impaired receivables	Receivables assessed for impairment on a collective basis					Total
		Within due	0-3 months	3-6 months	6-12 months	More than 12 months	
Accounts receivable	₩-	₩58,490,815	₩16,989,814	₩4,720,012	₩395,915	₩5,939,295	₩86,535,851
Other receivable	-	2,336,192	-	-	-	-	2,336,192
Accrued income	-	1,417,046	-	-	-	-	1,417,046
Long-term accounts receivable	-	4,460,205	-	-	-	-	4,460,205
Total	₩-	₩66,704,258	₩16,989,814	₩4,720,012	₩395,915	₩5,939,295	₩94,749,294

Receivables past due are assessed as impaired. An allowance account is recognized by applying individually recognized allowance rate for receivables that can be assessed to be impaired individually due to insolvency, bankruptcy and others. Group of financial assets that are not individually significant and have similar credit risk characteristics are assessed for impairment on a collective basis. An allowance account is recognized based on aging analysis and the Company's past experience of receivables collection.

Other receivables AFS, held-to-maturity financial assets, deposit in financial institution and derivative instruments are individually assessed for impairment.

(3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liability obligations related to the financing for its operation.

The Company forecasts cash flows from operating, investing and financing activities through a cash flow budget regularly. This secures and retains a necessary liquidity scale in advance. Also, this manages a possible liquidity risk for the future.

The Company's major non-derivative liabilities as of December 31, 2013 and 2012, have matured as follows (in thousands of Korean won):

		December 31, 2013				
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liability	₩402,252,138	₩403,207,521	₩160,328,416	₩52,879,105	₩190,000,000	₩-
Interest expense	-	43,235,832	12,493,056	10,047,776	20,695,000	-
Total	₩402,252,138	₩446,443,353	₩172,821,472	₩62,926,881	₩210,695,000	₩-

		December 31, 2012				
		Nominal cash flows according to contract (*)				
	Book value	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liability	₩483,979,931	₩484,518,441	₩266,101,150	₩66,870,371	₩151,546,920	₩-
Interest expense	-	33,937,360	10,346,527	8,436,830	15,154,003	-
Total	₩483,979,931	₩518,455,801	₩276,447,677	₩75,307,201	₩166,700,923	₩-

(*) Maturity analysis above is based on undiscounted cash flows per the contracts, which differs from the financial liability recognized in the consolidated statements of financial position. The above amount also includes guarantee amounts (see Note 32).

(4) Capital risk

The Company performs capital risk management to maintain its ability to continuously provide income to shareholders and parties in interest and to maintain optimum capital structure to reduce capital expenses.

Debt-to-equity ratio, calculated as total liabilities divided by equity, is used as an index to manage the Company's capital similar to overall industry practice.

Debt-to-equity ratios at the end of the reporting date are as follows (in thousands of Korean won):

	December 31, 2013	December 31, 2012
Debt	₩872,571,145	₩1,038,431,336
Equity	790,037,462	747,771,453
Debt-to-equity ratio	110.45%	138.87%

5. RESTRICTED DEPOSITS:

Details of restricted deposits as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

Account	December 31 2013	December 31 2012	Remarks
Long-term financial instruments	W6,500	W5,500	Guarantee deposits for checking account
	1,796,668	1,760,226	Employee stock ownership loan secured by deposits
Total	<u>W1,803,168</u>	<u>W1,765,726</u>	

6. ACCOUNTS AND OTHER RECEIVABLES:

(1) Accounts and other receivables as of December 31, 2013 and 2012, consist of the following (in thousands of Korean won):

	December 31, 2013			December 31, 2012		
	Gross	Allowance for doubtful accounts	Carrying value	Gross	Allowance for doubtful accounts	Carrying value
CURRENT:						
Trade receivables	W20,392,325	(W588,933)	W19,803,392	W86,535,851	(W4,125,329)	W82,410,522
Other receivables	4,418,320	(6,236)	4,412,084	2,336,192	-	2,336,192
Accrued income	1,273,289	-	1,273,289	1,417,046	-	1,417,046
Guarantee deposits	78,712	-	78,712	63,180	-	63,180
Subtotal	<u>26,162,646</u>	<u>(595,169)</u>	<u>25,567,477</u>	<u>90,352,269</u>	<u>(4,125,329)</u>	<u>86,226,940</u>
NON-CURRENT:						
Other receivables	3,159,442	-	3,159,442	4,234,765	-	4,234,765
Guarantee deposits	6,533,878	-	6,533,878	10,723,969	-	10,723,969
Subtotal	<u>9,693,320</u>	<u>-</u>	<u>9,693,320</u>	<u>14,958,734</u>	<u>-</u>	<u>14,958,734</u>
Total	<u>W 35,855,966</u>	<u>(W 595,169)</u>	<u>W 35,260,797</u>	<u>W 105,311,003</u>	<u>(W4,125,329)</u>	<u>W 101,185,674</u>

- (2) The changes in allowance for doubtful accounts are as follows (in thousands of Korean won):

	2013			
	January 1, 2013	Increase	Reversal	December 31, 2013
Trade receivable	(W4,125,329)	W-	W3,536,396	(W588,933)
Other receivables	-	(6,236)	-	(6,236)
	<u>(W4,125,329)</u>	<u>(W6,236)</u>	<u>W3,536,396</u>	<u>(W595,169)</u>

Bad debt expense from trade receivables is included in selling, general and administrative expenses, and bad debt expense from other receivables is included in other non-operating expense.

7. INVENTORIES:

Details of inventory valuation securities as of December 31, 2013 and 2012, are summarized as follows (in thousands of Korean won):

	December 31, 2013			December 31, 2012		
	Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value
Work in progress	W97,821,089	(W14,444,478)	W83,376,611	W97,705,353	(W28,642,954)	W69,062,399
Raw materials	77,864,105	(3,403,154)	74,460,951	125,795,392	(4,494,921)	121,300,471
Materials in transit	20,236,118	-	20,236,118	14,712,720	-	14,712,720
Total	<u>W195,921,312</u>	<u>(W17,847,632)</u>	<u>W178,073,680</u>	<u>W238,213,465</u>	<u>(W33,137,875)</u>	<u>W205,075,590</u>

The Company recorded gain (loss) on inventory valuation totaling (-)W15,290,243 thousand and (-)W4,951,524 thousand for the years ended December 31, 2013 and 2012, respectively.

8. LONG-TERM INVESTMENT SECURITIES:

Long-term investment as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Non-marketable securities:		
Korea Marine Equipment Association	₩20,000	₩20,000
Electronic Contractors' Financial Cooperative	52,047	52,047
Equity securities:		
Casco	1	850,070
Subtotal	<u>72,048</u>	<u>922,117</u>
Long-term held-to-maturity financial assets		
Subordinated beneficiary certificate	7,000,000	7,000,000
Total	₩ 7,072,048	₩ 7,922,117

The securities are measured at acquisition cost as they cannot be reliably measured at fair value. Casco's full damage processing recoverable amount has fallen significantly sustainability rather than book value.

9. DERIVATIVES:

(1) Details of the derivatives and risk aversion accounting are as follows:

Purpose	Derivative instruments	Contract description
Risk aversion of fair value	Foreign currency forwards	When receiving the foreign receivables, determined foreign payables to fix the value of Korean won at maturity about exposed fluctuation risk of exchange rate
	Long-term foreign currency borrowings	When receiving the foreign receivables, it fixes the value of Korean won at maturity about exposed fluctuation risk of exchange rate

(2) Details of gain and loss on valuation of derivatives as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

December 31, 2013							
	Purchase		Sale		Assets	Gains	Firm
	Currency	Amount	Currency	Amount	(liabilities)	(losses)	commitment
Foreign currency forwards	KRW	980,501,554	USD	874,516,016	₩45,805,211	₩32,569,776	(₩17,760,943)
	KRW	1,455,617	EUR	959,000	53,373	(8,417)	(6,302)
	EUR	76,841,000	KRW	115,738,313	(2,431,635)	(392,053)	4,120,036
	CHF	1,959,000	KRW	2,383,297	10,523	14,969	(10,523)
	CNY	32,462,930	USD	5,100,000	108,012	172,303	-
Borrowings in foreign currency	KRW	90,875,738	USD	60,000,000	-	-	4,313,118
Total					₩43,545,484	₩32,356,578	(₩9,344,614)

December 31, 2012							
	Purchase		Sale		Assets (liabilities)	Gains (losses)	Firm commitment
	Currency	Amount	Currency	Amount			
Foreign currency	KRW	1,069,515,570	USD	939,422,616	₩ 50,040,614	₩ 62,790,797	(₩2,543,792)
forwards	KRW	4,892,393	EUR	3,224,000	250,241	250,241	(250,241)
	EUR	69,956,000	KRW	106,093,746	(5,225,493)	(4,293,414)	7,094,361
	CHF	2,034,000	KRW	2,501,533	(65,084)	(65,084)	64,316
	CNY	32,462,930	USD	5,100,000	49,366	118,081	-
Borrowings in foreign currency	KRW	125,272,463	USD	120,000,000	-	-	4,235,005
Total					₩ 45,049,644	₩ 58,800,621	₩ 8,599,649

Derivative instruments classified as financial assets (liabilities) at FVTPL are classified as current assets or current liabilities. Derivatives that are designated as hedging instruments are classified as non-current assets (liabilities) when their maturities are more than 12 months from the end of the reporting period. Otherwise, they are classified as current assets (liabilities).

