

SK E&S Co., Ltd. and Subsidiaries

**Consolidated Financial Statements
December 31, 2015 and 2014**

SK E&S Co., Ltd. and Subsidiaries
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December 31, 2015 and 2014

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
SK E&S Co., Ltd.

We have audited the accompanying consolidated financial statements of SK E&S Co., Ltd. and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SK E&S Co., Ltd. and its subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Samil PricewaterhouseCoopers

Seoul, Korea
March 11, 2016

This report is effective as of March 11, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

SK E&S Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2015 and 2014

(in thousands of Korean won)

	Notes	2015	2014
Assets			
Non-current assets			
Property, plant and equipment	7,32	₩ 4,279,674,500	₩ 2,863,719,220
Investment property	8	96,532,000	96,612,496
Intangible assets	9,32	572,101,708	437,468,009
Investments in joint ventures and associates	10,32	812,393,892	669,816,096
Deferred tax assets	28	9,969,160	16,840,056
Available-for-sale financial assets	4,5,6,11	99,716,425	67,895,960
Derivative assets	5,6	908,400	-
Other financial assets	4,5,12,32	26,437,613	42,417,121
Other assets	13	14,033,504	10,435,314
		<u>5,911,767,202</u>	<u>4,205,204,272</u>
Assets Held-for-sale	36	<u>-</u>	<u>1,145,198,563</u>
Current assets			
Inventories	14	22,815,637	14,781,425
Trade receivables	5,15,34	646,182,804	913,968,854
Other financial assets	5,12,32	25,350,178	27,913,449
Other assets	13	75,415,485	53,775,943
Cash and cash equivalents	4,5,16	419,890,899	621,113,039
		<u>1,189,655,003</u>	<u>1,631,552,710</u>
Total assets		<u>₩ 7,101,422,205</u>	<u>₩ 6,981,955,545</u>
Liabilities			
Non-current liabilities			
Borrowings	4,5,6,17	₩ 2,229,326,150	₩ 1,587,324,928
Derivative liabilities	5,6	7,205,217	-
Other financial liabilities	4,5,18	4,577,328	4,609,025
Deferred tax liabilities	28	108,099,214	72,926,015
Net defined benefit liabilities	19	5,019,361	9,161,054
Unearned revenue		276,012,546	200,388,576
Other liabilities	20	2,382,401	1,413,834
		<u>2,632,622,217</u>	<u>1,875,823,432</u>
Liabilities Held-for-sale	36	<u>-</u>	<u>785,745,442</u>
Current liabilities			
Trade payables	4,5,32,34	833,182,138	1,081,605,525
Derivative liabilities	5,6	2,344,404	-
Other financial liabilities	4,5,18,32,34	248,546,579	212,511,519
Other liabilities	20	17,968,592	30,150,636
Current income tax liabilities	28	67,106,865	62,724,817
Borrowings	4,5,6,17	275,282,453	561,597,282
		<u>1,444,431,031</u>	<u>1,948,589,779</u>
Total liabilities		<u>4,077,053,248</u>	<u>4,610,158,653</u>
Equity attributable to owners of the Parent			
Capital stock	1,21	221,058,960	221,058,960
Paid-in capital in excess of par value	21	420,107,124	420,107,124
Retained earnings	22	956,677,398	935,270,213
Other components of equity	23	1,081,415,120	615,549,052
		<u>2,679,258,602</u>	<u>2,191,985,349</u>
Non-controlling interest	33	<u>345,110,355</u>	<u>179,811,543</u>
Total equity		<u>3,024,368,957</u>	<u>2,371,796,892</u>
Total liabilities and equity		<u>₩ 7,101,422,205</u>	<u>₩ 6,981,955,545</u>

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

SK E&S Co., Ltd. and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2015 and 2014

<i>(in thousands of Korean won, except per share amounts)</i>	Notes	2015	2014
Continuing operations			
Revenue	32,34,35	₩ 4,654,208,274	₩ 5,638,516,430
Cost of sales	14,26,27,32,34	<u>3,918,615,384</u>	<u>4,719,996,107</u>
Gross profit		735,592,890	918,520,323
Selling and administrative expenses	24,26,34	<u>448,602,451</u>	<u>448,595,426</u>
Operating profit		286,990,439	469,924,897
Other income	5,25	88,354,394	76,489,611
Other expenses	5,25	33,542,850	31,878,337
Share of profit of associates	10	67,935,558	48,434,598
Finance income	5,27	14,706,756	15,824,088
Finance expenses	5,27	<u>31,370,369</u>	<u>49,423,789</u>
Profit before income tax		393,073,928	529,371,068
Income tax expense	28	<u>88,495,972</u>	<u>138,667,279</u>
Profit for the year from continuing operations		304,577,956	390,703,789
Discontinued operations			
Profit for the year from discontinued operations	36	<u>90,275,396</u>	<u>14,287,509</u>
Profit for the year		<u>₩ 394,853,352</u>	<u>₩ 404,991,298</u>
Profit attributable to:			
Owners of the Parent Company			
Profit for the year from continuing operations		₩ 290,845,195	₩ 379,860,767
Profit for the year from discontinued operations		90,275,396	11,414,207
Non-controlling interests			
Profit for the year from continuing operations		13,732,761	10,843,022
Profit for the year from discontinued operations		-	2,873,302
Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company during the year			
Basic and diluted earnings per share			
From continuing operations	29	₩ 6,964	₩ 9,096
From discontinued operations	29	2,162	273

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

SK E&S Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2015 and 2014

<i>(in thousands of Korean won)</i>	Notes	2015	2014
Profit for the year		₩ 394,853,352	₩ 404,991,298
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of net defined benefit liabilities	19	(3,194,318)	(6,912,179)
Items that will be reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets	11	41,804	(397,804)
Share of other comprehensive income of associates	10	56,241,748	(14,549,196)
Gain on currency translation of foreign operations		26,340,267	9,823,119
Gain(loss) on cash flow hedge		(9,040,153)	-
Total comprehensive income for the year		<u>₩ 465,242,700</u>	<u>₩ 392,955,238</u>
Attributable to:			
Owners of the Parent Company		₩ 450,233,976	₩ 379,908,389
Non-controlling interest		<u>15,008,724</u>	<u>13,046,849</u>
Total comprehensive income for the year		<u>₩ 465,242,700</u>	<u>₩ 392,955,238</u>

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

SK E&S Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2015 and 2014

(in thousands of Korean won)

	Attributable to owners of the Parent Company						
	Capital Stock	Paid-in capital in Excess of par Value	Retained Earnings	Other Components of Equity	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2014	₩ 221,058,960	₩ 420,107,124	₩ 999,251,630	₩ 296,947,161	₩ 1,937,364,875	₩ 170,161,595	₩ 2,107,526,470
Comprehensive income							
Profit for the year	-	-	391,274,974	-	391,274,974	13,716,324	404,991,298
Remeasurements of the net defined benefit liability	-	-	(6,584,604)	-	(6,584,604)	(327,575)	(6,912,179)
Change in value of available-for-sale financial assets	-	-	-	(397,804)	(397,804)	-	(397,804)
Share of other comprehensive income of associates	-	-	-	(14,352,103)	(14,352,103)	(197,093)	(14,549,196)
Gain(loss) on currency translation of foreign operations	-	-	-	9,967,926	9,967,926	(144,807)	9,823,119
Total comprehensive income for the year	-	-	384,690,370	(4,781,981)	379,908,389	13,046,849	392,955,238
Transactions with owners of the Company							
Cash dividends	-	-	(449,022,777)	-	(449,022,777)	(2,604,597)	(451,627,374)
Acquisition of subsidiaries	-	-	-	(76,441)	(76,441)	(128,759)	(205,200)
Issuance of the hybrid bond	-	-	-	325,289,418	325,289,418	-	325,289,418
Others	-	-	350,990	(1,829,105)	(1,478,115)	(663,545)	(2,141,660)
Total transactions with owners of the Company	-	-	(448,671,787)	323,383,872	(125,287,915)	(3,396,901)	(128,684,816)
Balance at December 31, 2014	₩ 221,058,960	₩ 420,107,124	₩ 935,270,213	₩ 615,549,052	₩ 2,191,985,349	₩ 179,811,543	₩ 2,371,796,892
Balance at January 1, 2015	₩ 221,058,960	₩ 420,107,124	₩ 935,270,213	₩ 615,549,052	₩ 2,191,985,349	₩ 179,811,543	₩ 2,371,796,892
Comprehensive income							
Profit for the year	-	-	381,120,591	-	381,120,591	13,732,761	394,853,352
Remeasurements of the net defined benefit liability	-	-	(2,974,352)	-	(2,974,352)	(219,966)	(3,194,318)
Change in value of available-for-sale financial assets	-	-	-	41,804	41,804	-	41,804
Share of other comprehensive income of associates	-	-	-	54,961,082	54,961,082	1,280,666	56,241,748
Gain on currency translation of foreign operations	-	-	-	26,125,004	26,125,004	215,263	26,340,267
Gain(loss) on cash flow hedge	-	-	-	(9,040,153)	(9,040,153)	-	(9,040,153)
Total comprehensive income for the year	-	-	378,146,239	72,087,737	450,233,976	15,008,724	465,242,700
Transactions with owners of the Company							
Cash dividends	-	-	(336,808,844)	-	(336,808,844)	(1,297,799)	(338,106,643)
Disposal of subsidiaries	-	-	-	-	-	(18,888,840)	(18,888,840)
Discount on stock issuance	-	-	-	(3,906,118)	(3,906,118)	(30,651)	(3,936,769)
Issuance of the hybrid bond	-	-	-	398,629,481	398,629,481	170,579,598	569,209,079
Interest paid on hybrid bond	-	-	(20,334,756)	-	(20,334,756)	(179,981)	(20,514,737)
Others	-	-	404,546	(945,032)	(540,486)	107,761	(432,725)
Total transactions with owners of the Company	-	-	(356,739,054)	393,778,331	37,039,277	150,290,088	187,329,365
Balance at December 31, 2015	₩ 221,058,960	₩ 420,107,124	₩ 956,677,398	₩ 1,081,415,120	₩ 2,679,258,602	₩ 345,110,355	₩ 3,024,368,957

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

SK E&S Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

(in thousands of Korean won)

	Notes	2015	2014
Cash flows from operating activities			
Cash generated from operations			
Profit for the year		₩ 394,853,352	₩ 404,991,298
Adjustments to reconcile net income			
to net cash provided by operating activities	31	132,454,467	401,664,108
Changes in operating assets and liabilities	31	<u>(35,041,598)</u>	<u>(155,284,921)</u>
		492,266,221	651,370,485
Interest received		10,451,521	15,017,552
Interest paid		(81,883,068)	(105,749,993)
Dividends received		20,074,467	13,551,274
Income tax paid		<u>(117,236,027)</u>	<u>(116,047,692)</u>
Net cash inflow from operating activities		<u>323,673,114</u>	<u>458,141,626</u>
Cash flows from investing activities			
Disposal of property, plant and equipment	7	6,655,845	30,536,004
Disposal of intangible assets	9	5,814,982	2,045,336
Disposal of available-for-sale financial assets	11	24,864,135	7,040,011
Disposal of held-to-maturity investments		-	1,320
Decrease in other financial assets		1,747,090	5,845,840
Disposal of investments in joint ventures and associates	10	3,931,680	-
Disposal of assets held-for-sale	36	495,082,000	-
Customers' contribution to construction costs received		63,259,017	75,835,766
Purchases of property, plant and equipment	7	(1,405,879,486)	(804,498,665)
Purchases of intangible assets	9	(199,021,271)	(329,244,377)
Purchases of available-for-sale financial assets	11	(60,861,244)	(1,122,608)
Purchases of investments in joint ventures and associates	10	(9,078,194)	(86,062,965)
Increase in other financial assets		(2,106,292)	(15,624,965)
Others		-	(342,516)
Net cash outflow from investing activities		<u>(1,075,591,738)</u>	<u>(1,115,591,819)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,457,232,472	1,691,147,559
Repayments of borrowings		(1,113,675,207)	(1,061,525,934)
Issuance of the hybrid bonds		566,238,711	325,289,418
Cash dividends		(338,106,643)	(451,627,374)
Interest paid on hybrid bonds	23	(20,334,756)	-
Acquisition of non-controlling interest	33	-	(205,200)
Others		<u>(1,835,490)</u>	<u>(4,856,981)</u>
Net cash inflow from financing activities		<u>549,519,087</u>	<u>498,221,488</u>
Changes in cash and cash equivalents from currency translation		<u>1,177,397</u>	<u>(100,714)</u>
Net decrease in cash and cash equivalents		<u>(201,222,140)</u>	<u>(159,329,419)</u>
Cash and cash equivalents at the beginning of year		<u>621,113,039</u>	<u>835,279,936</u>
Cash and cash equivalents at the end of year		<u>419,890,899</u>	<u>675,950,517</u>
Cash and cash equivalents of disposal group classified as held for sale	36	<u>-</u>	<u>(54,837,478)</u>
Cash and cash equivalents at the end of the year on the consolidated statement of financial position		<u>₩ 419,890,899</u>	<u>₩ 621,113,039</u>

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

SK E&S Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

1. General Information

SK E&S Co., Ltd. (the "Controlling Company" or the "Company") was established on January 13, 1999, as a holding company of city gas companies and engages in city gas, power generation, mass energy, renewable energy and foreign resource development. As of December 31, 2015, the Company's capital stock amounts to ₩221,058,960 thousand and the Company is wholly owned by SK Holdings Co., Ltd.

1.1 Subsidiaries

The Company's consolidated subsidiaries as of December 31, 2015, are as follows:

	Industry	Location	Year end	Percentage of ownership
Gangwon City Gas Co., Ltd.	City gas	Korea	December	100.0%
Yeongnam Energy Service Co., Ltd.	City gas	Korea	December	100.0%
Ko-one Energy Service Co., Ltd. ¹	City gas	Korea	December	100.0%
Busan City Gas Co., Ltd.	City gas	Korea	December	67.3%
Jeonbuk Energy Service Co., Ltd.	City gas	Korea	December	100.0%
Jeonnam City Gas Co., Ltd.	City gas	Korea	December	100.0%
Chungcheong Energy Service Co., Ltd.	City gas	Korea	December	100.0%
PMP Co., Ltd.	Power generation	Korea	December	100.0%
Wirye Energy Service Co., Ltd.	Mass energy	Korea	December	95.2%
Narae Energy Service Co., Ltd. (formerly, Hanam Energy Service Co., Ltd.) ¹	Mass energy	Korea	December	100.0%
SK E&S Hong Kong Co., Ltd. ²	City gas	Hong Kong	December	100.0%
SK LNG Trading Pte., Ltd.	Wholesale LNG	Singapore	December	100.0%
PT SK E&S Nusantara ³	Management consulting	Indonesia	December	100.0%
SK E&S Australia Pty Ltd.	Resource development	Australia	December	100.0%
SK E&S Americas, Inc.	Holding Company	USA	December	100.0%
SK E&S LNG, LLC ⁴	Sale LNG	USA	December	100.0%
DewBlaine Energy, LLC ⁴	Resource development	USA	December	100.0%
CAILIP Gas Marketing, LLC ⁴	Resource development	USA	December	100.0%

¹ Ko-one Energy Service Co., Ltd., a subsidiary, spun mass energy business unit off including Hanam Energy Service Co., Ltd. which changed its name as Narae Energy Service Co., Ltd.

² Includes 50% ownership of Busan City Gas Co., Ltd.

³ Includes 1% ownership of SK LNG Trading Pte., Ltd.

⁴ SK E&S Americas, Inc., a subsidiary, has 100% ownership.

SK E&S Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

1.2 Summary of Financial Information of Subsidiaries

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

(in thousands of Korean won)

(in thousands of Korean won)	2015											
	Assets		Liabilities		Equity		Revenue		Profit(loss)		Total Comprehensive Income(loss)	
Gangwon City Gas Co., Ltd.	₩	79,936,364	₩	49,681,656	₩	30,254,708	₩	111,793,557	₩	2,407,226	₩	2,572,736
Yeongnam Energy Service Co., Ltd.		361,255,614		195,827,277		165,428,337		727,252,075		26,260,948		25,188,837
Ko-one Energy Service Co., Ltd.		760,084,309		402,769,235		357,315,074		1,244,090,315		9,467,413		9,276,977
Busan City Gas Co., Ltd.		804,159,911		304,058,132		500,101,779		1,054,182,318		41,555,904		45,480,981
Jeonbuk Energy Service Co., Ltd.		63,725,323		40,817,517		22,907,806		112,550,996		4,092,091		3,151,735
Jeonnam City Gas Co., Ltd.		92,521,529		59,544,551		32,976,978		163,085,720		6,335,411		6,645,900
Chungcheong Energy Service Co., Ltd.		256,873,348		159,596,079		97,277,269		499,923,988		16,588,818		16,220,053
PMP Co. ,Ltd.		1,261,255,242		544,790,173		716,465,069		-		(1,485,069)		(1,484,505)
Wirye Energy Service Co., Ltd.		538,834,464		308,568,450		230,266,014		3,109,859		(3,793,397)		(3,810,455)
Narae Energy Service Co.,Ltd (formerly Hanam Energy Service Co., Ltd.)		800,298,257		612,824,307		187,473,950		68,721,366		(817,180)		(10,168,488)
SK E&S Hong Kong Co., Ltd.		32,142,245		2,394,307		29,747,938		-		24,983,662		25,930,123
SK LNG Trading Pte., Ltd.		2,958,460		218,975		2,739,485		98,733,296		741,355		828,436
PT SK E&S Nusantara		862,113		-		862,113		-		(790,065)		(830,443)
SK E&S Australia Pty Ltd.		337,934,696		163,667,341		174,267,355		-		(2,618,529)		7,707,519
SK E&S Americas, Inc.		338,848,938		1,541,078		337,307,860		59,020		(5,056,948)		(1,738,879)
SK E&S LNG, LLC		17,696,332		761		17,695,571		-		(762)		1,098,492
DewBlaine Energy, LLC		327,227,837		1,373,283		325,854,554		14,924,868		(2,490,029)		8,252,157
CAILIP Gas Marketing, LLC		-		509,468		(509,468)		-		-		(509,468)

SK E&S Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

(in thousands of Korean won)

(in thousands of Korean won)	2014											
	Assets		Liabilities		Equity		Revenue		Profit(loss)		Total Comprehensive Income(loss)	
Gangwon City Gas Co., Ltd.	₩	94,187,892	₩	56,444,480	₩	37,743,412	₩	130,396,799	₩	3,277,182	₩	3,060,768
Yeongnam Energy Service Co., Ltd.		449,564,014		261,710,779		187,853,235		936,633,814		24,789,194		23,602,608
Ko-one Energy Service Co., Ltd.		1,116,100,394		534,824,502		581,275,892		1,524,977,699		18,920,411		17,145,573
Busan City Gas Co., Ltd.		752,702,856		293,081,558		459,621,298		1,277,764,155		35,061,619		33,056,398
Jeonbuk Energy Service Co., Ltd.		88,120,689		63,286,520		24,834,169		169,157,217		5,089,538		5,357,089
Jeonnam City Gas Co., Ltd.		101,281,636		64,887,919		36,393,717		203,455,349		6,562,295		6,116,035
Chungcheong Energy Service Co., Ltd.		297,726,657		189,317,217		108,409,440		600,869,011		18,327,167		17,925,575
Pyeongtaek Energy Service Co., Ltd.		753,626,128		580,386,490		173,239,638		801,085,792		22,154,887		22,162,401
PMP Co. ,Ltd.		458,656,419		60,247,407		398,409,012		-		368,435		368,435
Wirye Energy Service Co., Ltd.		371,168,603		266,457,973		104,710,630		1,639,935		(3,040,624)		(3,057,027)
Narae Energy Service Co.,Ltd (formerly Hanam Energy Service Co., Ltd.)		453,250,933		386,821,498		66,429,435		739,419		(1,717,247)		(1,717,247)
Gimcheon Energy Service Co., Ltd.		266,814,148		172,369,947		94,444,201		109,004,078		14,366,508		14,277,583
Jeonbuk Mass Energy Co., Ltd.		62,268,746		18,273,372		43,995,374		3,929,575		5,641,520		5,577,065
SK E&S Hong Kong Co., Ltd.		21,455,222		17,637,407		3,817,815		-		(6,467,484)		(7,511,427)
SK LNG Trading Pte., Ltd.		2,055,450		235,363		1,820,087		83,475,889		173,584		300,627
PT SK E&S Nusantara		378,634		3,077		375,557		-		(807,569)		(611,100)
SK E&S Australia Pty Ltd.		192,715,939		55,080,814		137,635,125		-		(410,484)		3,638,040
SK E&S Americas, Inc.		185,304,763		355,433		184,949,330		-		(2,772,009)		(1,320,066)
SK E&S LNG, LLC		16,597,242		110		16,597,132		-		(383,009)		333,502
DewBlaine Energy, LLC		166,860,025		765,978		166,094,047		-		(3,489)		4,165,402

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1.3 Changes in the Scope of Consolidation

The subsidiary included in the consolidated financial statements for the year ended December 31, 2015, is as follows:

Subsidiaries	Reason
CAILIP Gas Marketing, LLC	Newly established

Subsidiaries excluded from the consolidation for the year ended December 31, 2015:

Subsidiaries	Reason
Pyeongtaek Energy Service Co., Ltd. Gimcheon Energy Service Co., Ltd. Jeonbuk Mass Energy Co., Ltd.	Disposal of shares of subsidiaries

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

The Group newly applied the following amended and enacted standards for the annual period beginning on January 1, 2015:

- Amendment to Korean IFRS 1019, *Employee Benefits*
- Annual Improvements to Korean IFRS 2010-2012 Cycle
- Annual Improvements to Korean IFRS 2011-2013 Cycle

(b) New and amended standards not yet adopted by the Group

New standards and amendments issued but not effective for the financial year beginning January 1, 2015, and not early adopted are enumerated below. The Group expects that these standards and amendments would not have a material impact on its consolidated financial statements.

- Amendment to Korean IFRS 1001, *Presentation of Financial Statements*
- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1041, *Agriculture and fishing*:

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Productive plants

- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets*:

Amortization based on revenue

- Korean IFRS 1109, *Financial Assets*

- Korean IFRS 1115, *Revenue arising from contracts with customer*

- Korean IFRS 1110, *Consolidated Financial Statements*, Korean IFRS 1028, *Investments in Associates and Joint Ventures*, and Korean IFRS 1112, *Disclosures of Interests in Other Entities*:
Exemption for consolidation of investee

- Korean IFRS 1111, *Joint Agreements*

- Annual Improvements to Korean IFRS 2012-2014 Cycle

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110, *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls the corresponding investee when it 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. Consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary and ceases when the Company loses control of the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by Korean IFRSs. Acquisition-related costs are expensed as incurred.

Goodwill is recognized as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Balances of receivables and payables, income and expenses and unrealized gains on transactions between the Group subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the Group loses control of a subsidiary, any investment retained in the subsidiary is re-measured at its fair value at the date when control is lost and any resulting difference is recognized in profit or loss.

(b) Associates

Associates are all entities over which the Group has significant influence, and investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Group recognizes the difference between the recoverable amount of the associate and

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its book value as impairment loss.

(c) Joint arrangement

A joint arrangement of which two or more parties have joint control is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Controlling Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.5 Property, Plant and Equipment

Property, plant and equipment are stated at its cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that is directly attributable to the acquisition of the items.

The Group measured certain land at fair value on the transition date January 1, 2010, and used the fair values as deemed cost.

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

	Estimated Useful Lives
Buildings	10 – 60 years
Structures	4 – 47 years
Pipelines	20 years
Machinery	4 – 20 years
Vehicles	2 – 10 years
Other	3 – 10 years

The depreciation method, residual values and useful lives of property, plant and equipment are reviewed at each financial year-end and, if appropriate, accounted for as changes in accounting estimates.

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2.6 Borrowing Costs

Borrowing costs incurred in the acquisition or construction of a qualifying asset are capitalized in the period when it is prepared for its intended use, and investment income earned on the temporary investment of borrowings made specifically for the purpose obtaining a qualifying asset is deducted from the borrowing costs eligible for capitalization during the period. Other borrowing costs are recognized as expenses for the period in which they are incurred.

2.7 Customers' Contribution to Construction Costs

According to the city gas supply agreement, applicants for city gas supply are charged part of the installation costs of gas supply if they use the gas supply facilities. Customers' contributions to construction costs received before January 1, 2010 (the transition date), are accounted for as contra-accounts to supply facilities and are offset against depreciation expense based on the remaining useful lives of the supply facilities, and those received after January 1, 2010 (the transition date), are accounted for as unearned revenue and recognized as revenue based on a systematic and reasonable method.

2.8 Government Grants

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Group will comply with the conditions attaching to it. Government grants related to assets are presented by deducting the grants in arriving at the carrying amount of the assets, and grants related to income are deferred and presented by deducting the related expenses for the purpose of the government grants.

2.9 Investment Property

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

The Group revalued certain land and buildings held as investment property at fair value on the transition date January 1, 2010, and used the fair values as deemed cost.

2.10 Intangible Assets

Goodwill is measured as explained in Note 2.3.(a) and carried at its cost less accumulated impairment losses.

Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses.

Internally generated computer software costs are the aggregate costs recognized after meeting the asset recognition criteria, including technical feasibility, and determined to have future economic benefits.

Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized.

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Intangible assets with definite useful life that are amortized using the straight-line method over their estimated useful lives are as follows:

	Useful Lives
Industrial property rights	5 – 10 years
Computer software	5 years
Other	3 – 15 years

In relation to investment to the overseas gas development, the Group recognizes development costs that are directly attributable to acquisition, exploration, evaluation and development projects as intangible assets. They are accounted as follows:

(a) Expenditure for exploration, evaluation and development

Expenditures for acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource and expenditure in development stage such as construction of facilities for production are capitalized. Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

(b) Production wells

Production wells are the wells that discovered the economic reserves and received permission to develop. Its cost includes purchase price, construction cost, expenditure on commencement of other production and the estimated amount of provision for restoration. The Group recognizes amortization on production wells using the unit of production method based on the verified reserves.

2.11 Impairment of Non-financial Assets

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial Assets

(a) Classification and Measurement

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular purchases and sales of financial assets are recognized on trade date.

At initial recognition, financial assets are measured at fair value plus, and in the case of financial assets not carried at fair value through profit or loss, transaction costs. The transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables, and held-to-maturity investments are subsequently carried at amortized cost using the effective interest rate method.

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Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

(b) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments over a certain period; or the disappearance of an active market for that financial asset because of financial difficulties. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the asset is impaired.

(c) Derecognition

If the Group transfers a financial asset and the transfer does not result in derecognition because the Group has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.13 Derivatives

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

The Group applies cash flow hedge accounting for hedging Interest payment changes risks. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within 'other operating income' or 'other operating expenses'

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

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2.14 Assets Held-for-sale

Assets Held-for-sale are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.15 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method.

2.16 Financial Liabilities

(a) Classification and measurement

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss and financial guarantee contracts, as financial liabilities carried at amortized cost and presented as 'trade payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

Preferred shares that provide for a mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares calculated using the effective interest method are recognized in the statement of income as 'finance expenses', together with interest expenses recognized on other financial liabilities.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.17 Financial Guarantee Contract

Financial guarantees contracts provided by the Group are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amounts below and recognized as 'other financial liabilities':

- the amount determined in accordance with Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*; or
- the initial amount, less accumulated amortization recognized in accordance with Korean IFRS1018, *Revenue*.

2.18 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

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2.19 Employee Benefits

(a) Post-employment benefits

The Group has defined benefit plans. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

(b) Long-term employee benefits

Certain Group companies provide long-term employee benefits, which are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by independent qualified actuaries.

2.20 Revenue Recognition

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

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

(a) Sales of goods

Sales of products and merchandise are recognized upon delivery when the significant risks and rewards of ownership of goods have transferred to the buyer.

(b) Sales of services

Revenues from services are generally recognized on the basis of the actual service provided.

(c) Interest income

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

(d) Dividend income

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

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2.21 Lease

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases where all the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease term.

2.22 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates tax policies that are applied in tax returns in which applicable tax regulation is subject to interpretation. The Company recognizes current income tax on the basis of the amount expected to be paid to the tax authorities.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Segment Reporting

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker (Note 35). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

2.24 Approval of Issuance of the Financial Statements

The issuance of the consolidated financial statements of the Group as of and for the year ended December 31, 2015, was approved by the Board of Directors on February 16, 2016, which is subject to change with the approval of the shareholder at their annual shareholders' meeting.

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3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.(Note 9)

(b) Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.(Note 28)

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.(Note 6)

(d) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate.(Note 19)

4. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial assets subject to financial risk management include cash and cash equivalents, short-term investments, available-for-sale financial assets, trade receivables, other financial assets and others and financial liabilities include trade payables, borrowings, other financial liabilities and others.

4.1 Market risk

(a) Foreign exchange risk

The Group procures LNG for generators from overseas and is exposed to foreign exchange risk from various currency exposures, primarily with respect to the US dollar. The purpose of the Group's foreign exchange risk management is to maximize the value of the company by minimizing uncertainty due to fluctuations in the exchange rate and profit and loss.

At December 31, 2015, if the currency had weakened or strengthened by 15% against the US dollar with all other variables held constant, post-tax profit for the year would have been ₩12,550,094 thousand (2014: ₩4,418,475 thousand) higher or lower due to the effect of gain or loss on currency translation of foreign assets and liabilities.

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Details of the Controlling Company's assets and liabilities denominated in foreign currencies as of December 31, 2015 and 2014, are as follows:

	2015				2014			
		Foreign Currency	Local Currency			Foreign Currency	Local Currency	
<i>(in thousands of Korean won In Chinese yuan, Us Dollar, Colombia pesos, Euro, Japanese Yen, Swiss Franc, British Pound, Singapore Dollar)</i>								
Assets								
Cash and cash equivalents	CNY	97,673	₩ 17,634,863	CNY	92,307	₩ 16,359,622		
	USD	7	7,922	USD	154	169,258		
	COP	175,252	64,663	COP	7,400	3,404		
Liabilities								
Borrowings	USD	93,964	₩ 110,125,434	USD	20,780	₩ 22,758,187		
Withholdings	CNY	96,855	17,487,247	CNY	91,445	16,206,876		
Trade payables	-	-	-	USD	13,410	14,757,652		
Other payables	CNY	40	7,235	CNY	38	6,799		
	USD	289	338,840	USD	971	1,067,202		
	EUR	64	81,470	EUR	289	386,783		
	GBP	8	14,229	GBP	73	124,883		
	CHF	27	32,006	-	-	-		
	-	-	-	JPY	4,788	44,057		
	-	-	-	SGD	49	40,660		

Gain and loss on foreign currency translation are ₩406,448 thousand (2014: ₩484,059 thousand) and ₩3,312,083 thousand (2014: ₩477,563 thousand), respectively, for the year ended December 31, 2015 (Note 27).

(b) Price risk

The Group is exposed to equity securities price risk because of available-for-sale financial assets held by the Group for managing liquidity and operations. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

At December 31, 2015, if the price of the available-for-sale financial assets carried at fair value had increased or decreased by 10%, the Group's equity would have increased or decreased by ₩1,608,836 thousand (2014: ₩1,604,656 thousand).

(c) Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Fixed rate borrowings expose the Group to fair value interest rate risk.

At December 31, 2015, if interest rates on Korean won-denominated borrowings had been 10 basis points higher or lower with all other variables held constant, post-tax profit for the year would have been ₩115,849 thousand (2014: ₩289,099 thousand) lower or higher.

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4.2 Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from nonperformance by significant counterparties.

No significant impairment indicators or past due from trade receivables, loans and other receivables have been found during the reporting period, and the risk of nonperformance is low based on the management assessment as of reporting date. Credit risk is also related to the transactions with financial institutions. To reduce such risk, Group has limited business relationship with the financial institutions with higher credit rating.

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets.

4.3 Liquidity Risk

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Group has sufficient assets including cash and cash equivalents and maintains sufficient headroom on its undrawn committed borrowing facilities elastically. Financial liabilities derived from operating activities are mostly due within 3 months. The Group maintains liquidity by holding sufficient cash and cash equivalent exceeds estimated monthly payments

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, and include interest payable.

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Details of the Group's maturity analysis as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

		2015					
		<u>Book value</u>	<u>Contractual undiscounted cash flows</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1and 5 years</u>	<u>More than 5 years</u>
Trade payables	₩	833,182,138	₩ 833,182,138	₩ 829,385,138	₩ 3,797,000	₩ -	₩ -
Other financial liabilities		253,123,907	253,123,907	168,200,555	80,346,024	1,161,686	3,415,642
Borrowings		2,504,608,603	2,868,283,283	141,614,637	201,625,794	1,408,771,074	1,116,271,778
Financial guarantee contract		-	8,485,850	-	8,485,850	-	-
Fund raising contract ¹		-	200,000,000	-	-	-	200,000,000
Derivative liabilities		9,549,621	9,917,715	537,324	1,832,281	6,783,304	764,806

(in thousands of Korean won)

		2014					
		<u>Book value</u>	<u>Contractual undiscounted cash flows</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1and 5 years</u>	<u>More than 5 years</u>
Trade payables	₩	1,081,605,525	₩ 1,081,605,525	₩ 1,081,577,460	₩ 28,065	₩ -	₩ -
Other financial liabilities		217,120,544	217,120,544	201,354,197	9,035,523	3,330,824	3,400,000
Borrowings		2,148,922,209	2,534,344,135	287,066,677	338,482,694	1,135,308,723	773,486,041
Financial guarantee contract		-	8,329,810	-	8,329,810	-	-
Fund raising contract ¹		-	200,000,000	-	-	-	200,000,000
Fund lending contract		-	125,000,000	-	125,000,000	-	-

¹ Other than the amounts above, the Company has an obligation to replenish the funds of Boryeong LNG Terminal Co., Ltd., in case of shortage.