10. FINANCIAL INSTRUMENTS:

- (1) Categories of financial instruments as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

December 31, 2013							
Financial assets at FVTPL	Loans and receivables	AFS financial assets	Held-to- maturity investments	Derivatives designated as hedging instruments	Book value	Fair value	
Cash and cash equivalents	₩-	₩41,595,115	₩-	₩-	₩-	₩41,595,115	₩41,595,115
Long- and short-term financial instruments	-	146,803,168	-	-	-	146,803,168	146,803,168
Trade and other receivables	-	25,567,477	-	-	-	25,567,477	25,567,477
Derivative assets	108,012	-	-	-	46,332,783	46,440,795	46,440,795
Long- and short-term loans	-	13,909,247	-	-	-	13,909,247	13,909,247
Long-term investment securities	-	-	72,048	7,000,000	-	7,072,048	7,072,048
Long-term other receivables	-	9,693,320	-	-	-	9,693,320	9,693,320
Total	₩108,012	₩237,568,327	₩72,048	₩7,000,000	₩46,332,783	₩291,081,170	₩291,081,170

December 31, 2013					
Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging		Book value	Fair value
		instruments			
Trade and other payables	₩-	₩89,569,231	₩-	₩89,569,231	₩89,569,231
Borrowings and bonds	-	311,370,611	-	311,370,611	311,370,611
Derivative liabilities	-	-	2,895,311	2,895,311	2,895,311
Long-term non-trade payables	-	1,312,295	-	1,312,295	1,312,295
Financial guarantee liabilities	-	2,977,125	-	2,977,125	2,977,125
Total	₩-	₩405,229,262	₩2,895,311	₩408,124,573	₩408,124,573

December 31, 2012							
Financial assets at FVTPL	Loans and receivables	AFS financial assets	Held-to- maturity investments	Derivatives designated as hedging		Book value	Fair value
				instruments			
Cash and cash equivalents	₩-	₩94,835,220	₩-	₩-	₩-	₩94,835,220	₩94,835,220
Long- and short-term financial instruments	-	172,125,610	-	-	-	172,125,610	172,125,610
Trade and other receivables	-	86,226,940	-	-	-	86,226,940	86,226,940
Derivative assets	49,365	-	-	-	50,443,327	50,492,692	50,492,692
Long- and short-term loans	-	6,283,871	-	-	-	6,283,871	6,283,871
Long-term investment securities	-	-	922,117	7,000,000	-	7,922,117	7,922,117
Long-term other receivables	-	14,958,734	-	-	-	14,958,734	14,958,734
Total	₩49,365	₩374,430,375	₩922,117	₩7,000,000	₩50,443,327	₩432,845,184	₩432,845,184

December 31, 2012					
Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging		Book value	Fair value
		instruments			
Trade and other payables	₩-	₩170,479,700	₩-	₩170,479,700	₩170,479,700
Borrowings and bonds	-	312,246,177	-	312,246,177	312,246,177
Derivative liabilities	-	-	5,443,049	5,443,049	5,443,049
Long-term non-trade payables	-	1,254,054	-	1,254,054	1,254,054
Financial guarantee liabilities	-	4,121,160	-	4,121,160	4,121,160
Total	₩-	₩488,101,091	₩5,443,049	₩493,544,140	₩493,544,140

(2) Fair value measurements of financial instruments by fair value levels as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

Type	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	W-	W108,012	W-	W108,012
Derivatives designated as hedging instrument	-	46,332,783	-	46,332,783
Total	W-	W46,440,795	W-	W46,440,795
Financial liabilities:				
Derivatives designated as hedging instrumen	W-	(W2,895,311)	W-	(W2,895,311)
Total	W-	(W2,895,311)	W-	(W2,895,311)
Type	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	W-	W49,365	W-	W49,365
Derivatives designated as hedging instrument	-	50,443,327	-	50,443,327
AFS financial assets	-	-	850,070	850,070
Total	W-	W50,492,692	W850,070	W51,342,762
Financial liabilities:				
Derivatives designated as hedging instrumen	W-	(W5,443,049)	W-	(W5,443,049)
Total	W-	(W5,443,049)	W-	(W5,443,049)

For the convenience of practical, fair value of long-term investment securities that have been evaluated with a closing Level 3 before, we used the substitute value of fair value net assets of the investee.

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the dates of the consolidated statements of financial position. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed equity investments classified as trading securities or AFS financial assets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. On the other hand, derivatives designated as hedging instruments that were classified as Level 2 was used as the input forward exchange rates for the reporting period end date.

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

On the other hand, as for trade and other receivables, the book value approximates a reasonable estimate of fair value.

(3) Profit and loss by categories of financial instruments as of December 31, 2013 and 2012, are as follows (in thousands of Korean won)

	Profit and loss as of December 31, 2013							Other comprehensive income
	Interest	Dividend	Valuation	Impairment	Disposal	Foreign exchange	Others	
Financial asset at FVTPL	W-	W-	W-	W-	W-	W-	W-	W-
Loans and receivables	6,247,935	-	-	3,530,160	-	(77,005)	-	-
AFS financial assets	-	827	-	(850,069)	-	-	-	-
Held-to-maturity investments	585,498	-	-	-	-	-	-	-
Total	6,833,433	827	-	2,680,091	-	(77,005)	-	-
Financial liabilities at FVTPL	-	-	-	-	-	-	-	-
Financial liabilities at amortized cost	(14,169,843)	-	-	-	-	(240,145)	1,202,422	-
Total	(W14,169,843)	W-	W-	W-	W-	(W240,145)	W1,202,422	W-

	Profit and loss as of December 31, 2012							Other comprehensive income
	Interest	Dividend	Valuation	Impairment	Disposal	Foreign exchange	Others	
Financial asset at FVTPL	₩-	₩-	₩-	₩-	₩-	₩-	₩-	₩-
Loans and receivables	12,849,009	-	-	(65,109)	-	(6,417,956)	-	-
AFS financial assets	-	-	-	-	-	-	-	-
Held-to-maturity investments	538,726	-	-	-	-	-	-	-
Total	13,387,735	-	-	(65,109)	-	(6,417,956)	-	-
Financial liabilities at FVTPL	-	-	-	-	-	-	-	-
Financial liabilities at amortized cost	(9,915,700)	-	-	-	-	13,777,685	384,463	-
Total	(₩9,915,700)	₩-	₩-	₩-	₩-	₩13,777,685	₩384,463	₩-

Apart from the above, the comprehensive income generated by the Derivatives designated as hedging instruments, is as follows.

	December 31, 2013			December 31, 2012		
	Valuation	Disposal	Other comprehensive income(*)	Valuation	Disposal	Other comprehensive income(*)
Derivatives designated as hedging instruments	₩32,184,275	(₩4,666,544)	₩-	₩58,682,541	₩1,450,638	₩440,359
Derivatives of sale	172,303	(1,507)	₩-	118,081	34,350	-
Total	₩32,356,578	(₩4,668,051)	₩-	₩58,800,622	₩1,484,988	₩440,359

(*) Other comprehensive profit or loss does not reflect corporate tax effect.

11. INVESTMENTS IN ASSOCIATES:

- (1) Investments in associates as of December 31, 2013 and 2012, are summarized as follows
(in thousands of Korean won):

Company	Country	Percentage of ownership (%)	Acquisition cost		Book value		Proportionate share of net assets	
			December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Dalian Samyoung Doosan Metal Product Co., Ltd. (*1)	China	10.80	₩2,675,402	₩2,675,402	₩3,390,480	₩3,433,805	₩3,390,480	₩3,433,805
Doosan Infracore International, Inc. (*2)	America	11.59	355,596,311	355,596,311	282,649,053	256,127,127	276,934,556	250,412,630
Doosan Holdings Europe Ltd. (*2)	Island	21.73	382,594,143	382,594,143	174,279,649	190,891,819	174,279,649	190,891,819
Total			₩740,865,856	₩740,865,856	₩460,319,182	₩450,452,751	₩454,604,685	₩444,738,254

(*1) Although the Company's ownership in each of these companies is less than 20%, the Company has significant influence over these companies through participation in various management decisions of these companies. As a result, the Company accounts for these investments using the equity method.

(*2) Investees have agreement with Doosan Infracore ("DI"), related party of the Company, for appointment to representative director etc. In addition, the Company provides share of DII and DHEL for its loans as collateral (See Note 32-(2)).

The Company does not have securities of associates with posted market price.

- (2) Changes in investments in associates for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

Year ended December 31, 2013						
Company	January 1, 2013	Acquisition (disposal)	Share of profit (loss)	Increase (decrease) in equity of associates	Other (*1)	December 31, 2013
DSDMP	₩3,433,805	₩-	(₩89,491)	₩46,166	₩-	₩3,390,480
DII	256,127,127	-	16,594,088	(4,514,062)	14,441,900	282,649,053
DHEL	190,891,819	-	(12,357,744)	(5,401,661)	1,147,235	174,279,649
Total	₩450,452,751	₩-	₩4,146,853	(₩9,869,557)	₩15,589,135	₩460,319,182

Year ended December 31, 2012						
Company	January 1, 2012	Acquisition (disposal)	Share of profit (loss)	Increase (decrease) in equity of associates	Other (*1)	December 31, 2012
DSDMP	₩3,977,571	₩-	(₩779,422)	₩235,656	₩-	₩3,433,805
Casco	1,246,569	(850,070)	(268,455)	(128,044)	-	-
DII	172,690,480	-	93,875,912	(14,805,450)	4,366,185	256,127,127
DHEL	152,324,488	-	43,396,822	(4,047,165)	(782,326)	190,891,819
Total	₩330,239,108	(₩850,070)	₩136,224,857	(₩18,745,003)	₩3,583,859	₩450,452,751

- (*1) By an advance commitment, equity fluctuation differential with conversion to common stocks by Doosan Infracore from preferred stocks held by financial investors (creditor banks) is recognized as profit for the term (share of profit)

Calculation table of equity fluctuation differential is as follows (in thousands of Korean won)

Descriptions	DII	DHEL
1. Ratio of shareholding before conversion to common stock	13.22%	27.69%
2. Net asset value before conversion to common stock	₩1,594,054,279	₩412,183,764
3. Ratio of shareholding after conversion to common stock	11.59%	21.73%
4. Net asset value after conversion to common stock	2,013,182,359	860,815,684
5. Realization of decrease in equity of associates	(1,591,744)	(2,507,253)
6. Equity fluctuation differential[(3*4)-(1*2)+5]	₩20,911,944	₩70,423,369

- (3) The condensed financial information of the investees as of and for the years ended December 31, 2013 and 2012, is as follows (in thousands of Korean won):

As of and for the year ended December 31, 2013								
Company	Assets		Liabilities		Sales	Net income (loss)	Comprehensive income	Dividends
	Current	Non current	Current	Non current				
DSDMP	₩26,164,104	₩25,835,503	₩20,606,270	₩ -	₩19,912,406	(₩828,620)	(₩828,620)	-
DII	1,133,209,847	2,881,918,801	428,265,022	1,197,050,715	2,539,226,799	143,199,061	257,812,229	-
DHEL	589,983,666	2,078,836,291	771,617,919	1,095,148,485	1,326,145,383	(56,871,660)	(23,453,638)	-

As of and for the year ended December 31, 2012								
Company	Assets		Liabilities		Sales	Net income (loss)	Comprehensive income	Dividends
	Current	Non current	Current	Non current				
DSDMP	₩28,650,802	₩27,164,510	₩24,020,819	₩ -	₩23,850,591	(₩5,344,716)	(₩5,344,716)	-
DII	948,804,248	3,057,338,129	436,996,395	1,408,204,626	2,635,472,697	574,814,592	591,748,587	-
DHEL	681,468,503	2,068,153,327	773,187,007	1,097,930,289	1,618,851,336	(95,985,162)	(79,160,749)	-

- (4) Reconciliation of book value of investments in associates as of December 31, 2013 and 2012, is as follows (in thousands of Korean won):

	2013				
	Net assets (a)	Ratio% (b)	Net asset value	Investment	Book value
			(a*b)	balance	
DSDMP	₩31,393,337	10.80	₩3,390,480	₩-	₩3,390,480
DII	2,389,812,911	11.59	276,934,556	5,714,497	282,649,053
DHEL	802,053,553	21.73	174,279,649	-	174,279,649
Total	₩3,223,259,801		₩454,604,685	₩5,714,497	₩460,319,182

	2012				
	Net assets (a)	Ratio%(b)	Net asset value(a*b)	Investment balance	Book value
DSDMP	₩31,794,493	10.80	₩3,433,805	₩-	₩3,433,805
DII	2,160,941,356	11.59	250,412,630	5,714,497	256,127,127
DHEL	878,504,534	21.73	190,891,819	-	190,891,819
Total	₩3,071,240,383		₩444,738,254	₩5,714,497	₩450,452,751

12. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	2013					
	Land	Buildings and structures	Machinery	Others	Construction in progress	Total
January 1, 2013	₩236,951,695	₩218,549,020	₩127,632,144	₩7,365,865	₩2,445,682	₩592,944,406
Acquisition	-	1,782,661	2,128,104	444,919	3,170,730	7,526,414
Transfer(*1)	(819,402)	4,996,748	1,267,531	174,062	(2,391,402)	3,227,537
Net changes from revaluation	47,629,662	-	-	-	-	47,629,662
Disposal	-	-	(7,464)	(1,005)	-	(8,469)
Depreciation	-	(7,519,361)	(13,134,156)	(3,331,785)	-	(23,985,302)
Foreign difference	-	11,421	85,885	14,585	(481)	111,410
December 31, 2013	₩283,761,955	₩217,820,489	₩117,972,044	₩4,666,641	₩3,224,529	₩627,445,658
-Acquisition cost	₩283,761,955	₩265,199,777	₩246,433,773	₩57,732,382	₩3,224,529	₩856,352,416
-Accumulated depreciation	-	(47,379,288)	(128,461,729)	(53,065,741)	-	(228,906,758)

(*1) Amounts related to transfer from construction in progress to original account and from property, plant and equipment(land and building) to asset held for sale

2012

	Land	Buildings and structures	Machinery	Others	Construction in progress	Total
January 1, 2012	₩ 210,006,099	₩ 212,724,968	₩ 135,228,355	₩ 10,173,017	₩ 1,992,176	₩ 570,124,615
Acquisition	1,204,211	2,689,619	5,118,280	2,014,461	2,391,402	13,417,973
Transfer(*2)	25,741,385	11,158,986	1,011,426	156,200	(1,937,896)	36,130,101
Disposal	-	-	(534,431)	(114,500)	-	(648,931)
Depreciation	-	(7,391,563)	(12,833,507)	(4,806,986)	-	(25,032,056)
Foreign difference	-	(632,990)	(357,979)	(56,327)	-	(1,047,296)
December 31, 2012	<u>₩236,951,695</u>	<u>₩218,549,020</u>	<u>₩127,632,144</u>	<u>₩7,365,865</u>	<u>₩2,445,682</u>	<u>₩592,944,406</u>
-Acquisition cost	₩236,951,695	₩258,856,210	₩243,052,733	₩57,676,225	₩2,445,682	₩798,982,545
-Accumulated depreciation	-	(40,307,192)	(115,420,588)	(50,310,360)	-	(206,038,139)

(*2) Amounts related to transfer from construction in progress to original account and from investment properties(land and building) to property, plant and equipment.

(2) The Company revalued its land assets as of December 31, 2013, as follows;

For the year ended December 31, 2013, the Company initially remeasured all land assets using fair value at the date of the revaluation. As of December 31, 2013, the fair value of land assets is determined from appraisal that is undertaken by independently qualified valuers, Pacific Appraisal Company Limited (Pacific), on October 31, 2013. The Pacific is member of Korea Association of Property Appraisers and comprises certified professionals that have a significant amount of industry experience.

Fair value of land assets is determined by reference to Officially Assessed Reference Land Price (OARLP), announced by Ministry of Land, Transport and Maritime Affairs, and recent market transactions of similar, recently sold parcels nearby the subject land in order to derive an indication of the most probable sales price (or value) of the subject land.