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4.4 Capital Management

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

The debt-to-equity ratios as of December 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	2015	2014
Total liabilities	₩ 4,077,053,249	₩ 4,610,158,653
Total equity	3,024,368,956	2,371,796,891
Debt-to-equity ratio	134.81%	194.37%

5. Financial Assets and Liabilities by Category

Categorizations of financial assets and liabilities as of December 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>		2015	2014
Financial assets at fair value through profit or loss	Derivative assets	₩ 908,400	₩ -
Loans and receivables	Cash and cash equivalents	₩ 419,890,899	₩ 621,113,039
	Trade receivables	646,182,804	913,968,854
	Other financial assets	51,787,791	70,330,570
		<u>₩ 1,117,861,494</u>	<u>₩ 1,605,412,463</u>
Available-for-sale financial assets	Available-for-sale financial assets	₩ 99,716,425	₩ 67,895,960
Cash flow hedge	Derivative liabilities	₩ 9,549,621	₩ -
Financial liabilities at amortized cost	Trade payables	833,182,138	1,081,605,525
	Other payables liabilities	253,123,907	217,120,544
	Borrowings	2,504,608,603	2,148,922,209
		<u>₩ 3,590,914,648</u>	<u>₩ 3,447,648,278</u>

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Profit and loss of financial assets and liabilities by category for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)		2015		2014	
Financial Assets					
Derivative assets					
Gain on valuation	₩	908,400	₩	-	
Loans and receivables					
Interest income		12,160,549		14,444,016	
Gain (loss) on foreign currency transactions		(206,857)		350,382	
Gain (loss) on foreign currency translation		76,061		(2,511)	
Impairment loss		(1,036,742)		(3,113,004)	
Available-for-sale financial assets					
Gain (loss) on valuation (Other comprehensive income (loss))		41,804		(397,805)	
Gain (loss) on disposal		1,437,915		-	
Impairment		(5,670,582)		(12,031,395)	
Financial Liabilities					
Financial liabilities at amortized cost					
Interest expense	₩	24,668,741	₩	39,310,474	
Gain (loss) on foreign currency transactions		(1,951,329)		(9,090,122)	
Gain (loss) on foreign currency translation		(2,981,696)		9,007	
Cash flow hedge					
Loss on valuation (Other comprehensive income(loss))		(9,040,153)		-	

6. Fair Value Estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets that are measured at fair value as of December 31, 2015 and 2014:

<i>(in thousands of Korean won)</i>		2015			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	₩	-	₩ -	₩ 21,224,750	₩ 21,224,750
Derivative assets		-	908,400	-	908,400
Derivative liabilities		-	(9,549,621)	-	(9,549,621)

<i>(in thousands of Korean won)</i>		2014			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	₩	-	₩ -	₩ 21,169,600	₩ 21,169,600

There is no significant change in business and economic environments which influence the fair value of financial assets and liabilities of the Group for the year ended December 31, 2015. The classification of financial instruments is identical to the previous classification in 2014.

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The details of derivative instruments as of December 31, 2015, are as follows:

<i>(in thousands of Korean won)</i>	Assets		Liabilities		Gain on valuation	Other comprehensive income (loss)
Currency forward ¹	₩	908,400	₩	-	₩ 908,400	₩ -
Interest rate swap ²		-		(9,040,153)	-	(9,040,153)
Commodity swap ³		-		(509,468)	-	(509,468)

¹ It is the long position of USD 70,000 thousand to hedge a foreign exchange risk of a borrowing in foreign currency, which redemption installments are scheduled from 2019.

² It is the interest rate swap exchanges a fixed interest for a floating interest to hedge an interest rate risk of a borrowings amounts to ₩400,000,000 thousand of Narae Energy Service Co.,Ltd. which will be redeemed by installments with 10-year maturity.

³ It is the commodity swap to hedge a cash flow risk derived from the LNG purchase agreement amounts to USD 3,919 thousand of CAILIP Gas Marketing, LLC, a subsidiary.

The following table presents the valuation techniques for recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

<i>(in thousands of Korean won)</i>	Fair value		Valuation techniques
Hana Land Chip Private Real Estate No.33 (formerly, Daol Land Chip Private Real Estate No.33)	₩	10,211,700	Net Asset Value per Share
Plus Future Plan Private Securities Investment Trust No.5		10,013,050	Net Asset Value per Share
SK Mutual Funds		1,000,000	Net Asset Value per Share
	₩	<u>21,224,750</u>	

The following table presents the changes in Level 3 instruments for the years ended December 31, 2015 and 2014:

<i>(in thousands of Korean won)</i>	2015		2014	
Beginning balance	₩	21,169,600	₩	33,210,111
Disposal		-		(7,040,011)
Gain(loss) recognized as other comprehensive income		55,150		(500)
Impairment loss		-		(5,000,000)
Ending balance	₩	<u>21,224,750</u>	₩	<u>21,169,600</u>

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The following table presents available-for-sale financial assets that are valued at historical cost as of December 31, 2015 and 2014:

<i>(in thousands of Korean won)</i>		2015		2014	
Available- for-sale financial assets					
		₩		₩	
	SK Technology Innovation Company		2,808,024		2,808,024
	KNOC Ferghana Ltd.		80		80
	Contemporary Painting Art Trust No.1		495,041		495,041
	Gemini Partners Pte., Ltd.		8,417,000		8,417,000
	Fitech Global New Growth Investment Private Equity Fund		2,652,438		5,220,614
	Sejung21 Co., Ltd.		358,917		358,917
	Construction Guarantee Cooperative		73,106		73,106
	Hana Development infrastructure Investment Private Equity Fund		59,000,000		-
	Plant & Mechanical contractors financial cooperative of Korea		40,862		40,862
	Jeonnam Dragons Football Club		50,000		50,000
	Powertel TRS Co., Ltd.		1		1
	Prostar Energy Infra Fund		4,541,924		27,265,000
	Prostar Energy Resources Fund		-		1,921,556
	SK- KDB Global Investment Partnership Private Equity Fund		-		22,750
	Government bond		54,282		53,409
		₩	78,491,675	₩	46,726,360

The range of reasonable fair value estimates of SK Technology Innovation Company shares and other investments is significant and the probabilities of the various estimates cannot be reasonably assessed and therefore, these instruments are measured at cost. The Group does not have any plans to dispose of the above-mentioned equities in the near future. These instruments will be measured at fair value when the Group develops a reliable estimate of the fair value.

Fair and book values of financial liabilities as of December 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>		2015		2014	
		Book value	Fair value	Book value	Fair value
Financial liabilities					
Borrowings		₩ 2,504,608,603	₩ 2,576,721,898	₩ 2,148,922,210	₩ 2,252,226,314

The fair values of borrowings are based on cash flows discounted using a rate based on the borrowing rate of 2.3~2.5%(2014: 2.5~2.7%).

The book value of other financial liabilities is similar to the fair value; thus, no separate disclosure for the fair value was made.

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7. Property, Plant and Equipment

The details of property, plant and equipment as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015				2014			
	Acquisition cost	Accumulated depreciation	Customers' contribution to construction costs	Book value	Acquisition cost	Accumulated depreciation	Customers' contribution to construction costs	Book value
Land	₩ 657,700,319	₩ -	₩ -	₩ 657,700,319	₩ 575,000,817	₩ -	₩ -	₩ 575,000,817
Buildings	164,425,268	(32,293,489)	-	132,131,779	94,145,317	(29,411,302)	-	64,734,015
Structures	182,644,452	(50,407,442)	-	132,237,010	104,652,067	(45,417,988)	-	59,234,079
Machinery	991,479,768	(279,699,422)	-	711,780,346	644,610,155	(250,199,587)	-	394,410,568
Vehicles	13,223,944	(6,271,350)	-	6,952,594	9,324,991	(5,665,549)	-	3,659,442
Tools and equipment	65,638,120	(51,954,137)	-	13,683,983	63,569,267	(49,099,468)	-	14,469,799
Pipelines	2,304,028,249	(1,208,107,130)	(111,804,768)	984,116,351	2,163,058,354	(1,118,101,634)	(124,733,777)	920,222,943
Others	135,823,894	(17,696,745)	-	118,127,149	1,936,515	(1,374,028)	-	562,487
Construction-in-progress	1,522,944,969	-	-	1,522,944,969	831,425,069	-	-	831,425,069
	<u>₩ 6,037,908,983</u>	<u>₩ (1,646,429,715)</u>	<u>₩ (111,804,768)</u>	<u>₩ 4,279,674,500</u>	<u>₩4,487,722,552</u>	<u>₩ (1,499,269,556)</u>	<u>₩(124,733,777)</u>	<u>₩ 2,863,719,219</u>

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Changes in property, plant and equipment for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015						
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Net currency transaction differences	Ending balance
Land	₩ 575,000,817	₩ 19,148,803	₩ (2,496,828)	₩ 66,047,527	₩ -	₩ -	₩ 657,700,319
Buildings	64,734,015	2,845,753	(364,322)	68,533,620	(3,617,287)	-	132,131,779
Structures	59,234,079	1,982,290	(558,535)	77,319,909	(5,740,733)	-	132,237,010
Machinery	394,410,568	4,799,698	(1,779,075)	351,985,903	(37,636,748)	-	711,780,346
Vehicles	3,659,442	456,201	(199,353)	4,982,738	(1,948,395)	1,961	6,952,594
Tools and equipment	14,469,799	5,556,385	(520,431)	1,323,968	(7,173,507)	27,769	13,683,983
Pipelines	920,222,943	54,197,234	(524,737)	92,642,742	(82,421,831)	-	984,116,351
Others	562,487	154,449	(1,991)	129,197,254	(15,836,360)	4,051,310	118,127,149
Construction-in-progress	831,425,069	1,437,191,091	(163,529)	(746,322,736)	-	815,074	1,522,944,969
	<u>₩ 2,863,719,219</u>	<u>₩ 1,526,331,904</u>	<u>₩ (6,608,801)</u>	<u>₩ 45,710,925</u>	<u>₩ (154,374,861)</u>	<u>₩ 4,896,114</u>	<u>₩ 4,279,674,500</u>

(in thousands of Korean won)

(in thousands of Korean won)		2014										
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Net currency transaction differences	Assets held-for- sale	Ending balance				
Land	₩ 467,301,907	₩ 2,920,791	₩ (325,476)	₩ 148,013,337	₩ -	₩ -	₩ (42,909,742)	₩ 575,000,817				
Buildings	98,499,592	1,879,579	(285,855)	826,351	(4,461,248)	-	(31,724,404)	64,734,015				
Structures	161,205,468	2,165,966	(52,144)	565,500	(10,409,150)	-	(94,241,561)	59,234,079				
Machinery	1,079,693,547	27,902,801	(252,718)	33,875,415	(69,144,795)	-	(677,663,682)	394,410,568				
Vehicles	4,449,773	1,709,467	(466,502)	34,763	(1,929,204)	-	(138,855)	3,659,442				
Tools and equipment	18,352,826	5,688,196	(184,059)	137,582	(8,061,217)	18,695	(1,482,224)	14,469,799				
Pipelines	906,140,247	33,870,470	(415,914)	104,240,058	(79,186,638)	-	(44,425,280)	920,222,943				
Others	474,924	263,860	(72,850)	-	(103,303)	(144)	-	562,487				
Construction-in-progress	341,596,190	823,972,993	(29,512,315)	(292,887,577)	-	-	(11,744,222)	831,425,069				
	₩ 3,077,714,474	₩ 900,374,123	₩ (31,567,833)	₩ (5,194,571)	₩ (173,295,555)	₩ 18,551	₩ (904,329,970)	₩ 2,863,719,219				

The total depreciation expense of ₩154,374,861 thousand (2014: ₩173,295,555 thousand) was charged to 'cost of sales' of ₩59,735,475 thousand (2014: ₩36,878,683 thousand), 'selling and administrative expenses' of ₩94,639,386 thousand (2014: ₩90,323,245 thousand), and 'discontinued operations' of ₩- thousand (2014: ₩46,093,627 thousand).

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Details of property, plant and equipment provided as collateral as of December 31, 2015, are as follows:

<i>(in thousands of Korean won)</i>	Investment Property provided as collateral			Borrowings		
	Item	Carrying amount	Secured amount	Secured parties	Related line item	Related Amount
Gangwon City Gas Co., Ltd.	PP&E	₩ 4,459,745	₩ 4,459,745	The Korea Development Bank	Bank Borrowings	₩ 1,359,000
Jeonnam City Gas Co., Ltd.	Land & Buildings	4,339,129	219,761	The Kwangju Bank Ltd. and others	Leasehold deposits	187,661
PMP Co., Ltd.	Land	67,693,610	67,693,610	The Korea Development Bank and others	PF borrowings	-
Narae Energy Service Co.,Ltd.	PP&E	688,455,898	480,000,000	The Korea Development Bank and others	Borrowings	400,000,000

In 2015, the Group has capitalized borrowing costs amounting to ₩63,737,733 thousand (2014: ₩27,801,905 thousand) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.4% (2014: 3.6%).

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8. Investment Property

Changes in investment property for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015					
	Land		Buildings		Total	
Beginning net book value	₩	94,782,128	₩	1,830,368	₩	96,612,496
Depreciation		-		(80,496)		(80,496)
Ending net book value	₩	94,782,128	₩	1,749,872	₩	96,532,000
Acquisition cost		94,782,128		3,209,701		97,991,829
Accumulated depreciation		-		(1,459,829)		(1,459,829)

(in thousands of Korean won)

	2014					
	Land		Buildings		Total	
Beginning net book value	₩	94,782,128	₩	1,910,864	₩	96,692,992
Depreciation		-		(80,496)		(80,496)
Ending net book value	₩	94,782,128	₩	1,830,368	₩	96,612,496
Acquisition cost		94,782,128		3,209,701		97,991,829
Accumulated depreciation		-		(1,379,333)		(1,379,333)

Fair value of investment property as of December 31, 2015, is ₩118,219,273 thousand (2014: ₩110,155,327 thousand).

Rent income from investment property for the year ended December 31, 2015, is ₩5,887,136 thousand (2014: ₩5,749,858 thousand).

Details of investment property provided as collateral as of December 31, 2015, are as follows:

(in thousands of Korean won)

	Investment Property provided as collateral				Borrowings		
	Item	Carrying amount	Secured amount		Secured parties	Related line item	Related Amount
Busan City Gas Co., Ltd.	Investment property	₩ 70,653,191	₩ 3,933,333		Megamart Co., Ltd. and others	Leasehold deposits	₩ 3,933,333

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9. Intangible Assets

The details of intangible assets as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

		2015			
		Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book value
Development costs	₩	2,010,516	₩ (1,398,038)	₩ -	₩ 612,478
Goodwill		42,801,147	-	-	42,801,147
Exploration and evaluation assets		503,803,390	-	-	503,803,390
Industrial property rights		189,152	(99,837)	-	89,315
Memberships		17,935,359	-	(2,984,188)	14,951,171
Other		30,350,312	(20,506,105)	-	9,844,207
	₩	<u>597,089,876</u>	₩ <u>(22,003,980)</u>	₩ <u>(2,984,188)</u>	₩ <u>572,101,708</u>

(in thousands of Korean won)

		2014			
		Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book value
Development costs	₩	2,848,104	₩ (2,513,618)	₩ -	₩ 334,486
Goodwill		42,801,147	-	-	42,801,147
Exploration and evaluation assets		358,546,902	-	-	358,546,902
Industrial property rights		200,497	(108,211)	-	92,286
Memberships		25,202,581	-	(8,806,801)	16,395,780
Other		56,200,756	(36,903,349)	-	19,297,407
	₩	<u>485,799,987</u>	₩ <u>(39,525,178)</u>	₩ <u>(8,806,801)</u>	₩ <u>437,468,008</u>

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

(in thousands of Korean won)

(in thousands of Korean won)

	2015															
	Beginning balance		Acquisition		Disposal		Transfer		Net currency transaction differences		Amortization		Impairment loss		Ending balance	
Development costs	₩	334,486	₩	395,297	₩	-	₩	-	₩	-	₩	(117,305)	₩	-	₩	612,478
Goodwill		42,801,147		-		-		-		-		-		-		42,801,147
Exploration and evaluation assets		358,546,902		127,927,504		-				17,328,984		-		-		503,803,390
Industrial property rights		92,286		10,639		-		9,729		-		(23,339)		-		89,315
Memberships		16,395,780		4,474,853		(5,660,942)		(83,520)		-		-		(175,000)		14,951,171
Others		19,297,407		66,212,978		(522,642)		(77,317,261)		10,279,583		(8,105,858)		-		9,844,207
	₩	437,468,008	₩	199,021,271	₩	(6,183,584)	₩	(77,391,052)	₩	27,608,567	₩	(8,246,502)	₩	(175,000)	₩	572,101,708

(in thousands of Korean won)

(in thousands of Korean won)

	2014									
	Beginning balance	Acquisition	Disposal	Transfer	Net currency transaction differences	Amortization	Impairment loss	Asset held for sale	Ending balance	
Development costs	₩ 474,175	₩ 42,505	₩ -	₩ -	₩ -	₩ (182,194)	₩ -	₩ -	₩ 334,486	
Goodwill	109,825,831	-	-	-	-	-	-	(67,024,684)	42,801,147	
Exploration and evaluation assets	18,924,330	324,661,703	-	-	14,960,869	-	-	-	358,546,902	
Industrial property rights	86,373	27,524	-	-	4,058	(22,023)	-	(3,646)	92,286	
Memberships	21,104,641	2,215,168	(2,656,534)	-	-	-	(3,651,733)	(615,762)	16,395,780	
Others	30,487,736	2,370,709	-	1,860,148	(4,059)	(7,676,491)	-	(7,740,636)	19,297,407	
	₩ 180,903,086	₩ 329,317,609	₩ (2,656,534)	₩ 1,860,148	₩ 14,960,868	₩ (7,880,708)	₩ (3,651,733)	₩ (75,384,728)	₩ 437,468,008	

Total 2015 amortization expense of ₩8,246,502 thousand (2014: ₩7,880,708 thousand) was distributed among 'cost of sales' for ₩318,887 thousand (2014: ₩305,686 thousand), 'selling and administrative expenses' for ₩7,927,615 thousand (2014: ₩7,140,821 thousand), and 'discontinued operations' of ₩- thousand (2014: ₩434,201 thousand).