(3) Fair value measurements of land assets by fair value hierarchy level as of December 31, 2013, are as follows (in thousands of Korean won):

Type	Level 1	Level 2	Level 3	Total
Land	₩-	₩-	₩283,761,955	₩283,761,955

- (4) Valuation methodologies and inputs used for fair value measurements of land assets are as follows:

Valuation methodology	Significant inputs that are not based on observable market data (unobservable inputs)	Correlation between unobservable inputs and fair value arguments
OARLP	Fluctuation rate of land price and others	Fair value increases (decreases) if rate of land price increases (decreases)
OARLP of similar parcels nearby the subject land and reflating corrections necessary for differences between the subject and the comparables	Parcel conditions and others	Fair value increases (decreases) if correction of parcel conditions and others increase (decreases)
	Land conditions affecting the sales price and others	Fair value increases (decreases) if correction of land conditions affecting the sales price increases (decreases)

- (5) Changes in land whose the degree of fair value is classified as Level 3 for the year ended December 31, 2013, are as follows (in thousands of Korean won):

January 1, 2013	Transfer	Revaluation increase		Revaluation decrease	December 31, 2013
		Revaluation surplus	Deferred income tax liabilities		
₩236,951,695	(₩819,402)	₩36,207,540	₩11,559,663	(₩137,541)	₩283,761,955

- (6) Classification of depreciation expenses for the years ended December 31, 2013 and 2012 is as follows (in thousands of Korean won):

	2013	2012
Cost of sales	₩23,179,139	₩23,926,310
Selling and administrative expenses	521,972	1,013,276
Development	284,191	92,470
Total	₩23,985,302	₩25,032,056

13. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	2013				
	Development costs	Rights of utilization	Software	Others	Total
January 1, 2013	₩4,871,235	₩624,289	₩9,945,338	₩3,373,499	₩18,814,361
Acquisition	7,890,514	-	454,666	-	8,345,180
Transfer	820,204	-	883,276	-	1,703,480
Abandon	(731,455)	-	-	-	(731,455)
Amortization	-	(208,096)	(2,629,570)	-	(2,837,666)
Impairment	-	-	-	(295,274)	(295,274)
Foreign difference	-	-	5,048	-	5,048
December 31, 2013	<u>₩12,850,498</u>	<u>₩416,193</u>	<u>₩8,658,758</u>	<u>₩3,078,225</u>	<u>₩25,003,674</u>
-Acquisition cost	₩12,850,498	₩3,329,540	₩14,659,251	₩4,774,867	₩35,614,156
-Accumulated amortization	-	(2,913,347)	(6,000,493)	(1,696,642)	(10,610,482)
2012					
	Development costs	Rights of utilization	Software	Others	Total
January 1, 2012	₩221,440	₩832,385	₩10,462,617	₩3,346,620	₩14,863,063
Acquisition	4,649,795	-	1,664,457	492,274	6,806,526
Disposal	-	-	-	(150,500)	(150,500)
Amortization	-	(208,096)	(2,166,898)	-	(2,374,994)
Impairment	-	-	-	(314,895)	(314,895)
Foreign difference	-	-	(14,838)	-	(14,838)
December 31, 2012	<u>₩4,871,235</u>	<u>₩624,289</u>	<u>₩9,945,338</u>	<u>₩3,373,499</u>	<u>₩18,814,361</u>
-Acquisition cost	₩4,871,235	₩3,329,540	₩13,314,338	₩4,774,867	₩26,289,980
-Accumulated amortization	-	(2,705,251)	(3,369,000)	(1,401,368)	(7,475,619)

Other intangible assets' book value, which have nonrestrictive durable years, is ₩3,078,225 thousand, ₩3,373,499 thousand as of December 31, 2013 and 2012, respectively.

- (2) Expenditure on research and development recognized as expenses amounted to ₩5,773,802 thousand and ₩1,272,321 thousand for the years ended December 31, 2013 and 2012, respectively.
- (3) Borrowing costs added to the cost of intangible assets for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	2013	2012
Borrowing costs added to the cost of intangible assets	₩264,724	₩-
Interest rate(%)	3.76%	-

- (4) Classification of amortization expense for the years ended December 31, 2013 and 2012, is as follows (in thousands of Korean won):

	2013	2012
Cost of sales	₩2,236,061	₩1,935,643
Selling and administrative expenses	601,605	439,351
Total	₩2,837,666	₩2,374,994

14. INVESTMENT PROPERTIES:

- (1) Changes in investment properties for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	2013		
	Land	Building	Total
January 1, 2013	₩-	₩-	₩-
Transfer	-	-	-
December 31, 2013	₩-	₩-	₩-

	2012		
	Land	Building	Total
January 1, 2012	₩ 25,386,996	₩ 10,743,105	₩ 36,130,101
Transfer	(25,386,996)	(10,743,105)	(36,130,101)
December 31, 2012	₩-	₩-	₩-

For the years ended December 31, 2012, investment properties are transferred to fixed assets for the purpose of owner-occupied property.

15. **BONDS AND LONG-TERM BORROWINGS:**

- (1) Bonds as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

Details	Interest rate (%)	December 31, 2013	December 31, 2012
The 6th	4.16	₩100,000,000	₩100,000,000
The 7th	5.00	90,000,000	-
Subtotal		190,000,000	100,000,000
Less: Discount on bonds		(955,383)	(538,510)
Net		₩189,044,617	₩99,461,490

- (2) Long-term and short-term borrowings as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

1) Short-term borrowings

Type	Lender	Annual interest rate (%)	December 31, 2013	December 31, 2012
Short-term borrowings in Korean won Usance	Woori Bank and others	1.08~1.1	₩-	₩29,828,495
	Korea Exchange Bank	5.75~5.85	5,874,375	1,330,351
	Total		₩5,874,375	₩31,158,846

Short-term borrowings are provided as collateral for the accounts receivable debt transactions that occurred in the assignment of receivables that do not meet the requirements for removal of financial instruments (See Note 31-(2)).

2) Long-term borrowings

Type	Lender	Interest rate (%)	December 31, 2013	December 31, 2012
Syndicate loans				
(domestic currency)	La-union	5.15	₩ 50,000,000	₩ 50,000,000
Syndicate loans	Korea Development			
(foreign currency)	Bank	6M LIBOR+1.6	21,106,000	₩42,844,000
	The Export-Import			
	Bank of Korea	6M LIBOR+1.6	10,553,000	21,422,000
	Shinhan Bank	6M LIBOR+1.6	8,442,400	17,137,600
	Industrial Bank of			
	Korea	6M LIBOR+1.6	6,331,800	12,853,200
	Woori Bank	6M LIBOR+1.6	8,442,400	17,137,600
	Korea Exchange Bank	6M LIBOR+1.6	1,899,540	3,855,960
	Hana Bank	6M LIBOR+1.6	3,165,900	6,426,600
	Kookmin Bank	6M LIBOR+1.6	1,688,480	3,427,520
	HSBC	6M LIBOR+1.6	844,240	1,713,760
	First Gulf Bank	6M LIBOR+1.6	844,240	1,713,760
	China Construction			
	Bank	6.22	3,133,620	3,093,840
	Subtotal((Foreign currency)		66,451,620	131,625,840
Subtotal			116,451,620	181,625,840
Less: Current portion			(63,318,000)	(64,266,000)
Net			₩ 53,133,620	₩ 117,359,840

(*1) Subsidiary's buildings are provided as collateral (See Note to 32-(2)).

16. RETIREMENT BENEFIT OBLIGATION:

The Company operates a retirement defined benefit plans for its employees. For defined benefit retirement benefit plans and plan assets, the cost of providing benefits is determined using the Projected unit credit method, with actuarial valuations being carried out at the end of each reporting period by external actuary who is professionally qualified.

- (1) Details of retirement benefit obligation as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Present value of defined benefit obligation	₩22,972,104	₩24,670,006
Fair value of plan assets	<u>(12,363,157)</u>	<u>(4,854,163)</u>
Total	<u>₩10,608,947</u>	<u>₩19,815,843</u>

- (2) Expenses recognized in income and loss for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	<u>2013</u>	<u>2012</u>
Current service cost	₩5,832,361	₩6,716,871
Net interest cost (interest cost – expected return on plan assets)	708,982	1,346,131
Effect of reduction and liquidation	<u>-</u>	<u>31,569</u>
Total	<u>₩6,541,343</u>	<u>₩8,094,571</u>

- (3) Details of the total expense recognized in the consolidated statements of income for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	<u>2013</u>	<u>2012</u>
Cost of sales	₩4,411,846	₩6,512,157
Selling and administrative expenses	1,858,208	1,582,414
Development	<u>271,289</u>	<u>-</u>
Total	<u>₩6,541,343</u>	<u>₩8,094,571</u>

- (4) Changes in defined benefit obligations for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	2013	2012
Beginning balance	₩24,670,006	₩32,783,618
Current service cost	5,832,361	6,716,871
Transfer in	174,293	175,547
Transfer out	(289,650)	(1,177,824)
Interest cost	881,061	1,560,385
Remeasurements of defined benefit liabilities:	(7,001,256)	836,327
- Actuarial loss (gain) arising from changes in demographic assumptions	(102,475)	1,141
- Actuarial loss (gain) arising from changes in financial assumptions	(5,668,269)	1,596,554
- Others	(1,230,512)	(761,368)
Effect of reduction and liquidation	-	31,569
Benefit paid	(1,294,711)	(16,256,487)
Ending balance	₩22,972,104	₩24,670,006

- (5) Changes in plan assets for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	2013	2012
Beginning balance	₩4,854,163	₩6,193,303
Expected return on plan assets	172,080	214,254
Remeasurements of plan assets	(2,053)	(13,170)
Contributions by employer directly to plan assets	7,505,000	-
Benefit payment	(127,570)	(537,947)
Transfer in	7,825	175,547
Transfer out	(44,866)	(1,177,824)
National Pension Fund	(1,422)	-
Ending balance	₩12,363,157	₩4,854,163

Meanwhile, the actual revenue of plan assets as of December 31, 2013 and 2012, is ₩170,027 thousand and ₩201,084 thousand, respectively.

- (6) Assumptions used on actuarial valuation as of December 31, 2013 and 2012, are as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Discount rate for defined benefit obligations	4.40%	3.70%
Expected rate of salary increase:		
Employee	2.40%	5.00%
Officer	5.30%	8.00%

Assumption about death is based around the statistics and experiences. The main estimates of assumptions used on actuarial valuation are based on the report of external actuarial company that is professionally qualified.

- (7) Details of plan assets as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Debt instruments	₩505,182	₩548,754
Loans	36,825	16,133
Deposits	11,800,483	4,287,855
Pension	20,667	1,421
Total	<u>₩12,363,157</u>	<u>₩4,854,163</u>

Most of the plan assets are invested in certain assets being traded on the price quoted by active markets.

- (8) Sensitivity analysis as of December 31, 2013 showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption is as follows (in thousands of Korean won):

	<u>Discount rate</u>		<u>Salary increase rate</u>	
	<u>1% Increase</u>	<u>1% Decrease</u>	<u>1% Increase</u>	<u>1% Decrease</u>
Amount	(₩1,661,059)	₩1,928,477	₩1,948,256	(₩1,706,271)
Ratio	(-)7.23%	8.39%	8.48%	(-)7.43%

- (9) Maturity of the defined benefit obligation as of December 31, 2013 is as follows follows (in thousands of Korean Won):

	<u>Less than 1 year</u>	<u>1 – 2 years</u>	<u>3 – 5 years</u>	<u>6 – 10 years</u>	<u>Total</u>
Payment	₩1,897,927	₩4,122,638	₩7,936,710	₩15,440,074	₩29,397,349

17. PROVISIONS:

Changes in provisions for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	2013					
	January 1, 2013	Accrual	Use	Others (*)	December 31, 2013	Current Non-current
Provision for construction warranties	₩17,568,072	(₩8,130,136)	(₩3,350,359)	₩4,010,323	₩10,097,900	₩- ₩10,097,900
Provision for litigation	2,000,000	-	(2,000,000)	-	-	- -
Total	₩19,568,072	(₩8,130,136)	(₩5,350,359)	₩4,010,323	₩10,097,900	₩- ₩10,097,900

(*) The amounts represent those settled by professional engineers who are responsible for the warranty.

	2012				
	January 1, 2012	Accrual	Use	December 31, 2012	Current Non-current
Provision for construction warranties	₩20,507,108	₩1,109,508	(₩4,048,544)	₩17,568,072	₩- ₩17,568,072
Provision for Litigation	-	2,000,000	-	2,000,000	- 2,000,000
Total	₩20,507,108	₩3,109,508	(₩4,048,544)	₩19,568,072	₩- ₩19,568,072

The Company estimates expenditure required to settle the Company's obligation for product warranty, refund, related after-sales service and other based on warranty period, historical claim rate and other.

18. CAPITAL STOCK AND CAPITAL SURPLUS:

Changes in capital stock and capital surplus for the year ended December 31, 2013 are as follows (in thousands of Korean won):

	<u>Number of shares</u>	<u>Capital stock</u>	<u>Capital surplus</u>
Balance at December 31, 2013	₩69,500,000	₩69,500,000	₩367,214,701

The DE's number of authorized shares is 120,000,000 shares with par value of ₩1,000 per share. There are no issued shares with restricted voting rights under commercial law.

19. OTHER CAPITAL ITEMS:

- (1) Other capital items as of December 31, 2013 and 2012, are summarized as follows (in thousands of Korean won):

<u>Description</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Share option	<u>₩355,390</u>	<u>₩397,168</u>

- (2) Share-based payment

The DE granted share options to its directors. Share options are settled based on the board of directors' decision on issuance of new shares, treasury shares or cash settlement. These share options carry a two-year service vesting condition, subsequent to the resolution at the stockholders' meeting.

- 1) Number of granted options as of December 31, 2013, is as follows:

<u>Date of grant</u>	<u>Number of granted options</u>	<u>Exercisable period</u>	<u>Exercisable price</u>	<u>Expected fair value at the date of grant</u>
2011.03.25	33,900	2014.03.25–2021.03.24	₩21,600	₩10,343
2012.03.30	48,600	2015.03.30–2022.03.29	₩13,300	₩4,653
2013.03.29	92,800	2016.03.29–2023.03.28	₩9,050	₩3,383

- 2) The DE calculated expenses applying fair value approach. Assumptions used in determining fair value of stock options are as follows:

Date of grant	Risk-free interest rate (*)	Expected exercisable period	Expected volatility	Expected dividend yield ratio
2011.03.25	3.66%	3 years	68.77%	0.00%
2012.03.30	3.57%	3 years	55.03%	0.00%
2013.03.29	2.45%	3 years	52.35%	0.00%

(*) Risk-free interest rate is based on a three-year treasury bond yield rate.

- 3) Changes in share option for the year ended December 31, 2013, are as follows:

- a) Number of common shares to be issued:

Date of grant	January 1, 2013	Granted	Exercised	Canceled	December 31, 2013
2011.03.25	33,900	-	-	(23,000)	10,900
2012.03.30	48,600	-	-	(18,600)	30,000
2013.03.29	-	92,800	-	-	92,800
Total	82,500	92,800	-	(41,600)	133,700

- b) Valuation amount (in thousands of Korean won):

Date of grant	January 1, 2013	Granted	Exercised	Canceled	December 31, 2013
2011.03.25	₩311,242	₩28,339	₩-	(₩226,842)	₩112,739
2012.03.30	85,926	70,959	-	(33,954)	122,931
2013.03.29	-	119,720	-	-	119,720
Total	₩397,168	₩219,018	₩-	(₩260,796)	₩355,390

Expense recognized related to the share option grant amounted to (-)₩41,778 thousand and ₩261,720 thousand for the years ended December 31, 2013 and 2012, respectively. Expense to be recognized in the future period amounted to ₩211,214 thousand.

20. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Overseas operation translation credit	₩408,478	₩96,874
Decrease in equity of associates	(32,177,620)	(22,308,062)
Revaluation surplus of land	<u>36,207,540</u>	<u>-</u>
Total	<u>₩4,438,398</u>	<u>(₩22,211,188)</u>

21. RETAINED EARNINGS:

(1) Retained earnings as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Legal reserve (*)	₩1,200,000	₩1,200,000
Optional reserve	2,700,000	2,700,000
Retained earnings before appropriations	<u>344,628,972</u>	<u>328,970,772</u>
Total	<u>₩348,528,972</u>	<u>₩332,870,772</u>

(*) Retained earnings appropriated to the legal reserve cannot be used as cash dividends under the applicable laws and regulations. The Korean Commercial Code requires the Company to appropriate an amount equal to at least 10% of the cash dividend, until the reserve equals 50% of stated capital.

(2) Changes in retained earnings for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	<u>2013</u>	<u>2012</u>
Beginning balance	₩332,870,772	₩139,551,272
Profit for the period	(5,236,332)	190,379,558
Actuarial loss and losses recognized in retained earnings	5,305,396	(643,918)
Change of retained earnings in associates	<u>15,589,136</u>	<u>3,583,860</u>
Ending balance	<u>₩348,528,972</u>	<u>₩332,870,772</u>

22. SALES:

Details of sales for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	2013	2012
Sales of goods	₩703,186,469	₩1,314,879,522
Construction sales	35,329,121	58,523,635
Others	5,362,995	5,374,676
Total	₩743,878,585	₩1,378,777,833

23. SEGMENT INFORMATION:

The Company has a single reportable segment determined by considering the characteristics of the nature of goods and assets to create sales.

- (1) The following table provides sale information by geographical segment for the years ended December 31, 2013 and 2012 (in thousands of Korean won):

	2013	2012
Domestic	₩468,740,537	₩702,836,130
Overseas	280,303,037	684,885,799
Subtotal	749,043,574	1,387,721,929
Adjustments	(5,164,989)	(8,944,096)
After consolidation	₩743,878,585	₩1,378,777,833

- (2) There is a single external customer who accounted for 10% or more of the Company's sales for the years ended December 31, 2013 and 2012 (in thousands of Korean won):

	2013	2012
Samsung Heavy Industries Co., Ltd.	₩ 64,938,459	₩ 188,721,483
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	268,583,594	320,541,592
JIANGSU NEW YANGZI	13,125,220	169,749,061
Total	₩ 346,647,273	₩ 679,012,136

24. CONSTRUCTION CONTRACTS:

- (1) Details of profit and unbilled (overbilled) construction receivables (payables) under construction contract for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

2013						
	Construction cost	Construction revenue	Construction profit	Contract receivables		Gross amount due to customers
				Claimed	Not claimed	
Diesel engine	W167,747,983	W128,992,095	W38,755,888	W-	W10,720,649	W3,773,450
2012						
	Construction cost	Construction revenue	Construction profit	Contract receivables		Gross amount due to customers
				Claimed	Not claimed	
Diesel engine	W222,031,899	W201,388,804	W20,643,095	W -	W5,930	W19,416,602