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Assets, liabilities, income, expenses, operating cash flows and investing cash flows derived from exploration and evaluation activities as of and for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>		2015		2014
Assets	₩	665,162,533	₩	359,570,845
Liabilities		165,040,624		55,841,672
Income		14,924,868		-
Expenses		(17,385,827)		(413,973)
Operating cash flows		9,198,408		114,967
Investing cash flows		(282,156,816)		(324,622,207)

The Group used the same goodwill allocation method by cash-generating units (group of cash-generating units) for the years ended December 31, 2015 and 2014. The following is a summary of goodwill allocation for each operating segment:

<i>(in thousands of Korean won)</i>		2015		2014
Busan City Gas Co., Ltd.	₩	19,682,158	₩	19,682,158
Yeongnam Energy Service Co., Ltd.		933,032		933,032
Jeonnam City Gas Co., Ltd.		14,490,960		14,490,960
Gangwon City Gas Co., Ltd.		1,647,488		1,647,488
Jeonbuk Energy Service Co., Ltd.		6,044,247		6,044,247
Others		3,262		3,262
	₩	42,801,147	₩	42,801,147

Goodwill impairment reviews are undertaken annually. Impairment test suggests that the carrying value of cash generating units does not exceed the recoverable amount. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used for value-in-use calculations in 2015 and 2014 are as follows:

2015	Growth rate	Gross margin	Pre-tax discount rate
Busan City Gas Co., Ltd	0.9%	4.5%	6.6%
Yeongnam Energy Service Co., Ltd.	2.1%	4.2%	6.6%
Jeonnam City Gas Co., Ltd	4.4%	4.2%	6.6%
Gangwon City Gas Co., Ltd.	7.6%	3.3%	6.6%
Jeonbuk Energy Service Co., Ltd.	3.7%	4.3%	6.6%

2015	Growth rate	Gross margin	Pre-tax discount rate
Busan City Gas Co., Ltd	1.0%	2.6%	6.1%
Yeongnam Energy Service Co., Ltd.	1.2%	2.8%	6.2%
Jeonnam City Gas Co., Ltd	0.8%	3.3%	6.3%
Gangwon City Gas Co., Ltd.	3.5%	3.4%	6.1%
Jeonbuk Energy Service Co., Ltd.	5.4%	3.8%	6.1%

The Group determined the budgeted growth rate based on past performance and its expectations of market development. The discount rates used are industrial average weighted average cost of capital.

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10. Joint Ventures and Associates

Details in investments in joint ventures and associates as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

(in thousands of Korean won)	2015						2014								
	Location	Owned percentage	Year end		Acquisition cost	Net asset value	Book value	Acquisition cost	Net asset value	Book value					
Joint ventures															
Boryeong LNG Terminal Co.,Ltd	Korea	50.0%	Dec.	₩	100,000,000	₩	68,660,636	₩	97,397,052	₩	100,000,000	₩	70,382,245	₩	99,118,661
China Gas-SK E&S LNG Trading Ltd. ¹	Hong Kong	50.0%	Mar.		1,189,110		594,555		1,189,110		-		-		-
					101,189,110		69,255,191		98,586,162		100,000,000		70,382,245		99,118,661
Associates															
Kyongnam Renewable Energy Co., Ltd.	Korea	-	Dec.		-		-		-		3,714,353		466,526		466,276
Wuhan SK-Sino natural gas group Ltd.	Hong Kong	49.0%	Dec.		31,788,092		3,658,320		3,658,320		31,788,092		676,784		676,784
SK E&S - SINO HongKong Co., Ltd.	Hong Kong	49.0%	Dec.		4,483,161		2,520,023		2,520,023		4,483,161		1,923,289		1,923,289
Aisikai Huineng Qinzhou Natural Gas Ltd.	China	70.0%	Dec.		1,786,026		-		-		1,786,026		-		-
China Gas Holdings Ltd. ^{2,3}	Hong Kong	15.7%	Mar		465,987,066		439,410,796		675,534,327		465,987,066		355,628,364		553,690,993
Global Opportunities Fund	Cayman Islands	20.7%	Dec.		10,000,000		3,893,304		3,893,304		10,000,000		7,760,270		7,760,270
Shinan Green Energy Co., Ltd. ² (formerly, Angel Wind Energy Co., Ltd.)	Korea	18.2%	Dec.		6,416,657		5,482,149		6,051,158		6,416,657		5,090,111		6,179,823
Busan Green Energy Co., Ltd. ⁴	Korea	28.5%	Dec		14,312,700		14,261,516		14,261,516		-		-		-
Gemini Partners Pte., Ltd.	Singapore	20.0%	Dec		7,889,082		9,549,169		7,889,082		-		-		-
					542,662,784		478,775,277		713,807,730		524,175,355		371,545,344		570,697,435
				₩	643,851,894	₩	548,030,468	₩	812,393,892	₩	624,175,355	₩	441,927,589	₩	669,816,096

¹ Joint venture that the Company founded with China Gas Holdings Ltd. to promote LNG business cooperation in 2015.

² Although the Group holds less than 20% ownership, the Group exercises significant influence as the Group's director can exercise its vote at the board of directors of these entities, and thus, the Group classifies these entities as associates.

³ The fiscal year end of China Gas Holdings Ltd. is March 31 and its financial statements as December 31 were not available. The semi-annual September 30 report was therefore used and the effects of significant transactions or events which occurred from October to December were reviewed.

⁴ Newly established to engage in fuel cell power generation in 2015.

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Changes in investments in joint ventures and associates for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

		2015					
		Beginning balance	Acquisition	Disposal and dividends received	Share of profit (loss)	Other changes in equity	Ending balance
Joint ventures							
Boryeong LNG Terminal Co.,Ltd	₩	99,118,661	₩ -	₩ -	₩ (1,721,609)	₩ -	₩ 97,397,052
China Gas-SK E&S LNG Trading Ltd.		-	1,189,110	-	-	-	1,189,110
Associates							
Kyongnam Renewable Energy Co., Ltd.		466,276	-	(467,735)	1,459	-	-
Wuhan SK-Sino Natural Gas Group Ltd.		676,784	-	-	2,960,388	21,148	3,658,320
SK E&S - SINO Hong Kong Co., Ltd.		1,923,289	-	-	988,895	(392,161)	2,520,023
China Gas Holdings Ltd.		553,690,993	-	(19,000,833)	66,703,221	74,140,946	675,534,327
Global Opportunities Fund		7,760,270	-	(3,465,848)	(401,118)	-	3,893,304
Shinan Green Energy Co., Ltd. (formerly, Angel Wind Energy Co., Ltd.)		6,179,823	-	-	(542,589)	413,924	6,051,158
Busan Green Energy Co., Ltd.		-	14,312,700	-	(51,184)	-	14,261,516
Gemini Partners Pte., Ltd.		-	7,889,082	-	-	-	7,889,082
	₩	<u>669,816,096</u>	₩ <u>23,390,892</u>	₩ <u>(22,934,417)</u>	₩ <u>67,937,463</u>	₩ <u>74,183,857</u>	₩ <u>812,393,892</u>

(in thousands of Korean won)

(in thousands of Korean won)		2014												
		Beginning balance		Acquisition		Disposal and dividends received		Share of profit (loss)		Other changes in equity		Impairment loss		Ending balance
Joint venture														
Boryeong LNG Terminal Co.,Ltd	₩	99,396,412	₩	-	₩	-	₩	(266,019)	₩	(11,732)	₩	-	₩	99,118,661
Associates														
Kyongnam Renewable Energy Co., Ltd.		444,904		-		-		21,372		-		-		466,276
Wuhan SK-Sino Natural Gas Group Ltd.		5,584,616		-		-		(4,753,195)		(154,637)		-		676,784
SK E&S - SINO Hong Kong Co., Ltd.		1,902,304		-		-		83,696		(62,711)		-		1,923,289
Aisikai Huineng Qinzhou Natural Gas Ltd.		1,759,811		-		-		-		21,981		(1,781,792)		-
China Gas Holdings Ltd.		449,735,468		79,646,309		(12,063,240)		55,343,148		(18,970,692)		-		553,690,993
Global Opportunities Fund		7,736,048		-		-		24,222		-		-		7,760,270
Shinan Green Energy Co., Ltd.		-		6,416,657		-		(236,834)		-		-		6,179,823
(formerly, Angel Wind Energy Co., Ltd.)	₩	566,559,563	₩	86,062,966	₩	(12,063,240)	₩	50,216,390	₩	(19,177,791)	₩	(1,781,792)	₩	669,816,096

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Details of valuation of investments in joint venture and associates under the equity method for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015		2014	
	Share of profit (loss)	Impairment loss	Share of profit (loss)	Impairment loss
Joint venture				
Boryeong LNG Terminal Co.,Ltd	₩ (1,721,609)	₩ -	₩ (266,019)	₩ -
Associates				
Kyongnam Renewable Energy Co., Ltd.	1,459	(1,905)	21,372	-
Wuhan SK-Sino Natural Gas Group Ltd.	2,960,388	-	(4,753,195)	-
SK E&S - SINO Hong Kong Co., Ltd.	988,895	-	83,696	-
Aisikai Huineng Qinzhou Natural Gas Ltd.	-	-	-	(1,781,792)
China Gas Holdings Ltd.	66,703,221	-	55,343,148	-
Global Opportunities Fund	(401,118)	-	24,222	-
Shinan Green Energy Co., Ltd. (formerly, Angel Wind Energy Co., Ltd.)	(542,589)	-	(236,834)	-
Busan Green Energy Co., Ltd.	(51,184)	-	-	-
	<u>₩ 67,937,463</u>	<u>₩ (1,905)</u>	<u>₩ 50,216,390</u>	<u>₩ (1,781,792)</u>

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Summary of financial information of the Company's joint venture as of and for the years ended December 31, 2015 and 2014, follows:

(in thousands of Korean won)

	2015									
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit(loss)	Total comprehensive income(loss)	Dividends received		
Boryeong LNG Terminal Co.,Ltd	₩ 114,802,613	₩ 893,284,062	₩ 10,542,505	₩ 860,222,899	₩ -	₩ (3,379,596)	₩ (3,443,218)	₩ -		
	Cash and cash equivalents	Current Financial liabilities	Non-current Financial liabilities	Depreciation	Amortization	Interest income	Interest expense	Income tax expense		
Boryeong LNG Terminal Co.,Ltd	₩ 8,189,129	₩ 8,175,888	₩ 859,581,480	₩ 69,937	₩ -	₩ 90,257	₩ -	₩ (1,558,383)		

(in thousands of Korean won)

	2014									
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit(loss)	Total comprehensive income(loss)	Dividends received		
Boryeong LNG Terminal Co.,Ltd	₩ 214,625,012	₩ 421,491,776	₩ 1,888,026	₩ 493,464,273	₩ -	₩ (532,038)	₩ (555,501)	₩ -		
	Cash and cash equivalents	Current Financial liabilities	Non-current Financial liabilities	Depreciation	Amortization	Interest income	Interest expense	Income tax expense		
Boryeong LNG Terminal Co.,Ltd	₩ 6,912,708	₩ -	₩ 493,150,888	₩ 47,036	₩ 18,460	₩ 47,530	₩ 10,631	₩ (3,564,378)		

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Summary of financial information of the Group's joint venture as of and for the years ended December 31, 2015 and 2014, follows:

(in thousands of Korean won)

(in thousands of Korean won)	2015															
	Current assets		Non-current assets		Current liabilities		Non-current liabilities		Revenue		Profit (loss)		Total comprehensive income (loss)	Dividends received		
Wuhan SK-Sino Natural Gas Group Ltd.	₩	34,887,666	₩	100,577,831	₩	91,116,132	₩	17,332,800	₩	88,083,849	₩	6,058,049	₩	-	₩	-
SK E&S - SINO Hong Kong Co., Ltd.		2,060,850		11,869,070		2,235,136		-		1,890,542		2,018,154		1,217,824		-
China Gas Holdings Ltd.		2,050,019,320		5,957,582,266		2,713,057,141		2,017,416,355		4,343,329,130		430,061,383		430,061,383		19,000,833
Global Opportunities Fund		1,414,345		17,395,237		-		-		-		(513,275)		(513,275)		-
Shinan Green Energy Co., Ltd. (formerly, Angel Wind Energy Co., Ltd.)		8,350,858		57,493,433		22,251,185		13,447,733		-		(961,219)		(961,219)		-
Busan Green Energy Co., Ltd.		17,369,104		32,724,068		33,548		19,217		-		(179,593)		(179,593)		-
Gemini Partners Pte., Ltd.		27,761,824		14,693,743		3,443,716		7,866,855		-		(751,130)		(751,130)		-

(in thousands of Korean won)

(in thousands of Korean won)

	2014															
	Current assets		Non-current assets		Current liabilities		Non-current liabilities		Revenue	Profit (loss)	Total comprehensive income (loss)	Dividends received				
Kyongnam Renewable Energy Co., Ltd.	₩	932,554	₩	-	₩	-	₩	-	₩	47,005	₩	47,005	₩	-		
Wuhan SK-Sino Natural Gas Group Ltd.		31,563,939		90,879,874		80,682,145		40,380,476		68,924,042		(18,811,019)		(19,137,583)		-
SK E&S - SINO Hong Kong Co., Ltd.		1,660,228		10,828,361		2,011,629		-		210,739		170,809		42,827		-
Aisikai Huineng Qinzhou Natural Gas Ltd.		1,395,188		345,762		-		-		-		-		-		-
China Gas Holdings Ltd.		1,922,558,960		4,629,631,776		1,518,246,954		2,738,733,404		4,202,787,196		400,366,686		393,352,870		12,063,240
Global Opportunities Fund		18,300,307		19,191,613		-		-		1,239,331		117,026		117,026		-
Shinan Green Energy Co., Ltd. (formerly, Angel Wind Energy Co., Ltd.)		3,785,877		10,934,355		105,062		-		-		(3,679,865)		(3,679,865)		-

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Details of adjustments from financial information of joint ventures and associates to the book value of investments in joint ventures and associates for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

(in thousands of Korean won)		2015				
		Net asset value (A)	Owned percentage (B)	Owned net asset value (AxB)	Goodwill	Book value
Joint ventures						
Boryeong LNG Terminal Co.,Ltd	₩	137,321,271	50.0%	₩ 68,660,636	₩ 28,736,416	₩ 97,397,052
China Gas-SK E&S LNG Trading Ltd.		1,189,110	50.0%	594,555	594,555	1,189,110
Associates						
Wuhan SK-Sino Natural Gas Group Ltd.		7,465,959	49.0%	3,658,320	-	3,658,320
SK E&S - SINO Hong Kong Co., Ltd.		5,142,903	49.0%	2,520,023	-	2,520,023
China Gas Holdings Ltd.		2,803,866,376	15.7%	439,410,796	236,123,531	675,534,327
Global Opportunities Fund		18,809,582	20.7%	3,893,304	-	3,893,304
Shinan Green Energy Co., Ltd. (formerly, Angel Wind Energy Co., Ltd.)		30,145,373	18.2%	5,482,149	569,008	6,051,158
Busan Green Energy Co., Ltd.		50,040,407	28.5%	14,261,516	-	14,261,516
Gemini Partners Pte., Ltd.		31,144,996	20.0%	6,228,999	1,660,085	7,889,084

(in thousands of Korean won)