- (2) Details of construction contract for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

2013					
Order	Description	January 1, 2013	Increase by contract	Decrease by sales	December 31, 2013
KHNP and other five companies	Singori #3 and #4 emergency generators, alternative AC power diesel engine and other 10	W121,423,210	(W1,506,615)	(W35,329,121)	W84,587,474
2012					
Order	Description	January 1, 2012	Increase by contract	Decrease by sales	December 31, 2012
KHNP and other five companies	Singori #3 and #4 emergency generators, alternative AC power diesel engine and other 14	W71,390,789	W108,556,056	(W58,523,635)	W121,423,210

25. EXPENSES CLASSIFIED BY NATURE:

Expenses classified by nature for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	2013	2012
Changes in inventories	₩27,001,910	₩42,366,445
Purchase of raw materials	462,361,576	845,462,666
Employee benefits	77,113,567	113,873,375
Other employee benefits	15,029,819	20,207,036
Depreciation and amortization	26,538,777	27,407,050
Commission expenses	58,183,793	114,610,526
Others	76,927,793	145,084,407
Total	₩743,157,235	₩1,309,011,505

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

Account	2013	2012
Salaries	₩22,131,241	₩25,685,236
Other employee benefits	4,869,797	6,750,583
Provision for retirement and severance benefits	2,012,139	16,427,840
Commission expenses	10,145,512	19,128,548
Depreciation	521,972	1,013,276
Amortization	601,605	439,351
Advertising and marketing expenses	2,791,675	4,230,849
Transportation expenses	71,418	111,626
Rental expenses	1,324,725	1,389,437
Bad debt expenses (reversal of allowance for bad debt)	(3,536,396)	65,109
Research and ordinary development costs	5,773,802	1,272,321
Others	5,208,341	8,900,834
Total	₩51,915,831	₩85,415,010

27. FINANCE INCOME AND EXPENSES:

Finance income and expenses for the years ended December 31, 2013 and 2012, are summarized as follows (in thousands of Korean won):

Account	2013	2012
Finance income:		
Interest income	₩6,833,433	₩13,387,735
Dividend income	827	-
Income from financial guarantee	1,202,422	384,463
Gain on foreign currency transaction	18,217,487	23,512,839
Gain on foreign currency translation	1,226,406	10,874,231
Gain on derivative transaction	17,685,466	5,275,775
Gain on valuation of derivatives	33,832,113	63,249,825
Gain on valuation of firm commitments	21,931,340	4,584,914
Subtotal	100,929,494	121,269,782
Finance expenses:		
Interest expenses	14,169,843	9,915,700
Expense for financial guarantee	407,339	968,533
Loss on foreign currency transaction	19,091,623	25,650,139
Loss on foreign currency translation	669,422	1,377,202
Loss on derivative transaction	22,353,515	3,790,788
Loss on valuation of derivatives	1,475,535	4,449,204
Loss on valuation of firm commitments	49,092,919	73,975,062
Subtotal	(107,260,196)	(120,126,628)
Net finance income	(₩6,330,702)	₩1,143,154

28. OTHER NON-OPERATING INCOME AND EXPENSES:**(1) Details of other operating income and expenses**

Other operating income and expenses for the years ended December 31, 2013 and 2012, consist of the following (in thousands of Korean won):

Account	2013	2012
Other operating income:		
Rental income	₩230,750	₩22,232
Gain on disposal of property, plant and equipment	29,466	223,357
Gain on disposal of intangible assets	-	54,552
Gain on disposal of assets held for sale	1,385,970	-
Other income	3,020,245	12,412,719
Subtotal	4,666,431	12,712,860
Other operating expenses:		
Impairment of AFS financial assets	850,069	-
Loss on disposal of property, plant and equipment	2,938	8,830
Revaluation loss on land	137,541	-
Loss on disposal of intangible assets	-	7,491
Loss on intangible assets abandoned	731,455	-
Impairment loss of intangible assets	295,274	314,895
Donations	2,726,776	8,097,211
Other bad debt expenses	6,236	-
Other loss	3,751,738	3,385,047
Subtotal	(8,502,027)	(11,813,474)
Total	(₩3,835,596)	₩899,386

29. INCOME TAX EXPENSE:

- (1) Components of income tax expense for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

Details	2013	2012
Current income tax expense	₩3,852,280	₩25,417,460
Changes in deferred income tax assets (liabilities) related to temporary differences	9,339,427	(7,862,305)
Deferred income tax assets directly reflected in stockholders' equity	(13,253,470)	99,011
Income tax expense	(₩61,763)	₩17,654,166

- (2) Changes in deferred tax assets and liabilities for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

Details	January 1, 2013	Change		December 31, 2013
		Income	Capital	
Foreign currency translation, net	₩3,144,901	(₩1,559,660)	₩-	₩1,585,241
Depreciation	904,550	848,832	-	1,753,382
Allowance for doubtful accounts	777,951	(734,295)	-	43,656
Accrued income	(335,313)	27,177	-	(308,136)
Loss on inventory obsolescence	8,627,905	(3,962,963)	-	4,664,942
Currency forwards	(10,902,408)	363,537	-	(10,538,871)
Firm commitment assets	(2,081,115)	4,342,511	-	2,261,396
Loss on equity-accounted investees	721,049	205,717	-	926,766
Long-term loan	(72,836)	14,498	-	(58,338)
Subcost on membership	349,463	71,457	-	420,920
Accrued expenses	739,268	539,472	-	1,278,740
Unearned revenue	(3,565,154)	920,749	-	(2,644,405)
Long-term borrowings	804,408	(631,620)	-	172,788
Financial guarantee liabilities	(27,493)	(20,817)	-	(48,310)
Provision for construction warranties	4,251,473	(1,807,781)	-	2,443,692
Litigation reserve	484,000	(484,000)	-	-
Transfer price to DMI	-	806,191	-	806,191
Omission to sale of ship steel	-	167,810	-	167,810
Provision for severance indemnities	3,737,878	(235,099)	(1,693,807)	1,808,972
Gain on revaluation of land and buildings	(42,554,397)	819,140	(11,559,663)	(53,294,920)
Others	90,357	139,573	-	229,930
Subtotal	(34,905,513)	(169,571)	(13,253,470)	(48,328,554)
Tax credits	93,000	838,422	-	931,422
Donations in excess of tax limit	-	659,880	-	659,880
Unrealized income	100,805	2,585,312	-	2,686,117
Total	(₩34,711,708)	₩3,914,043	(₩13,253,470)	(₩44,051,135)

Details	January 1, 2012	Change		December 31, 2012
		Income	Capital	
Foreign currency translation, net	₩4,409,556	(₩1,264,655)	₩-	₩3,144,901
Depreciation	233,386	671,164	-	904,550
Allowance for doubtful accounts	587,851	190,100	-	777,951
Accrued income	(599,879)	264,566	-	(335,313)
Loss on inventory obsolescence	9,659,101	(1,031,196)	-	8,627,905
Currency forwards	9,464,948	(20,260,789)	(106,567)	(10,902,408)
Firm commitment assets	(31,395,057)	29,313,942	-	(2,081,115)
Loss on equity-accounted investees	670,709	50,340	-	721,049
Long-term loan	(119,911)	47,075	-	(72,836)
Subcost on membership	273,259	76,204	-	349,463
Accrued expenses	1,414,624	(675,356)	-	739,268
Unearned revenue	(9,357,452)	5,792,298	-	(3,565,154)
Long-term borrowings	4,787,244	(3,982,836)	-	804,408
Financial guarantee liabilities	84,458	(111,951)	-	(27,493)
Provision for construction warranties	4,962,720	(711,247)	-	4,251,473
Litigation reserve	-	484,000	-	484,000
Provision for severance indemnities	4,451,447	(919,147)	205,578	3,737,878
Gain on revaluation of land and buildings	(42,554,397)	-	-	(42,554,397)
Others	453,380	(363,023)	-	90,357
Subtotal	(42,574,013)	7,569,489	99,011	(34,905,513)
Unrealized income	-	100,805	-	100,805
Tax credits	-	93,000	-	93,000
Total	<u>(₩42,574,013)</u>	<u>₩7,763,294</u>	<u>₩99,011</u>	<u>(₩34,711,708)</u>

- (3) Temporary differences, net loss and tax credit carryforwards, which have not been recognized as deferred income tax assets, are expired and unused for the years ended December 31, 2013 and 2012.

The probability of deferred tax assets being realized depends on the Company's ability to generate taxable income in future years, the economic situation and industry forecast. The Company periodically reviews such matters.

- (4) Temporary differences associated with investments in subsidiaries, which are not recognized as deferred tax assets, as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

	December 31, 2013	December 31, 2012
Subsidiary	(W1,439,100)	(W5,042,055)
Associates	280,546,674	290,413,105
Total	<u>W279,107,574</u>	<u>W285,371,050</u>

- (5) Deferred income tax assets (liabilities) and income tax benefits (expense) added to (deducted from) stockholders' equity as of December 31, 2013 and 2012, are as follows (in thousands of Korean won):

Details	December 31, 2013			December 31, 2012		
	Gross	Tax effect	Net of tax	Gross	Tax effect	Net of tax
Actuarial gain or loss	(W399,127)	W96,589	(W302,538)	(W7,398,331)	W1,790,396	(W5,607,935)
Revaluation surplus of land	47,767,203	(11,559,663)	36,207,540	-	-	-
Total	<u>W47,368,076</u>	<u>(W11,463,074)</u>	<u>W35,905,002</u>	<u>(W7,398,331)</u>	<u>W1,790,396</u>	<u>(W5,607,935)</u>

- (6) An explanation of the relationship between income tax expense and accounting income (loss) before income tax expense for the years ended December 31, 2013 and 2012, is as follows (in thousands of Korean won):

Details	2013	2012
Income before income tax expense	<u>(W 5,298,095)</u>	<u>W 208,033,724</u>
Income tax expense at statutory income tax rate (less than W200 million: 11% more than W200 million: 24.2%)	(1,282,139)	45,347,419
Differences (Note 1)	<u>1,220,376</u>	<u>(27,693,253)</u>
Income tax expense	<u>(W 61,763)</u>	<u>W 17,654,166</u>
Effective tax rate	<u>(Note2)</u>	<u>8.49%</u>

(Note 1) Difference:

Additional payment of income tax	₩3,874,287	₩2,270,685
Non-temporary difference	(298,708)	117,059
Tax credit	(838,423)	-
Unrecognized difference related to equity method investment securities	(1,515,761)	(30,156,934)
Others	(1,019)	75,937
Total	<u>₩1,220,376</u>	<u>(₩27,693,253)</u>

(Note 2) Net loss before tax does not calculate the effective tax rate

30. EARNINGS PER SHARE:

(1) Basic earnings per share

Basic earnings per share are computed by dividing net income attributable to owners of the Company by the weighted-average number of common shares outstanding during the period (in thousands of Korean won, except for share data).

	<u>2013</u>	<u>2012</u>
Net income available to common shares	(₩5,236,332)	₩190,379,558
Weighted-average number of common shares outstanding (*)	<u>69,500,000</u>	<u>69,500,000</u>
Basic net income per share	<u>(₩75)</u>	<u>₩2,739</u>

(*) The weighted-average number of common shares outstanding for the years ended December 31, 2013 and 2012, is equal to the number of shares outstanding.

(2) Diluted earnings per share

The Company does not compute diluted earnings per common share for the years ended December 31, 2013 and 2012, because there is no item related to dilution. Diluted earnings per share are equal to earnings per share for the years ended December 31, 2013 and 2012.

Due to the antidilutive effect for the years ended December 31, 2013 and 2012, the Company is not considering share option, which could dilute the basic earnings per share in the future.

	<u>2013</u>	<u>2012</u>
Number of common shares to be issued	133,700	82,500

31. COMMITMENTS AND CONTINGENCIES:

(1) Notes and checks provided as collateral

As of December 31, 2013, the Company has provided 4 (as of December 31, 2012: 3) blank promissory notes and 50 (as of December 31, 2012: 50) promissory notes amounting to USD 25,102,190 (as of December 31, 2012: USD 25,102,190) to Daewoo Shipbuilding & Marine Engineering Co., Ltd., and five other companies as security in connection with contract performance guarantees and guarantees for advance receipts.

(2) Trade receivables sold at discount

Financial liabilities related to transferred trade receivables that did not meet the derecognition criteria amounted to ₩29,828,495 thousand as of December 31, 2012. The amount of trade receivables was recognized as short-term borrowing.

(3) Pending litigation (in thousands of Korean won)

Site	Plaintiff	Defendant	Claim	Claimed amount	Progress
Greece	GAEI (Guam Advance Enterprises Inc.)	Doosan Engine Co., Ltd.	Damages for cancellation of contract (related to Greece Chios diesel plant)	EUR 3,059,635	Scheduled in the court of second instance
Chang won District	Steamar Transportes Maritimos LDA and other 1	Doosan Engine Co., Ltd. and other 1	Damages for stopping sailing	USD 125,163 EUR 266,865	Pending in the court of first instance

As of December 31, 2013, the outcome of the cases is unpredicted .

The Company are accused in lawsuits that are in relation to subcontract of power plant on Chois island in 2008 and Court of Greece decided the Company to pay EUR 2,204,705 to the plaintiff on November 20, 2013. Meanwhile, the Company assumes that it is less likely to pay the amount to plaintiff domestically.

(4) Commitments with financial institutions

As of December 31, 2013, major commitments with various financial institutions are as follows (in foreign currency and thousands of Korean won):

Commitment	Financial institution	Credit limit	Used amount
Bank overdraft facilities	Korea Exchange Bank	₩1,000,000	₩-
General loan facilities	Korea Exchange Bank	40,000,000	-
	Korea Development Bank	40,000,000	-
	Woori Bank	30,000,000	-
	Kookmin Bank	16,000,000	-
	Kyoungnam Bank	20,000,000	-
Electronic loan facilities	Woori Bank	80,000,000	4,760,432
	Kookmin Bank	18,000,000	183,261
	Hana Bank	20,000,000	6,623,300
	Kyongnam Bank	20,000,000	1,947,000
Issuance of letter of credit	Korea Exchange Bank	USD 30,000,000	USD 3,649,110
	Woori Bank	USD 50,000,000	USD 17,790,402
	Hana Bank	USD 10,000,000	USD 2,145,736
	Korea Development Bank	USD 20,000,000	USD 275,011
Other guarantees	Korea Exchange Bank	USD 70,000,000	USD 50,475,416
		CNY 51,000,000	CNY 40,570,000
	Woori Bank	USD 200,000,000	USD 66,068,629
	Hana Bank	USD 40,000,000	USD 2,847,700
	Nonghyup Bank	USD 60,000,000	USD 8,099,500
	Kookmin Bank	USD 45,000,000	USD 9,997,085
	Seoul Guarantee Insurance	-	EUR 3,777,040
	Korea Exchange Bank	₩20,000,000	₩3,422,920
	Woori Bank	30,000,000	5,092,217
	Seoul Guarantee Insurance	-	5,477,755

The DE entered into a loan agreement with lenders consisting of the Korea Development Bank and nine other financial institutions for the long-term borrowing (as of December 31, 2013, USD 60,000 thousand) in connection with the DE's capital contributions to DII and DHDL. The agreement requires the DE to maintain its earnings before interest, taxes, depreciation, and amortization ("EBITDA") more than 1.5 times of its net interest expense and its financial debt less than six times of its EBITDA. Meanwhile, as of December 31, 2013, the DE's financial debt exceeds six times of its EBITDA, but under the confirmation from creditors on February 6, 2014, it does not lose the benefit of time.

(5) Technology transfer contract

The Company has eight technical license agreements with several foreign companies for the purpose of manufacturing engines. In accordance with the agreements, the Company is committed to pay a royalty calculated based on the cumulative horse power of engines manufactured during the year. The royalty amounted to ₩58,183,793 thousand and ₩114,611,217 thousand for the years ended December 31, 2013 and 2012, respectively.

(6) Wage Claims for normal wage of workers in accordance with the Supreme Court ruling

We have paid a regular salary in past, including bonuses that were not included in the existing ordinary wages paid. If the item is usually available for wages paid in future then it can be classified as additionally payable. The Supreme Court ruling dated December 18, 2013 is usually associated with wages on the basis of additional benefits associated with regular bonuses and other payments to the excessive financial burden due to the expected management company that will likely result in accounting difficulties therefore we have presumed the amount to be low. On the other hand, related impact on the consolidated financial statements of K-IFRS 1037 "Provisions, Contingent Liabilities and Contingent Assets", paragraph 92 according to the comments is omitted.

32. GUARANTEES AND PLEDGED ASSETS:

- 1) Guarantees received by the Company from third parties as of December 31, 2013, are as follows (in foreign currencies and thousands of Korean won):

<u>Guarantee received from</u>	<u>Guaranteed amount (foreign currency)</u>		<u>Description of guarantee</u>
Korea Exchange Bank	USD	50,475,416	Guarantee for advance receipts, contract performance guarantee, defect and contract performance guarantee
	KRW	3,422,920	
Woori Bank	USD	66,068,629	Guarantee for advance receipts, defect and contract performance guarantee
	KRW	5,092,217	
Hana Bank	USD	2,847,665	Guarantee for advance receipts
Nonghyup Bank	USD	8,099,500	Guarantee for advance receipts
Kookmin Bank	USD	9,997,085	Guarantee for advance receipts
Seoul Guarantee Insurance	EUR	3,777,040	Guarantee for contract performance guarantee
	KRW	5,477,755	
Total	USD	137,488,295	
	EUR	3,777,040	
	KRW	13,992,892	

- 2) Guarantees provided by the Company to unrelated parties as of December 31, 2013, are as follows (in thousands of Korean won):

<u>Guarantee</u>	<u>Guaranteed amount</u>	<u>Description of guarantee</u>
Korea Securities Finance Co., Ltd.	₩14,472,395	Guarantee for the borrowings

3) Pledged assets (in foreign currencies and thousands of Korean won):

Institution	Asset	Borrowing amount (foreign currency)	Collateralized value
Korea Development Bank and others*	DII	USD 1,720,000,000	₩282,649,053
	DHEL		174,279,649
China Construction Bank	Land use right	CNY 18,000,000	904,172
	Building		17,859,368

* DII and DHEL have signed a new long-term borrowing of USD 750,000 thousand and USD 970,000 thousand, respectively, on November 30, 2011. The Company provided the stock of DII and DHEL as collateral on September 28, 2012 and October 11, 2012 (See Note 11).