(in thousands of Korean won)	2014							
		Net asset value (A)	Owned percentage (B)		Owned net asset value (AxB)	Goodwill	Impairment	Book value
Joint ventures								
Boryeong LNG Terminal Co.,Ltd	₩	140,764,490	50.0%	₩	70,382,245 ₩	28,736,416 ₩	- ₩	99,118,661
Associates								
Kyongnam Renewable Energy Co., Ltd.		932,553	50.0%		466,276	-	-	466,276
Wuhan SK-Sino Natural Gas Group Ltd.		1,381,192	49.0%		676,784	-	-	676,784
SK E&S - SINO Hong Kong Co., Ltd.		3,925,080	49.0%		1,923,289	-	-	1,923,289
Aisikai Huineng Qinzhou Natural Gas Ltd.		1,740,950	70.0%		1,218,665	541,146	(1,759,811)	-
China Gas Holdings Ltd.		2,295,025,381	15.5%		355,628,364	198,062,629	-	553,690,993
Global Opportunities Fund		37,491,920	20.7%		7,760,270	-	-	7,760,270
Shinan Green Energy Co., Ltd. (formerly, Angel Wind Energy Co., Ltd.)		14,615,170	34.8%		5,090,111	1,089,712	-	6,179,823

Fair value of associate's shares marketable as of December 31, 2015 and 2014, is as follows:

(in thousands of Korean won)

		2015			
		Number of shares owned	Market price per share (Korean Won)	Fair value	Book value
China Gas Holdings Ltd.	₩	778,042,500	₩ 1,676	₩ 1,304,342,347	₩ 675,534,327
(in thousands of Korean won)					
		2014			
		Number of shares owned	Market price per share (Korean Won)	Fair value	Book value
China Gas Holdings Ltd.	₩	778,042,500	₩ 1,732	₩ 1,347,569,610	₩ 553,690,993

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11. Available-For-Sale Financial Assets

Available-for-sale financial assets as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015			2014		
	Acquisition cost	Fair value ¹	Book value	Acquisition cost	Fair value ¹	Book value
Fair value						
Hana Land Chip Private Real Estate No.33(formerly, Daol Land Chip Private Real Estate No.33)	₩ 10,000,000	₩ 10,211,700	₩ 10,211,700	₩ 10,000,000	₩ 10,153,100	₩ 10,153,100
Plus Future Plan Private Securities Investment Trust No.5	15,000,000	10,013,050	10,013,050	15,384,450	10,016,500	10,016,500
SK Mutual Funds	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Acquisition cost						
SK Technology Innovation Company	5,257,473	2,808,023	2,808,023	5,257,473	2,808,024	2,808,024
KNOC Ferghana Ltd.	80	80	80	80	80	80
Contemporary Painting Art Trust No.1	495,041	495,041	495,041	495,041	495,041	495,041
Gemini Partners Pte., Ltd.	8,417,000	8,417,000	8,417,000	8,417,000	8,417,000	8,417,000
Fitech Global New Growth Investment Private Equity Fund	5,381,463	2,652,439	2,652,439	5,220,614	5,220,614	5,220,614
Sejung21 Co., Ltd.	358,917	358,917	358,917	358,917	358,917	358,917
Construction Guarantee Cooperative	73,106	73,106	73,106	73,106	73,106	73,106
Hana Development infrastructure Investment Private Equity Fund	59,000,000	59,000,000	59,000,000	-	-	-
Plant & Mechanical contractors financial cooperative of Korea	40,862	40,862	40,862	40,862	40,862	40,862
Jeonnam Dragons Football Club	50,000	50,000	50,000	50,000	50,000	50,000
Powertel TRS Co., Ltd.	289,140	1	1	289,140	1	1
Prostar Energy Infra Fund ²	4,541,923	4,541,923	4,541,923	27,265,000	27,265,000	27,265,000
Prostar Energy Resources Fund	2,941,557	-	-	1,921,556	1,921,556	1,921,556
SK-KDB Global Investment Partnership Private Equity Fund	-	-	-	22,750	22,750	22,750
Government bond	54,283	54,283	54,283	53,409	53,409	53,409
	₩ 112,900,845	₩ 99,716,425	₩ 99,716,425	₩ 80,431,344	₩ 67,895,960	₩ 67,895,960

¹ The acquisition cost after deducting impairment was presented for available-for-sale financial assets measured at cost.

² Classified as available-for-sale financial assets. Although the Group holds more than 20% ownership of Prostar Energy Infra Fund, the Group does not have significant influence and hence, the equity method is not applied as the Group has no voting rights in the investment committee, which is the decision-making body of Prostar Energy Infra Fund.

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The changes in available-for-sale financial assets for the years ended December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>		2015		2014	
Beginning balance	₩	67,895,960	₩	85,847,753	
Acquisitions		60,861,244		1,122,608	
Disposals		(23,425,347)		(7,040,012)	
Impairment loss		(5,670,582)		(12,031,394)	
Net gain (loss) transferred to equity		55,150		(500)	
Transferred to assets of disposal group classified as held for sale		-		(2,495)	
Ending balance	₩	<u>99,716,425</u>	₩	<u>67,895,960</u>	

12. Other Financial Assets

Other financial assets as of December 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>		2015		2014	
		Non-current	Current	Non-current	Current
Loans	₩	2,678,803	₩ 9,470	₩ 4,516,581	₩ 21,095
Non-trade receivables		158,400	14,401,486	-	23,415,605
Accrued income		-	10,675,116	-	4,208,696
Security deposits		23,451,114	264,106	37,151,579	268,053
Long-term financial instruments		149,296	-	748,961	-
	₩	<u>26,437,613</u>	<u>₩ 25,350,178</u>	<u>₩ 42,417,121</u>	<u>₩ 27,913,449</u>

The maximum exposure to credit risk at the reporting date is the carrying value of the other financial assets.

13. Other Assets

Other assets as of December 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>		2015		2014	
		Non-current	Current	Non-current	Current
Advance payments	₩	-	₩ 24,673,896	₩ -	₩ 4,674,592
Prepaid expenses		3,368,032	15,412,558	154,498	5,349,137
Prepaid value added tax		-	35,329,030	-	43,752,214
Employee benefit fund		10,665,472	-	10,280,817	-
	₩	<u>14,033,504</u>	<u>₩ 75,415,484</u>	<u>₩ 10,435,315</u>	<u>₩ 53,775,943</u>

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14. Inventories

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

<i>(In thousands of Korean won)</i>	2015	2014
Raw materials	₩ 11,758,260	₩ 12,002,940
Supplies	10,034,671	1,495,004
Merchandise	968,164	1,228,939
Others	54,542	54,542
	<u>₩ 22,815,637</u>	<u>₩ 14,781,425</u>

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 3,777,590,457 thousand in 2015 (2014: ₩ 4,513,754,389 thousand).

15. Trade Receivables

Trade receivables as of December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>	2015	2014
Trade receivables	₩ 656,716,952	₩ 924,659,539
Less: provision for impairment of trade receivables	(10,534,148)	(10,690,685)
Trade receivables, net	<u>₩ 646,182,804</u>	<u>₩ 913,968,854</u>

The aging analysis of trade receivables as of December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>	2015	2014
Receivables not past due	₩ 567,095,013	₩ 855,643,856
Past due but not impaired ¹		
Up to 3 months	68,967,922	52,868,953
3 to 6 months	1,516,492	2,466,373
Over 6 months	8,603,377	2,989,672
	79,087,791	58,324,998
Impaired ²	(10,534,148)	(10,690,685)
	<u>₩ 656,716,952</u>	<u>₩ 924,659,539</u>

¹ Trade receivables past due but not impaired relate to a number of customers who have no recent history of default.

² The balance of provision was ₩10,534,148 thousand and ₩10,690,685 thousand as of December 31, 2015 and 2014, respectively.

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The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates as of December 31, 2015 and 2014:

<i>(In thousands of Korean won)</i>	2015	2014
Group 1 ¹	₩ 646,176,783	₩ 913,933,178
Group 2 ²	6,021	35,676
	<u>₩ 646,182,804</u>	<u>₩ 913,968,854</u>

¹ Customers with no default in the past.

² Customers with default in the past.

Changes in the provision for impairment of trade receivables for the years ended December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>	2015	2014
Beginning balance	₩ 10,690,684	₩ 8,811,244
Provision for receivables impairment	1,421,433	3,198,231
Unused amounts reversed	(267,285)	(85,227)
Receivables written off during the year as uncollectible	<u>(1,310,684)</u>	<u>(1,233,564)</u>
Ending balance	<u>₩ 10,534,148</u>	<u>₩ 10,690,684</u>

The maximum exposure of trade receivables to credit risk as of December 31, 2015, is the carrying value of receivables mentioned above.

16. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>	2015	2014
Cash and cash equivalents		
Cash on hand	₩ 42,710	₩ 545,753
Short-term bank deposits	126,850,044	25,053,141
Time deposits	84,339,747	55,918,736
Short-term financial instruments ¹	<u>208,658,397</u>	<u>539,595,409</u>
	<u>₩ 419,890,898</u>	<u>₩ 621,113,039</u>

¹ Short-term financial instruments with very high liquidity whose encashment is immediately possible, and the amounts with small risk of changes in fair values are classified as cash equivalents.

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Classification of the external credit rating of the financial institutions in which the Group deposits its cash and cash equivalents as of December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>		2015		2014
Cash and cash equivalents				
AAA	₩	298,139,427	₩	387,482,784
AA		36,756,545		194,051,536
A		68,306,783		30,083,998
Others ¹		16,645,433		8,948,968
	₩	<u>419,848,188</u>	₩	<u>620,567,286</u>

¹ Consists of financial institutions with no external credit rating.

Financial assets that are restricted in use as of December 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>			2015	
	Bank		Restricted amount	Details
Cash and cash equivalents	Korea Development Bank and others	₩	81,349,749	Pledged for PF commitment
<i>(in thousands of Korean won)</i>			2014	
	Bank		Restricted amount	Details
Cash and cash equivalents	Woori Bank	₩	824,790	Pledged for PF commitment

The above restricted cash and cash equivalents are classified as cash and cash equivalents because, even though the right of pledge has been established, they are used for operating activities under the syndicate of creditors' agreement.

17. Borrowings

Details of borrowings as of December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>		2015	2014
Non-current			
Bank borrowings	₩	693,754,473	₩ 400,868,049
Debentures		<u>1,535,571,677</u>	<u>1,186,456,879</u>
		<u>2,229,326,150</u>	<u>1,587,324,928</u>
Current			
Bank borrowings		125,448,490	371,705,350
Debentures		<u>149,833,963</u>	<u>189,891,931</u>
		<u>275,282,453</u>	<u>561,597,281</u>
	₩	<u>2,504,608,603</u>	₩ <u>2,148,922,209</u>

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Details of bank borrowings as of December 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	Creditors	Interest rate 2015		2015		2014
Loans for exploration of petroleum	Korea National Oil Corporation	0.75%	₩	28,048,216	₩	26,705,261
Loans for construction of pipelines	Kookmin Bank and others	1.75 - 3.00%		11,583,750		28,712,000
Loans for a safety management business	Hana Bank and others	1.75%		466,800		7,260,900
Loans for energy rationalization	Shinhan Bank and others	1.75 - 3.00%		194,400		11,005,100
CP borrowings	KB Investment & Securities Co., Ltd.	1.85%		99,751,516		-
Loans for facility	Korea Development Bank and others	CD 90days+1.14%		398,739,963		274,530,138
General borrowings	Korea Development Bank and others	1.75 - 2.93%		35,131,948		424,360,000
Borrowing in foreign currency	Korea Exim Bank and others	1.20 - 1.55%		245,286,370		-
				819,202,963		772,573,399
	Less: Current portion of borrowings			(125,448,490)		(371,705,350)
			₩	<u>693,754,473</u>	₩	<u>400,868,049</u>

Details of debentures as of December 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	Bonds	Issuance date	Maturity date	Annual interest rate		2015	2014
SK E&S Co., Ltd.	Public offering bonds No.8-2	2010.10.08	2015.10.08	-	₩	-	₩ 90,000,000
	Public offering bonds No.8-3	2010.10.08	2017.10.08	4.35%		60,000,000	60,000,000
	Public offering bonds No.9-1	2012.04.13	2015.04.13	-		-	100,000,000
	Public offering bonds No.9-2	2012.04.13	2017.04.13	4.03%		200,000,000	200,000,000
	Public offering bonds No.10-1	2013.02.26	2018.02.26	3.02%		200,000,000	200,000,000
	Public offering bonds No.10-2	2013.02.26	2020.02.26	3.18%		100,000,000	100,000,000
	Public offering bonds No.11-1	2013.10.04	2016.10.04	3.24%		150,000,000	150,000,000
	Public offering bonds No.11-2	2013.10.04	2018.10.04	3.46%		100,000,000	100,000,000
	Public offering bonds No.11-3	2013.10.04	2020.10.04	3.65%		50,000,000	50,000,000
PMP Co., Ltd.	Public offering bonds No.1-1	2015.03.18	2022.03.18	2.53%		100,000,000	-
	Public offering bonds No.1-2	2015.03.18	2025.03.18	2.92%		190,000,000	-
	Public offering bonds No.1-3	2015.03.18	2027.03.18	3.01%		60,000,000	-
	Public offering bonds No.2-1	2015.09.04	2022.09.04	2.54%		50,000,000	-
	Public offering bonds No.2-2	2015.09.04	2025.09.04	2.77%		50,000,000	-
	Public offering bonds No.2-3	2015.09.04	2027.09.04	2.97%		50,000,000	-
Wirye Energy Service Co., Ltd.	Public offering bonds No.1-1	2014.12.09	2024.12.09	3.50%		200,000,000	200,000,000
	Public offering bonds No.1-2	2014.12.09	2026.12.09	3.72%		50,000,000	50,000,000
Narae Energy Service Co., Ltd.	Public offering bonds No.1	2013.02.13	2018.02.13	3.28%		<u>80,000,000</u>	<u>80,000,000</u>
						1,690,000,000	1,380,000,000
	Less: Discount on bonds					(4,594,360)	(3,651,190)
	Less: Current portion of bonds					<u>(149,833,963)</u>	<u>(189,891,931)</u>
					₩	<u>1,535,571,677</u>	₩ <u>1,186,456,879</u>

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18. Other Finance Liabilities

Other finance liabilities as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015		2014	
	Non-current	Current	Non-current	Current
Guarantee deposits received	₩ 4,577,328	₩ 6,873,749	₩ 4,609,025	₩ 7,194,747
Non-trade accounts payable	-	133,210,792	-	127,826,583
Accrued expenses	-	108,462,038	-	77,490,189
	<u>₩ 4,577,328</u>	<u>₩ 248,546,579</u>	<u>₩ 4,609,025</u>	<u>₩ 212,511,519</u>

19. Net Defined Benefit Liabilities

Details of net defined benefit liabilities as of December 31, 2015 and 2014, are as follows:

(In thousands of Korean won)

	2015	2014
Present value of defined benefit obligations	₩ 115,203,155	₩ 102,225,622
Fair value of plan assets	(110,183,794)	(93,064,568)
Net defined benefit liabilities	<u>₩ 5,019,361</u>	<u>₩ 9,161,054</u>

Changes in the present values of defined benefit obligations for the years ended December 31, 2015 and 2014, are as follows:

(In thousands of Korean won)

	2015	2014
Beginning balance	₩ 102,225,622	₩ 88,108,829
Current service costs	13,528,176	12,087,564
Interest costs	2,817,785	3,461,572
Remeasurements:	2,436,946	8,920,475
Benefits paid	(8,378,840)	(7,883,734)
Transferred to liabilities of disposal group classified as held for sale	-	(4,839,773)
Others	2,573,466	2,370,689
Ending balance	<u>₩ 115,203,155</u>	<u>₩ 102,225,622</u>

Changes in the fair value of plan assets for the years ended December 31, 2015 and 2014, are as follows:

(In thousands of Korean won)

	2015	2014
Beginning balance	₩ 93,064,568	₩ 80,458,335
Interest income	2,771,765	2,982,439
Remeasurements	(1,655,297)	(130,637)
Employer contributions	13,024,866	16,811,520
Benefits paid	(4,809,500)	(2,775,957)
Transferred to liabilities of disposal group classified as held for sale	-	(3,734,725)
Others	7,787,392	(546,407)
Ending balance	<u>₩ 110,183,794</u>	<u>₩ 93,064,568</u>

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Plan assets as of December 31, 2015 and 2014, consist of the following:

<i>(In thousands of Korean won)</i>	2015		2014	
Equity instruments	₩	17,602,876	₩	20,816,128
Debt instruments		80,998,603		63,868,522
Time deposits		11,582,315		8,379,918
	₩	<u>110,183,794</u>	₩	<u>93,064,568</u>

The rate used to discount defined benefit obligations shall be determined by reference to market yields at the date of the statement of financial position on high quality corporate bonds.

The currency and term of the corporate bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The principal actuarial assumptions as of December 31, 2015 and 2014, are as follows:

	2015	2014
Discount rate	2.5 - 2.9%	2.7 - 3.4%
Inflation rate	2.0 - 3.0%	3.0%
Plan Assets' return rate	2.8%	2.1 - 3.9%
Increase rate	3.2 - 5.5%	3.0 - 6.2%

The sensitivity of the defined benefit obligations as of December 31, 2015, to changes in the weighted principal assumptions is:

	Effect on defined benefit obligations		
	Changes in principal assumption	Increase in principal assumption	Decrease in principal assumption
Discount rate	0.5%p	4.0% decrease	4.6% increase
Salary growth rate	0.5%p	5.4% increase	3.4% decrease

Expected maturity analysis of undiscounted pension benefits as of December 31, 2015, is as follows:

<i>(in thousands of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Pension benefits	₩ 5,143,890	₩ 22,338,060	₩ 20,337,029	₩ 182,340,265	₩ 230,159,244

The weighted average of maturities of the defined benefit obligations is 10.5 years and estimated expenses related to the defined benefit plan for the year ending December 31, 2016, is ₩15,443,705 thousand.

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20. Other Liabilities

Details of other liabilities as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)	2015		2014	
	Non-current	Current	Non-current	Current
Other long-term employee benefits ¹	₩ 1,450,510	₩ -	₩ 1,413,834	₩ -
Advances received	-	2,370,977	-	2,731,987
Withholdings	-	11,228,394	-	27,253,713
Unearned revenues	-	1,730,936	-	164,936
Provision for restoration	931,891	-	-	-
Provision for exhaustion of carbon gas	-	2,638,285	-	-
	<u>₩ 2,382,401</u>	<u>₩ 17,968,592</u>	<u>₩ 1,413,834</u>	<u>₩ 30,150,636</u>

¹ Recognized in relation to long-term employee benefits provided to employees with long service periods, and the same accounting methodology as used for defined benefit obligations was used.

Changes in provision for emission of carbon gas for the year ended December 31, 2015, are as follows:

(In thousands of Korean won)	2015
Beginning balance	₩ -
Increase	<u>2,638,285</u>
Ending balance	<u>₩ 2,638,285</u>

Expected emission of carbon gases for the year ended December 31, 2015 is 2,097,069 tons and allocated emission free is 1,902,716 tons. The Group accrued the liability for estimated expenses due to the excess of annual emission allowance.

21. Capital Stock and Share Premium

The Company's number of authorized shares is 100,000,000 shares. Total number of common stocks issued is 41,761,791 shares with the par value of ₩ 5,000 per share as of December 31, 2015.

There were no changes in capital stock and share premium during 2015 and 2014.

The Company retired 2,450,001 treasury shares in 2009. Accordingly, the capital stock does not agree with the total amount of face value of the shares issued as of December 31, 2015.

22. Retained Earnings

Retained earnings as of December 31, 2015 and 2014, consist of the following:

(In thousands of Korean won)	2015	2014
Legal reserves	₩ 110,529,480	₩ 110,529,480
Unappropriated retained earning	<u>846,147,918</u>	<u>824,740,733</u>
	<u>₩ 956,677,398</u>	<u>₩ 935,270,213</u>

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23. Other Components of Equity

Other components of equity as of December 31, 2015 and 2014, consist of the following:

<i>(In thousands of Korean won)</i>	2015		2014	
Cumulative other comprehensive income				
Share of other comprehensive income of associates	₩	33,793,138	₩	(21,167,944)
Change in value of available-for-sale financial assets		276,048		234,244
Loss on valuation of derivatives		(9,040,153)		-
Gain on currency translation of foreign operations		35,334,444		9,209,440
Other capital surpluses				
Gain on statutory merger		257,586,894		257,586,894
Consolidated capital surplus		54,919,167		55,864,197
Treasury stock		(8,807,669)		(8,807,669)
Discount on stock issuance		(6,565,648)		(2,659,530)
Other paid-in capital				
Hybrid bonds		723,918,899		325,289,418
	₩	<u>1,081,415,120</u>	₩	<u>615,549,050</u>

Changes in accumulated other comprehensive income for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	2015		
	Beginning balance	Increase (decrease)	Ending balance
Share of other comprehensive income of associates	₩ (21,167,944)	₩ 54,961,082	₩ 33,793,138
Change in value of available-for-sale financial assets	234,244	41,804	276,048
Gain (loss) on valuation of derivatives	-	(9,040,153)	(9,040,153)
Gain on currency translation of foreign operations	9,209,440	26,125,004	35,334,444
	<u>₩ (11,724,260)</u>	<u>₩ 72,087,737</u>	<u>₩ 60,363,477</u>

<i>(in thousands of Korean won)</i>	2014		
	Beginning balance	Increase (decrease)	Ending balance
Share of other comprehensive income of associates	₩ (6,789,260)	₩ (14,378,684)	₩ (21,167,944)
Change in value of available-for-sale financial assets	632,049	(397,805)	234,244
Gain (loss) on currency translation of foreign operations	(785,066)	9,994,506	9,209,440
	<u>₩ (6,942,277)</u>	<u>₩ (4,781,983)</u>	<u>₩ (11,724,260)</u>

Changes in accumulated other comprehensive income represent amounts net of tax effect.

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Details of the hybrid bond as of December 31, 2015, are as follows:

<i>(in thousands of Korean won)</i>	Issuance Date	Maturity Date	Interest rate 2015	2015	2014
1 st hybrid bond in foreign currency ¹	2014.11.26	2074.11.26	4.875%	₩ 329,520,000	₩ 329,520,000
1-1 st hybrid bond in Korean won	2015.07.15	2045.07.15	3.903%	270,000,000	-
1-2 nd hybrid bond in Korean won	2015.07.15	2045.07.15	3.853%	130,000,000	-
				(5,601,101)	(4,230,582)
Less: Discount of bonds				₩ 723,918,899	₩ 325,289,418

¹ USD 300,000,000 at applied exchange rate of ₩1,098.4/US\$1.

The details of hybrid bond as of December 31, 2015, are as follows:

	Foreign	Domestic
Number of issuance	1st	1-1 st 1-2 nd
Period of adjustment of interest rate		5 years
Criteria of adjustment of interest rate	5-year US Treasury + initial added rate	5-year Treasury + initial added rate
Added rate	Add 0.25% to the initial added rate after 10 to 25 years from the issuance date Add 1.00% to the initial added rate after 25 years from the issuance date	
Period of payment of interest	Semi-annually	Quarterly
Postponement of payment of interest	Depending on the Company's option, interest payments can be deferred until the next payment date including accrued interest.	
Early redemption	Early redemption is possible after five years from the issuance date	
Extension of maturity	Depending on the Company's option, the maturity can be extended with the same maturity on the maturity date.	
Priority of payment	When the Company is liquidated, it has the same priority as preferred stock.	

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24. Selling and Administrative Expenses

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

<i>(in thousands of Korean won)</i>		2015		2014
Salaries	₩	127,658,338	₩	131,286,251
Severance benefits		11,865,871		10,879,432
Welfare expense		24,729,173		24,913,305
Travel expense		4,644,726		4,585,471
Communication expense		5,632,768		5,535,276
Utilities expense		6,279,972		6,191,038
Taxes and dues		16,368,900		14,365,322
Supplies expense		2,947,059		3,432,199
Rent		10,942,516		10,169,643
Depreciation		94,719,882		90,403,741
Amortization		7,927,615		7,140,821
Repairs expense		3,546,635		3,999,152
Vehicles maintenance expense		2,451,920		2,180,509
Insurance expense		1,106,189		1,289,464
Advertisement expense		2,459,819		3,482,345
Research and development expense		-		5,574
Management and security service expense		2,541,363		2,572,865
Training and research expense		4,060,534		5,023,480
Service fees		99,912,558		96,960,677
Engineering service fees		-		716,061
Professional service fees		7,522,436		10,032,635
Carriage expense		4,882		2,193
Bad debts expense		1,036,742		3,113,004
Entertainment expense		5,923,313		6,170,390
Conference expense		991,299		920,191
Others		3,327,941		3,224,387
	₩	<u>448,602,451</u>	₩	<u>448,595,426</u>

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25. Other Income and Other Expenses

Other income and other expenses for the years ended December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>		2015		2014
Other income				
Dividend income	₩	1,073,635	₩	1,488,034
Rental income		44,028		41,880
Gain on disposal of property, plant and equipment		2,510,562		375,323
Gain on disposal of intangible assets		494,517		6,700
Gain disposal of available-for-sale financial assets		1,460,665		-
Other non-operating income		82,529,118		74,466,537
Miscellaneous gains		241,869		111,137
	₩	<u>88,354,394</u>	₩	<u>76,489,611</u>
Other expenses				
Loss on disposal of property, plant and equipment	₩	668,734	₩	330,057
Loss on disposal of intangible assets		863,119		475,916
Impairment losses on intangible assets		175,000		3,651,733
Loss disposal of available-for-sale financial assets		22,750		-
Impairment losses on available-for-sales assets		5,670,582		12,031,394
Donations		10,200,320		7,482,119
Miscellaneous losses		15,942,345		7,907,118
	₩	<u>33,542,850</u>	₩	<u>31,878,337</u>

26. Expenses by Nature

Expenses by nature for the years ended December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>		2015		2014
Sale of merchandise	₩	3,454,408,435	₩	4,234,770,952
Raw materials used		323,182,022		278,983,437
Employee benefit expense		186,612,050		184,599,978
Depreciation and amortization		162,701,859		179,629,633
Advertising expense		2,459,819		3,482,345
Operating leases payments and rents		12,403,062		12,158,480
Other expenses		225,450,588		274,966,709
Total cost of sales and selling and administrative expenses	₩	<u>4,367,217,835</u>	₩	<u>5,168,591,534</u>

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27. Finance Income and Expenses

Finance income and expenses for the years ended December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>	2015		2014	
Finance income				
Interest income	₩	12,160,549	₩	14,444,016
Gain on foreign currency transactions		1,231,359		896,013
Gain on foreign currency translation		406,448		484,059
Gain on valuation of derivatives		908,400		-
	₩	<u>14,706,756</u>	₩	<u>15,824,088</u>
Finance expenses				
Interest expense	₩	24,668,741	₩	39,310,474
Loss on foreign currency transactions		3,389,545		9,635,753
Loss on foreign currency translation		3,312,083		477,563
	₩	<u>31,370,369</u>	₩	<u>49,423,790</u>

28. Income Tax

Income tax expense for the years ended December 31, 2015 and 2014, consists of the following:

<i>(In thousands of Korean won)</i>	2015		2014	
Current tax				
Current tax on profits for the year	₩	63,719,329	₩	128,581,149
Adjustments to prior year income tax		(209,933)		1,220,212
Total current tax		<u>63,509,396</u>		<u>129,801,361</u>
Deferred tax				
Temporary differences		42,044,096		4,136,841
Income tax credited directly to equity		(17,057,520)		4,729,076
Total deferred tax		<u>24,986,576</u>		<u>8,865,917</u>
Income tax expense	₩	<u>88,495,972</u>	₩	<u>138,667,278</u>

Income tax credited directly to equity as of December 31, 2015 and 2014, is as follows:

<i>(in thousands of Korean won)</i>	2015			2014		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Share of comprehensive income of associates	₩ 74,183,856	₩ (17,942,109)	₩ 56,241,747	₩ (19,177,791)	₩ 4,590,908	₩ (14,586,883)
Change in value of available-for sale financial assets	55,150	(13,346)	41,804	(500)	(397,304)	(397,804)
Actuarial gains and losses	(4,092,253)	897,935	(3,194,318)	(9,051,113)	2,138,932	(6,912,178)
	<u>₩ 70,146,753</u>	<u>₩ (17,057,520)</u>	<u>₩ 53,089,233</u>	<u>₩ (28,229,404)</u>	<u>₩ 6,332,536</u>	<u>₩ (21,896,865)</u>

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The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>(In thousands of Korean won)</i>	2015	2014
Profit before tax	₩ 393,073,928	₩ 529,371,067
Tax calculated at domestic tax rates	95,123,891	127,645,798
Adjustments:		
Income not subject to tax	(3,912,035)	(1,949,006)
Expenses not deductible for tax purposes	5,209,728	6,882,291
Tax credits	(902,267)	(2,102,548)
Tax effect for which no deferred tax was recognized	(5,022,264)	4,337,803
Impact of change in tax rate	(6,081)	(3,299)
Adjustments to prior year income tax	(209,933)	1,220,212
Others	(1,785,067)	2,636,027
Income tax expense	₩ 88,495,972	₩ 138,667,278
Weighted average effective tax rate	22.51%	26.19%

Deferred tax expected to reverse after December 31, 2015, has been measured using the effective rate of 24.2% that will apply to future periods.

The analysis of deferred tax assets and deferred tax liabilities as of December 31, 2015 and 2014, is as follows:

<i>(In thousands of Korean won)</i>	2015	2014
Deferred tax assets		
to be recovered after more than 12 months	₩ 84,916,416	₩ 80,392,690
to be recovered within 12 months	16,788,320	19,566,077
	101,704,736	99,958,767
Deferred tax liabilities		
to be recovered after more than 12 months	(196,220,950)	(151,394,290)
to be recovered within 12 months	(3,613,840)	(4,650,435)
	(199,834,790)	(156,044,725)
Deferred tax liabilities, net	₩ (98,130,054)	₩ (56,085,958)

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Changes in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(in thousands
of Korean won)

	2015			
	Beginning balance	Statement of income	Other comprehensive income	Ending balance
Deferred tax assets				
Customer's contribution to construction costs	₩ 52,695,415	₩ 5,041,904	₩ -	₩ 57,737,319
Allowance for doubtful accounts	1,363,918	573,699	-	1,937,617
Available-for-sale financial assets	2,958,676	1,372,281	(13,346)	4,317,611
Accrued expenses	13,822,871	(3,220,127)	-	10,602,744
Loss on foreign currency transaction	15,116	-	-	15,116
Property, plant and equipment	7,804,652	(1,209,782)	-	6,594,870
Tax loss carryforwards	3,249,345	(3,249,345)	-	-
Inventories	89,338	(66,067)	-	23,271
Provision for severance benefits	15,503,507	2,550,766	654,020	18,708,293
Investment securities	107,755	(622,773)	-	(515,018)
Present value discount account	22,984	(22,984)	-	-
Others	2,325,190	(42,277)	-	2,282,913
	<u>99,958,767</u>	<u>1,105,295</u>	<u>640,674</u>	<u>101,704,736</u>
Deferred tax liabilities				
Interest receivable	(930,019)	(1,318,455)	-	(2,248,474)
Employee welfare fund	(2,088,100)	21,632	-	(2,066,468)
Property, plant and equipment	(57,998,274)	(2,575,778)	-	(60,574,052)
Temporary depreciation provision	(54,577,080)	(5,104,026)	-	(59,681,106)
Provision for severance benefits	(15,225,406)	(2,884,226)	243,915	(17,865,717)
Investment securities	(21,218,690)	(15,828,566)	(17,942,109)	(54,989,365)
Present value discount account	(22,984)	22,984	-	-
Others	(3,984,172)	1,574,564	-	(2,409,608)
	<u>(156,044,725)</u>	<u>(26,091,871)</u>	<u>(17,698,194)</u>	<u>(199,834,790)</u>
	<u>₩ (56,085,958)</u>	<u>₩ (24,986,576)</u>	<u>₩ (17,057,520)</u>	<u>₩ (98,130,054)</u>

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(in thousands
of Korean won)

	2014				
	Beginning balance	Statement of income	Other comprehensive income	Classification as Held-for -sale	Ending balance
Deferred tax assets					
Customer's contribution to construction costs	₩ 50,378,867	₩ 4,497,910	₩ -	₩ (2,181,362)	₩ 52,695,415
Allowance for doubtful accounts	1,531,324	(167,406)	-	-	1,363,918
Available-for-sale financial assets	88,122	3,267,858	(397,304)	-	2,958,676
Accrued expenses	14,016,859	639,372	-	(833,360)	13,822,871
Tax credit	16,445,965	(5,545,169)	-	(10,900,796)	-
Loss on foreign currency transaction	15,116	-	-	-	15,116
Property, plant and equipment	6,564,377	1,240,275	-	-	7,804,652
Tax loss carryforwards	3,249,345	-	-	-	3,249,345
Inventories	13,264	76,074	-	-	89,338
Provision for severance benefits	13,455,790	442,057	2,138,933	(533,273)	15,503,507
Investment securities	913,534	(805,779)	-	-	107,755
Present value discount account	22,984	-	-	-	22,984
Others	3,681,853	(1,356,663)	-	-	2,325,190
	<u>110,377,400</u>	<u>2,288,529</u>	<u>1,741,629</u>	<u>(14,448,791)</u>	<u>99,958,767</u>
Deferred tax liabilities					
Available-for-sale financial assets	(432,351)	432,351	-	-	-
Interest receivable	(254,224)	(676,644)	-	849	(930,019)
Employee welfare fund	(1,525,471)	(562,629)	-	-	(2,088,100)
Property, plant and equipment	(57,500,804)	(33,205)	-	(464,265)	(57,998,274)
Temporary depreciation provision	(52,333,215)	(4,425,227)	-	2,181,362	(54,577,080)
Provision for severance benefits	(13,803,292)	(1,931,642)	-	509,528	(15,225,406)
Investment securities	(13,406,881)	(12,402,716)	4,590,907	-	(21,218,690)
Present value discount account	(645,063)	640,830	-	(18,751)	(22,984)
Others	(872,183)	(3,454,720)	-	342,731	(3,984,172)
	<u>(140,773,484)</u>	<u>(22,413,602)</u>	<u>4,590,907</u>	<u>2,551,454</u>	<u>(156,044,725)</u>
	<u>₩ (30,396,084)</u>	<u>₩ (20,125,073)</u>	<u>₩ 6,332,536</u>	<u>₩ (11,897,337)</u>	<u>₩ (56,085,958)</u>

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Amounts of unused tax loss carryforwards and tax credit which were not recognized as deferred tax assets as of December 31, 2015, are as follows:

<i>(in thousands of Korean won)</i>	Maturity	Amounts
Tax loss carryforwards	2022	₩ 437,439
	2023	2,986,822
	2024	4,293,148
	2025	12,446,636
Tax credit	2018	838,313
	2019	374,997
	2020	17,400,734

Taxable temporary difference of ₩87,532,328 thousand (2014: ₩257,391,622 thousand) and deductible temporary difference of ₩22,134,330 thousand (2014: ₩34,580,059 thousand) arising on investments in subsidiaries, joint ventures and associates were not recognized as deferred tax assets and liabilities as these will not reverse in the foreseeable future.

29. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

<i>(In Korean won)</i>	2015	2014
Profit from continuing operations attributable to owners of the parent	₩ 290,845,194,795	₩ 379,860,766,597
Profit from discontinued operations attributable to owners of the parent	90,275,396,154	11,414,207,840
Total	₩ 381,120,590,949	₩ 391,274,974,437
Weighted average number of ordinary shares outstanding	41,761,791	41,761,791
Basic earnings per share		
Continuing operations basic earnings per share	₩ 6,964	₩ 9,096
Discontinuing operations basic earnings per share	2,162	273

Diluted earnings per share and basic earnings per share are the same because there are no potential dilutive common shares.

30. Dividends

The dividends paid in 2015 and 2014 were ₩336,808,844 thousand (₩8,065 per share) and ₩449,022,777 thousand (₩10,752 per share), respectively.

A dividend in respect of the year ended December 31, 2015, of ₩5,175 per share, amounting to total dividends of ₩ 216,117,268 thousand, is to be proposed at the annual shareholders' meeting on March 30, 2016.

These consolidated financial statements do not reflect these dividend payables.

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31. Cash Generated from Operations

Adjustments to reconcile net income to net cash provided by operating activities for the years ended December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>	2015		2014	
Interest expense	₩	24,668,741	₩	76,052,480
Income tax expense		112,077,233		186,210,017
Depreciation		154,455,357		173,376,051
Amortization		8,246,502		7,880,707
Severance benefits		13,574,197		12,566,697
Bad debts expense		1,421,433		3,145,975
Loss on foreign currency translation		3,312,083		477,563
Share of loss of associates		2,716,500		6,954,144
Losses on disposal of associates		1,905		2,044,773
Losses on disposal of available-for-sale financial assets		22,750		-
Impairment losses on available-for-sales financial assets		5,670,582		12,031,394
Losses on disposal of property, plant, and equipment		668,734		460,545
Losses on disposal of intangible assets		863,119		617,898
Impairment losses on intangible assets		175,000		3,651,733
Employee benefits		-		79,999
Interest income		(12,160,549)		(15,742,194)
Dividends income		(1,073,635)		(1,488,034)
Gains on foreign currency translation		(406,448)		(484,059)
Gains on disposal of property, plant and equipment		(2,510,562)		(375,323)
Gains on disposal of intangible assets		(494,517)		(6,700)
Gains on disposal of available-for-sale financial assets		(1,460,665)		-
Share of profit of associates		(70,653,963)		(57,433,516)
Gains on derivatives transactions		(908,400)		-
Gains from discontinued operations		(113,856,657)		-
Others		8,105,727		(8,356,042)
	₩	<u>132,454,467</u>	₩	<u>401,664,108</u>

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Changes in operating assets and liabilities for the years ended December 31, 2015 and 2014, are as follows:

<i>(In thousands of Korean won)</i>		2015		2014
Decrease(increase) in trade receivables	₩	266,814,543	₩	(84,871,936)
Decrease(increase) in non-trade receivables		12,534,595		(279,514)
Decrease(increase) in accrued revenues		(6,956,806)		8,684,810
Decrease(increase) in advance payments		18,726		(1,198,527)
Increase in prepaid expenses		(11,332,072)		(1,479,507)
Decrease(increase) in prepaid value added tax		4,907,304		(27,463,291)
Decrease in inventories		805,653		5,041,690
Decrease(increase) in long-term security deposits		267,492		(80,000)
Decrease(increase) in long-term prepaid expenses		(45,340)		2,319
Decrease in trade payables		(268,164,332)		(30,016,696)
Increase in advances received		404,967		319,278
Increase(decrease) in withholdings		(15,070,225)		5,816,181
Increase(decrease) in unearned revenue		4,132,730		(10,049,592)
Increase(decrease) in non-trade payables		15,264,716		(1,780,379)
Increase(decrease) in accrued expense		(6,963,635)		3,315,332
Increase(decrease) in value added tax withheld		(1,787,612)		966,895
Decrease in other current liabilities		(237,733)		(85,507)
Payment of severance benefits		(8,378,841)		(7,883,734)
Increase in plan assets		(16,733,054)		(14,035,563)
Increase in guarantee deposits received		104,329		391,071
Others		(4,627,003)		(598,251)
	₩	<u>(35,041,598)</u>	₩	<u>(155,284,921)</u>

Significant transactions not affecting cash flows are as follows:

<i>(In thousands of Korean won)</i>		2015		2014
Reclassification of construction in-progress to specific property, plant and equipment	₩	746,322,736	₩	289,887,577
Reclassification of borrowings to current portion of borrowings		155,625,525		282,752,735
Reclassification of long-term prepaid expenses to long-term security deposits		-		15,829,500

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32. Contingencies and Commitments

Details of commitments on borrowings as of December 31, 2015, are as follows:

(in thousands of Korean won, US dollars)		Financial institutions	Details		Amount of Limit
SK E&S Co., Ltd.	Hana Bank	Line of Credit	₩		30,000,000
	Kookmin Bank and others	Consumer loans			22,000,000
	Hana Bank and others	Line of Credit			414,000,000
	Korea Eximbank	Line of Credit	USD		70,000
	DBS Bank	Line of Credit	USD		50,000
	Korea Development Bank and others	Derivative contract	USD		70,000
Gangwon City Gas Co. Ltd.	National Agricultural Cooperative Federation and others	Bank overdrafts	₩		15,000,000
	Woori Bank and others	Bank overdrafts			15,000,000
	Kookmin Bank	Line of Credit			5,000,000
	Citibank Korea	Line of Credit			1,000,000
Ko-one Energy service Co., Ltd.	Woori Bank	Consumer loans			55,000,000
	National Agricultural Cooperative Federation	Bank overdrafts			50,000,000
Busan City Gas Co. Ltd.	Kookmin Bank	Line of Credit			10,000,000
	Shinhan Bank	Line of Credit			5,000,000
Yeongnam Energy Service Co. Ltd.	National Agricultural Cooperative Federation and others	Bank overdrafts			21,000,000
	Kookmin Bank and others	Line of Credit			50,000,000
Chungcheong Energy Service Co. Ltd.	Citibank Korea and others	Bank overdrafts			31,000,000
	Woori Bank and others	General purpose loans			35,000,000
Jeonnam City Gas Co., Ltd.	National Agricultural Cooperative Federation	Bank overdrafts			15,000,000
	Hana Bank	General purpose loans			5,000,000
Jeonbuk Energy Service Co. Ltd.	National Agricultural Cooperative Federation	Bank overdrafts			10,000,000
	Kookmin Bank	Consumer loans			5,000,000
Wirye Energy Service Co., Ltd.	Korea Development Bank and others	PF contract			310,000,000
PMP Co., Ltd.	Korea Development Bank and others	PF contract			700,000,000
Narae Energy Service Co. ,Ltd	Woori Bank and Korea Development Bank	Line of Credit			400,000,000
	Korea Development Bank and others	Derivative contract			400,000,000
SK LNG Trading Pte., Ltd.	Citibank Singapore	Letter of Credit	USD		65,000
	SMBC	Letter of Credit	USD		60,000
SK E&S Australia Pty Ltd.	China Construction Bank	Line of Credit	USD		50,000
	DBS Bank	Line of Credit	USD		90,000
CAILIP Gas Marketing, LLC	Barclays Bank and PLC and others	Derivative contract	USD		200,000
			₩		2,604,000,000
			USD		655,000

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Details of payment guarantees provided by and to the Group as of December 31, 2015, are as follows:

(in thousands of Korean won, Chinese Yuan)

	Guarantor	Guarantee	Guaranteed by	Details	Amounts
Payment guarantees provided by the Group	SK E&S Co., Ltd.	Hwangangsaerak Natural Gas Ltd.	Hana Bank	Repayment of principle and related interest on borrowing	CNY 47,000
Payment guarantees provided to the Group	Seoul Guarantee Insurance Co., Ltd.	Yeongnam Energy Service Co., Ltd.	-	Maintenance performance guarantee and license guarantee	₩ 973,615
	Seoul Guarantee Insurance Co., Ltd.	Chungcheong Energy Service Co., Ltd.	-	Maintenance performance guarantee	1,087,281
	Seoul Guarantee Insurance Co., Ltd.	Ko-one Energy Service Co., Ltd.	-	Performance guarantee	364,797
	Seoul Guarantee Insurance Co., Ltd.	Busan City Gas Co., Ltd.	-	Management and operation of group energy facilities and others	1,107,095
	Seoul Guarantee Insurance Co., Ltd.	Jeonnam City Gas Co., Ltd.	-	Maintenance performance guarantee	2,411,180
	Seoul Guarantee Insurance Co., Ltd.	Jeonbuk Energy Service Co., Ltd.	-	Maintenance performance guarantee	32,609
	Seoul Guarantee Insurance Co., Ltd.	PMP Co., Ltd.	-	Deposits of safety management of construction and others	1,628,698
	Hana Bank	SK E&S Co., Ltd.	Korea Customs Service	Tariff	10,000,000
Fund supplement	SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	Holders of public offering bonds PF Syndicate	Principle and related interest on borrowing PF contract	200,000,000 Excess expenses
Performance guarantee	SK Holdings Co., Ltd.	SK E&S Co., Ltd.	FLNG Liquefaction 3, LLC	Usage of liquefaction	Service fee

Details of significant pending litigations as of December 31, 2015, are as follows:

(in thousands of Korean won)

Plaintiff	Defendant	Details	Amounts	Progress
The Group as plaintiff				
Ko-one Energy Service Co., Ltd.	Industrial Bank of Korea and others	Compensation for non-performance and damages	₩ 10,000,000	Second trial
Narae Energy Service Co., Ltd.	Jeonbuk Mass Energy Co., Ltd.	Service fees	245,785	First trial
The Group as defendant				
Paju Consignment Farming Limited Partnership.	PMP Co., Ltd.	Sales Compensation	150,000	Transfer to court
Lee Hyeong-gu and other 6	PMP Co., Ltd.	Compensation for damages	980,000	Adjustment

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The outcome of these pending litigations and the effects on the financial statements cannot be reasonably determined as of December 31, 2015.

The Group accounted for ₩17,487,247 thousand as other income which Wuhan SK-Sino Natural Gas Group Ltd., an associate of SK E&S Hong Kong Co., Ltd., a subsidiary, received from the Chinese judicial authorities through winning the lawsuit against the controlling shareholders of Wuhan SK-Sino Natural Gas Group Ltd.

Blank notes and checks provided by the Group as collateral as of December 31, 2015, are as follows:

	Provided to	Type	No. of pages	Purpose
SK E&S Co., Ltd.	Korea National Oil Corporation	Blank notes	3	Collateral for long-term borrowings
SK E&S Co., Ltd.	Korea National Oil Corporation	Blank check	6	Collateral for long-term borrowings
Gangwon City Gas Co., Ltd.	Korea Gas Corporation	Blank check	1	Collateral for natural gas supply agreement

The details of collateral provided by the Group as of December 31, 2015, are as follows:

Collaterals	Provided by	Provided to	Book value	Reason
Equity securities of Boryeong LNG Terminal Co., Ltd.	SK E&S Co., Ltd.	Woori Bank and others, the Project Financing syndicate	₩ 100,000,000	PF borrowings
Equity securities of Narae Energy Service Co., Ltd.	SK E&S Co., Ltd.	Korea Development Bank and Woori Bank	192,348,308	Facility loans
Equity securities of PMP Co., Ltd.	SK E&S Co., Ltd.	Korea Development Bank and others, the Project Financing syndicate	550,000,000	PF borrowings
Investment property	Busan City Gas Co. Ltd.	Megamart Co., Ltd. and others	70,653,191	Deposits received
Cash and cash equivalents	Narae Energy Service Co., Ltd.	Korea Development Bank and others	1,644,196	Facility loans
Property, plant and equipment	Narae Energy Service Co., Ltd.	Korea Development Bank and others	688,455,898	Facility loans
Property, plant and equipment	Jeonnam City Gas Co., Ltd.	Kwangju Bank and others	4,339,129	Deposits received
Property, plant and equipment	Gangwon City Gas Co., Ltd.	Korea Development Bank	4,459,741	Borrowing for pipeline
Cash and cash equivalents	PMP Co., Ltd.	Korea Development Bank and others, the Project Financing syndicate	79,705,553	PF borrowings
Land	PMP Co., Ltd.	Korea Development Bank and others, the Project Financing syndicate	67,693,610	PF borrowings

The details of commitments as of December 31, 2015, are as follows:

Commitment	Company	Counterparty	Contract period
Long-term natural gas supply agreement ¹	Gangwon City Gas Co., Ltd. and seven other subsidiaries	Korea Gas Corporation	-
Agreement to purchase LNG	SK E&S Co., Ltd.	Tangguh PSC Contractor Parties	2006.1~2015.12
Gas turbine maintenance and repair agreement	SK E&S Co., Ltd.	GE International Inc.	2004.6~2026.12 (estimate)
Store and liquefaction tolling agreement	SK E&S Co., Ltd.	Posco Co., Ltd.	2005.6~2025.12
Lease agreement on the power generator and pylon site	SK E&S Co., Ltd.	Posco Co., Ltd.	2003.8~2028.12

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Heat supply contract	Wirye Energy Service Co., Ltd.	Korea District Heating Corporation	Until completion date of Peak Load Boiler
Owner's Engeneering Service	PMP Co., Ltd.	Black&Veatch Corporation	2014.7~2017.5
Longterm Maintenance Program	PMP Co., Ltd.	Siemens	2014.6~2031.6 (estimate)
Longterm Maintenance Program	Wirye Energy Service Co., Ltd.	Siemens	2015.1~2032.1 (estimate)
Longterm Maintenance Program	Narae Energy Service Co.,Ltd	Doosan Heavy Industries & Construction Co.,Ltd	12 years from 2012
Store and liquefaction tolling agreement	SK E&S LNG, LLC	FLNG Liquefaction 3, LLC	20 years from 2019
Store and vaporization tolling agreement	Wirye Energy Service Co., Ltd., PMP Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	20 years from 2017
Use of pipelines	SK E&S LNG, LLC	Kinder Morgan, Inc.	20 years from 2019
Agreement to purchase LNG	SK LNG Trading Pte. Ltd.	Chevron Australia Pty Ltd and others	2017.1~2022.3

¹ The supply quantities are determined annually, and the supply price of natural gas is approved by the Minister of Trade, Industry and Energy

The details of construction contracts as of December 31, 2015, are as follows:

Contract	Company	Counterparty	Contract period	Contract amount
EPC contract	Narae Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	2013.10 ~ W 2016.3 (estimate)	218,551,516
Construction of group energy facilities	Wirye Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	2015.2 ~ 2017.3	424,480,000
Construction supervision service	Wirye Energy Service Co., Ltd.	OSUN Engineering Co., Ltd.	2014.12 ~ 2017.3	2,840,952
Heat pipe construction	Wirye Energy Service Co., Ltd.	Daekyoung Enertech Co., Ltd and others	2013.10 ~ 2016.12	16,925,288
Construction of facilities of accessing power transmission	Wirye Energy Service Co., Ltd.	Korea Electric Power Corporation	2015.2 ~ 2017.3	8,470,000
Construction of LNG pipelines	Wirye Energy Service Co., Ltd.	Hanyang ENG Co., Ltd.	2015.7 ~ 2016.12	21,186,431
EPC contract	PMP Co., Ltd.	SK Engineering & Construction Co., Ltd.	2014.6 ~ 2017.5	1,228,376,000
Construction management service	PMP Co., Ltd.	Human & Technologies Corp.	2014.10 ~ 2017.4	4,415,860
Construction of facilities of accessing power transmission	PMP Co., Ltd.	Korea Electric Power Corporation	2015.3 ~ 2016.6	52,350,000

The details of resource development contracts as of December 31, 2015, are as follows:

Contact	Company	Counterparty	Percentage of ownership	Contract amount	Executing amount
Australian Barossa-Caldita Gas field	SK E&S Australia Pty Ltd.	ConocoPhillips Company and others	37.5%	USD 310,000	USD 273,662
USA Woodford field	DewBlaine Energy, LLC	Continental Resources, Inc.	49.9%	USD 360,000	USD 133,170

Apart from the above contract amount, the Group has the obligation to pay the development costs corresponding to the percentage of ownership.