Also the Company has been providing the long-term financial instruments as collateral in relation to ESOP loans.(See Note 5)

33. TRANSACTIONS AND BALANCES WITH RELATED PARTIES:

Significant transactions and account balances with related parties for the years ended December 31, 2013 and 2012, are as follows:

(1) Relationship between the Parent and subsidiaries as of December 31, 2013 is as follows:

Relationship	The name of the related parties
The ultimate controlling party	Doosan Corporation
The Parent	Doosan Heavy Industries Construction Co., Ltd. ("DHIC")
Associates	Dalian Samyoung Doosan Metal Product Co., Ltd.
	Doosan Infracore International, Inc. ("DII")
	Doosan Holdings Europe Ltd. ("DHEL")
Other related parties	Doosan Infracore Co., Ltd.
	Doosan Construction & Engineering Co., Ltd.
	Doosan Donga Co., Ltd. ("Doosan Donga")
	Doosan Cuvex Co., Ltd.
	Yeongang Foundation
	N. Shaper Corp.
	Doosan Tower Co., Ltd. ("Doosan Tower")
	Doosan Defense Systems & Technology Co., Ltd.
	Oricom Inc. ("Oricom")
	Doosan Eco Biznet
	Doosan Bears Inc.

- (2) Significant transactions with related parties for the years ended December 31, 2013 and 2012, are summarized as follows (in thousands of Korean won):

	December 31, 2013				
	Sales	Other income	Purchases	Acquisition of property, plant and equipment, intangible assets	Other expenses
Ultimate controlling party	₩1,616,191	₩1,102,104	₩12,205,346	₩488,458	₩7,504,423
Next most senior parent	-	-	66,345,969	-	-
Associates	-	1,125,372	-	-	-
Other related parties	2,215,537	707,703	1,721,363	46,398	4,722,702
Total	₩3,831,728	₩2,935,179	₩80,272,678	₩534,856	₩12,227,125

	December 31, 2012				
	Sales	Other income	Purchases	Acquisition of property, plant and equipment, intangible assets	Other expenses
Ultimate controlling party	₩-	₩2,544,179	₩29,590,993	₩4,110,168	₩10,774,978
Next most senior parent	-	-	165,925,013	631,320	19,556
Associates	-	300,712	-	-	-
Other related parties	-	2,805,883	3,111,167	1,800	13,565,739
Total	₩-	₩5,650,774	₩198,627,173	₩4,743,288	₩24,360,273

- (3) As of December 31, 2013 and 2012, related significant balances are as follows (in thousands of Korean won):

	December 31, 2013				
	Trade receivables	Other receivables	Loans	Trade payables	Other payables
Ultimate controlling party	₩-	₩221,228	₩-	₩3,740,920	₩1,829,969
Next most senior parent	-	-	-	2,085,037	2,767
Associates	-	3,159,442	-	-	-
Other related parties	-	7,352,885	-	441,269	269,269
Total	₩-	₩ 10,733,555	₩-	₩6,267,226	₩2,102,005

December 31, 2012					
	Trade receivables	Other receivables	Loans	Trade payables	Other payables
Ultimate controlling party	₩-	₩212,977	₩-	₩5,096,335	₩3,492,879
Next most senior parent	-	250,000	-	28,208,202	-
Associates	-	4,234,765	-	-	-
Other related parties	-	4,890,253	-	1,234,198	619,418
Total	₩-	₩9,587,995	₩-	₩34,538,735	₩4,112,297

- (4) The Company defines key management personnel as registered officer and non-registered officer who have the authority and responsibility for planning, operation and control and are in charge of business or division unit. Compensation to key management personnel of the Company for the years ended December 31, 2013 and 2012 is as follows (in thousands of Korean won):

Description	2013	2012
Employee benefits	₩4,748,129	₩6,216,164
Retirement benefits	380,585	681,897
Share-based payment	(41,778)	261,720
Total	₩5,086,936	₩7,159,781

The Company provided guarantees and other to associates and other related parties as of December 31, 2013 (See Note 32).

34. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) The adjustments and changes in operating assets and liabilities in the consolidated statements of cash flows for the years ended December 31, 2013 and 2012, are as follows (in thousands of Korean won):

Description	2013	2012
Adjustments:		
Expenses not involving cash outflows:		
Interest expenses	₩14,169,843	₩9,915,700
Income tax expense	(61,763)	17,654,166
Retirement benefits	6,270,054	8,094,571
Bad debt expenses	(3,536,396)	65,109
Other bad debt expenses	6,236	-
Depreciation	23,701,111	25,032,056
Amortization	2,837,666	2,374,994
Share-based payment	(41,778)	261,720
Loss on foreign currency translation	669,422	1,377,202
Loss on valuation of derivatives	1,475,535	4,449,204
Loss on valuation of firm commitments	49,092,919	73,975,062
Impairment of AFS financial assets	850,069	-
Loss on disposal of property, plant and equipment	2,938	8,830
Loss on revaluation of land	137,541	-
Loss on disposal of intangible assets	-	7,491
Loss on intangible assets abandoned	731,455	-
Impairment loss of intangible assets	295,274	314,895
Provisions	-	3,109,508
Loss on equity method	12,447,235	1,047,877
Income not involving cash inflows:		
Interest income	(6,833,433)	(13,387,735)
Dividend income	(827)	-
Reversal of write-down of inventories	(15,290,243)	(4,951,524)
Reversal of allowance for doubtful accounts	(8,130,136)	-
Income on financial guarantee	(1,202,422)	(384,463)
Gain on foreign currency translation	(1,226,406)	(10,874,231)
Gain on valuation of derivatives	(33,832,113)	(63,249,825)
Gain on valuation of firm commitments	(21,931,340)	(4,584,914)
Gain on disposal of property, plant and equipment	(29,466)	(223,357)
Gain on disposal of assets held for sale	(1,385,970)	-
Gain on disposal of intangible assets	-	(54,552)
Gain on equity method	(16,594,088)	(137,272,734)
Total	₩2,590,917	(₩87,294,952)

Description	2013	2012
Changes in operating assets and liabilities:		
Accounts receivable – trade	₩65,850,843	₩46,775,700
Accounts receivable – other	(2,127,430)	15,494,252
Unbilled construction receivables	(10,714,719)	49,946
Inventories	42,278,565	47,274,907
Other current assets	4,417,331	22,390,393
Long-term accounts receivable – other	3,506,083	(2,598,063)
Other non-current assets	(1,713,383)	1,751,781
Derivative instruments	33,860,036	(25,071,623)
Firm commitments	(9,217,316)	51,741,840
Accounts payable – trade	(49,547,722)	(46,746,511)
Accounts payable – other	(28,740,415)	(43,240,540)
Overbilled construction payables	(15,643,152)	(14,662,775)
Advance receipts	(52,224,511)	(316,169,684)
Other current liabilities	(1,776,406)	1,390,930
Other non-current liabilities	55,725	(1,279,750)
Plan assets	(7,340,390)	1,540,223
Payment of severance benefits	(1,294,711)	(16,256,487)
Transfer in	174,293	175,547
Transfer out	(288,228)	(1,177,824)
Provision for construction warranties	(1,340,036)	(4,048,544)
Total	<u>(₩31,825,543)</u>	<u>(₩282,666,282)</u>

(2) Significant non-cash transactions for years ended December 31, 2013 and 2012 are as follows (in thousands of Korean won) :

Description	2013	2012
Reclassification of associates to AFS financial assets	W-	W 850,070
Reclassification of guarantee deposits to property, plant and equipment	1,873,500	-
Reclassification of construction in progress to property, plant and equipment	2,391,402	1,937,896
Reclassification of investment properties (lands) to property, plant and equipment	-	25,386,996
Reclassification of investment properties (buildings) to property, plant and equipment	-	10,743,105
Reclassification of long-term borrowings to current portion of long-term borrowing	<u>63,318,000</u>	<u>64,266,000</u>
Total	<u>W67,582,902</u>	<u>W103,184,067</u>

The Company presented net cash increase or decrease incurred from the transactions of short-term financial instrument, short-term loan and short-term borrowing, which have short-term maturities and are according to the frequent transaction, total amount of cash in and out is huge.