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33. Information on Non-Controlling Interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

		2015							
	Ratio of Non-controlling Interests	Beginning book value		Gain (loss)		Dividends received	Capital transaction	Others	Ending book value
Busan City Gas Co., Ltd.	32.68%	₩	149,256,695	₩	9,832,882	₩ (1,297,799)	₩ -	₩ 756,592	₩ 158,548,370
Gimcheon Energy Service Co., Ltd.	-		18,888,840		-	-	-	(18,888,840)	-
PMP Co., Ltd.	-		-		-	-	170,579,598	-	170,579,598
Wirye Energy Service Co., Ltd.	4.83%		11,042,212		(182,221)	-	262,681	(824)	11,121,848
SK E&S Hong Kong Co., Ltd.	16.34%		623,796		4,082,100	-	-	154,643	4,860,539
		₩	<u>179,811,543</u>	₩	<u>13,732,761</u>	₩ <u>(1,297,799)</u>	₩ <u>170,842,279</u>	₩ <u>(17,978,429)</u>	₩ <u>345,110,355</u>

(in thousands of Korean won)

		2014							
	Ratio of Non-controlling Interests	Beginning book value		Gain (loss)		Dividends received	Capital transaction	Others	Ending book value
Ko-one Energy Service Co., Ltd.	-	₩	115,917	₩	3,918	₩ -	₩ (112,867)	₩ (6,968)	₩ -
Busan City Gas Co., Ltd.	32.68%		140,787,766		12,216,579	(2,604,597)	-	(1,143,053)	149,256,695
Gimcheon Energy Service Co., Ltd.	20.00%		16,033,324		2,873,302	-	-	(17,786)	18,888,840
Wirye Energy Service Co., Ltd.	10.55%		11,357,503		(320,648)	-	-	5,357	11,042,212
Narae Energy Service Co., Ltd.	-		15,992		(100)	-	(15,892)	-	-
SK E&S Hong Kong Co., Ltd.	16.34%		1,851,094		(1,056,727)	-	-	(170,571)	623,796
		₩	<u>170,161,596</u>	₩	<u>13,716,324</u>	₩ <u>(2,604,597)</u>	₩ <u>(128,759)</u>	₩ <u>(1,333,021)</u>	₩ <u>179,811,543</u>

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The hybrid bond classified as allocated to non-controlling interests as of December 31, 2015, are as follows:

<i>(in thousands of Korean won)</i>	Issuance date	Maturity date	Interest rate 2015	2015
Subordinated debt	2015.11.30	2022.11.01	4.80%	₩ 172,400,000
Discount of bond				(1,820,402)
				<u>₩ 170,579,598</u>

The details of conditions of hybrid bond classified as allocated to non-controlling interests as of December 31, 2015, are as follows:

	Interest payment	Conversion	Redemption Option
Term	Quarterly	2022.11.01	From the date 5 years after the initial issuance to 2022.10.31
Amount	Principal	Principal including deferred interest payments	Full or Partial
Note	Same priority as preferred stock upon liquidation	7/25 and 18/25 of amounts are converted to common and preferred stock, respectively with par value (₩5,000 per share).	Commission for redemption option : 0.5% of redemption amount

The summarized consolidated statements of financial position for each subsidiary with non-controlling interests as of December 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	2015				
	Current assets	Non- current assets	Current liabilities	Non-current liabilities	Equity
Busan City Gas Co., Ltd.	₩ 277,941,640	₩ 526,218,272	₩ 229,413,880	₩ 74,644,253	₩ 500,101,779
PMP Co., Ltd.	101,827,331	1,159,427,911	46,766,273	498,023,901	716,465,069
Wirye Energy Service Co., Ltd.	24,687,218	514,147,246	28,684,872	279,883,578	230,266,014
SK E&S Hong Kong Co., Ltd.	25,963,903	6,178,342	2,394,307	-	29,747,938

<i>(in thousands of Korean won)</i>	2014				
	Current assets	Non- current assets	Current liabilities	Non-current liabilities	Equity
Ko-one Energy Service Co., Ltd.	₩ 581,742,946	₩ 534,357,448	₩ 449,557,923	₩ 85,266,578	₩ 581,275,892
Busan City Gas Co., Ltd.	270,152,711	482,550,145	229,715,948	63,365,610	459,621,298
Gimcheon Energy Service Co., Ltd.	42,644,849	224,169,299	39,747,522	132,622,425	94,444,201
Wirye Energy Service Co., Ltd.	163,604,902	207,563,701	2,195,896	264,262,077	104,710,630
Narae Energy Service Co., Ltd.	10,115,307	443,135,626	16,246,725	370,574,774	66,429,435
SK E&S Hong Kong Co., Ltd.	16,396,051	5,059,171	17,637,407	-	3,817,815

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The summarized consolidated statements of comprehensive income for each subsidiary with non-controlling interests for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015			
	Revenue	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Busan City Gas Co., Ltd.	₩ 1,054,182,319	₩ 41,555,904	₩ 3,925,077	₩ 45,480,981
PMP Co., Ltd.	-	(1,485,069)	564	(1,484,505)
Wirye Energy Service Co., Ltd.	3,109,859	(3,793,397)	(17,058)	(3,810,455)
SK E&S Hong Kong Co., Ltd.	-	24,983,662	946,461	25,930,123

(in thousands of Korean won)

	2014			
	Revenue	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Ko-one Energy Service Co., Ltd.	₩ 1,524,977,699	₩ 18,920,411	₩ (1,774,838)	₩ 17,145,573
Busan City Gas Co., Ltd.	1,277,764,155	35,061,619	(2,005,221)	33,056,398
Gimcheon Energy Service Co., Ltd.	109,004,078	14,366,508	(88,925)	14,277,583
Wirye Energy Service Co., Ltd.	1,639,935	(3,040,624)	(16,403)	(3,057,027)
Narae Energy Service Co., Ltd.	739,419	(1,717,247)	-	(1,717,247)
SK E&S Hong Kong Co., Ltd.	-	(6,467,484)	(1,043,943)	(7,511,427)

The summarized consolidated statements of cash flows for each subsidiary with non-controlling interests for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015				
	Operating activities	Investing activities	Financing activities	Cash at the beginning of year	Cash at the end of year
Busan City Gas Co., Ltd.	₩ 116,648,395	₩ (37,734,451)	₩ (6,850,750)	₩ 55,913,435	₩ 127,976,629
PMP Co., Ltd.	(12,234,803)	(738,996,102)	814,387,230	24,973,410	88,129,735
Wirye Energy Service Co., Ltd.	(15,558,182)	(258,356,315)	129,365,839	158,015,800	13,467,142
SK E&S Hong Kong Co., Ltd.	(3,145,694)	3,741,136	(409,849)	107,957	293,550

(in thousands of Korean won)

	2014				
	Operating activities	Investing activities	Financing activities	Cash at the beginning of year	Cash at the end of year
Ko-one Energy Service Co., Ltd.	₩ 28,386,594	₩ (7,285,145)	₩ (7,274,947)	₩ 224,149,741	₩ 237,976,243
Busan City Gas Co., Ltd.	(29,789,471)	(37,413,214)	(21,094,951)	144,211,071	55,913,435
Gimcheon Energy Service Co., Ltd.	29,229,407	(3,376,022)	(10,585,718)	15,816,478	31,084,145
Wirye Energy Service Co., Ltd.	(7,898,657)	(96,845,003)	249,064,200	13,695,260	158,015,800
Narae Energy Service Co., Ltd.	(16,871,704)	(161,933,189)	175,000,000	4,857,181	1,052,288
SK E&S Hong Kong Co., Ltd.	834,354	-	(1,007,318)	280,921	107,957

SK E&S Co., Ltd. and Subsidiaries

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34. Related Party Transactions

The parent company and subsidiaries as of December 31, 2015 and 2014, are as follows:

		Percentage of ownership	
		2015	2014
Parent Company	SK Holdings Co., Ltd. ¹	100.0%	94.1%
Subsidiaries	Gangwon City Gas Co., Ltd.	100.0%	100.0%
	Yeongnam Energy Service Co., Ltd.	100.0%	100.0%
	Ko-one Energy Service Co., Ltd.	100.0%	100.0%
	Busan City Gas Co., Ltd.	67.3%	67.3%
	Jeonbuk Energy Service Co., Ltd.	100.0%	100.0%
	Jeonnam City Gas Co., Ltd.	100.0%	100.0%
	Chungcheong Energy Service Co., Ltd.	100.0%	100.0%
	Pyeongtaek Energy Service Co., Ltd. ²	-	100.0%
	PMP Co., Ltd.	100.0%	100.0%
	Wirye Energy Service Co., Ltd.	95.2%	89.5%
	Gimcheon energy service Co., Ltd. ²	-	80.0%
	Jeonbuk Mass Energy Co., Ltd. ²	-	100.0%
	Narae Energy Service Co., Ltd.	100.0%	100.0%
	SK E&S Hong Kong Co., Ltd.	100.0%	100.0%
	SK LNG Trading Pte., Ltd.	100.0%	100.0%
	SK E&S Australia Pty Ltd.	100.0%	100.0%
	SK E&S Americas, Inc.	100.0%	100.0%
	PT SK E&S Nusantara	100.0%	100.0%
	SK E&S LNG, LLC	100.0%	100.0%
	DewBlaine Energy, LLC	100.0%	100.0%
	CAILIP Gas Marketing, LLC ³	100.0%	-

¹ SK C&C acquired SK Holdings Co., Ltd. and changed its name to SK Holdings Co., Ltd. in 2015

² The Company disposed the entire shares.

³ The entity was newly established in 2015.

SK E&S Co., Ltd. and Subsidiaries

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Details of joint ventures, associates and other related parties that have sales and other transactions with the Group or have receivables and payables balances as of December 31, 2015 and 2014, are as follows:

	Related Parties		Relationship
	2015	2014	
Joint ventures	Boryeong LNG Terminal Co., Ltd. China Gas-SK E&S LNG Trading Ltd.	Boryeong LNG Terminal Co., Ltd. -	
Associates	- China Gas Holdings Ltd. Shinan Green Energy Co., Ltd. Gemini Partners Pte., Ltd. Busan Green Energy Co., Ltd.	Gyeongnam Renewable Energy Co., Ltd. China Gas Holdings Ltd. Shinan Green Energy Co., Ltd. - -	
Other related parties	- SK Innovation Co., Ltd. SK TELECOM CO.,LTD. SK Broadband Co., Ltd. SK Networks Company Limited SK Telink, Corp. SK USA, Inc. SK Pinx Co., Ltd. M&SERVICE Co.,Ltd. SK Engineering & Construction Co., Ltd. SK SECURITIES CO.,LTD. Infosec Co., Ltd. SK Forest Co., Ltd. UBCARE CO., LTD. HAPPYNARAE Co., Ltd. SK Networks Internet, Inc. SK Ship Management Co., Ltd. KONAN TECHNOLOGY. SK Energy Co. Ltd. SK Planet Co., Ltd. BIZEN Co., Ltd. SKC LTD. SK SHIPPING CO., LTD. SK Hynix Inc. SK Lubricants Co., Ltd. SK Biopharmaceuticals Co., Ltd. SK CHEMICALS CO., LTD. F&U Credit Information. SKC-Kolon PI. Daehan Oil Pipeline Corporation SK D&D. Netruck Corporation SK GAS Co., Ltd. SK Networks Service	SKC&C Co., Ltd. SK Innovation Co., Ltd. SK TELECOM CO.,LTD. SK Broadband Co., Ltd. SK Networks Company Limited SK Telink, Corp. SK USA, Inc. SK Pinx Co., Ltd. M&SERVICE Co.,Ltd. SK Engineering & Construction Co., Ltd. SK SECURITIES CO.,LTD. Infosec Co., Ltd. SK Forest Co., Ltd. UBCARE CO., LTD. HAPPYNARAE Co., Ltd. SK Networks Internet, Inc. SK Ship Management Co., Ltd. KONAN TECHNOLOGY. SK Energy Co. Ltd. SK Planet Co., Ltd. BiZEN Co., Ltd. SKC LTD. SK Shipping Co., LTD. SK Hynix Inc. SK Lubricants Co., Ltd. SK Biopharmaceuticals Co., Ltd. SK CHEMICALS CO., LTD. F&U Credit Information. SKC-Kolon PI. Daehan Oil Pipeline Corporation SK D&D. Netruck Corporation SK GAS Co., Ltd. -	Merged into SK Holdings Co., Ltd. SK Holdings Co., Ltd.'s subsidiary SK Holdings Co., Ltd.'s subsidiary SK TELECOM CO., LTD.'s subsidiary SK Holdings Co., Ltd.'s subsidiary SK TELECOM CO., LTD.'s subsidiary SK Innovation Co., Ltd.'s subsidiary SK Networks Company Limited. 's subsidiary SK Planet Co.,Ltd.'s subsidiary SK Holdings Co., Ltd.'s subsidiary SK Holdings Co., Ltd..is the largest shareholder SK Holdings Co., Ltd.'s subsidiary SK Holdings Co., Ltd.'s subsidiary SK CHEMICALS CO., LTD.'s subsidiary SK Holdings Co., Ltd.'s subsidiary SK Networks Company Limited.'s subsidiary SK Shipping Co., LTD. 's subsidiary SK Communications Co., Ltd.'s associate SK Innovation Co., Ltd.'s subsidiary SK TELECOM CO., LTD.'s subsidiary SK Holdings Co., Ltd.'s subsidiary SK Holdings Co., Ltd.'s subsidiary SK Holdings Co., Ltd.'s subsidiary SK TELECOM CO., LTD.'s associate SK Innovation Co., Ltd.'s subsidiary SK Holdings Co., Ltd.'s subsidiary The largest shareholder is a relative of SK's key management personnel SK TELECOM CO., LTD.'s subsidiary SKC LTD. 's subsidiary SK Innovation Co., Ltd.'s subsidiary SK Engineering & Construction co., ltd. is associate SK Energy Co. Ltd.'s subsidiary SK CHEMICALS CO., LTD.'s subsidiary SK Networks Company Limited.'s subsidiary

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Sales and purchases with related parties for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

		2015			
		Revenue and others	Purchase of others	Acquisition of property, plant and equipment	Equity contributions in cash
Parent Company	SK Holdings Co., Ltd. ¹	₩ 98,614	₩ 23,660,073	₩ 3,950,092	₩ -
Joint Arrangements	Boryeong LNG Terminal Co., Ltd.	865,555	-	-	-
	China Gas -SK E&S LNG Trading Ltd.	-	-	-	1,189,110
Associates	Gemini Partners Pte. Ltd.	-	-	-	7,889,084
	Busan Green Energy Co., Ltd.	-	-	-	14,312,700
Other related parties	SK Innovation Co., Ltd.	12,423,231	5,640,928	-	-
	SK Networks Company Limited	170,751	4,592,098	1,000	-
	SK Engineering & Construction Co., Ltd.	852,921	200,000	1,031,437,668	-
	SK hynix Inc.	25,428,614	-	-	-
	SKC LTD.	8,483,510	-	-	-
	M&SERVICE Co., Ltd.	-	5,819,113	-	-
	SK GAS Co., Ltd.	-	-	-	-
	SK Energy Co. Ltd.	31,122,091	201,956	-	-
	SK TELECOM CO., LTD. and other 31 companies	3,684,258	12,816,331	2,119,294	-
		₩ 83,129,545	₩ 52,930,499	₩ 1,037,508,054	₩ 23,390,894

¹ As SKC&C Co., Ltd. acquired SK Holdings Co., Ltd., the transactions are aggregated.

The Group entered short-term beneficiary certificate amounts to ₩43,000,000 thousand with SK SECURITIES CO., LTD. and SK SECURITIES CO., LTD. underwrote total bond amounts to ₩90,000,000 thousand upon issuance of the Group.

SK E&S Co., Ltd. and Subsidiaries
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(in thousands of Korean won)

(in thousands of Korean won)

		2014									
		Revenue and others		Purchase of raw materials		Purchase of others		Acquisition of property, plant and equipment		Equity contributions in cash	
Parent Company	SK Holdings Co., Ltd. ¹	₩	202,241	₩	-	₩	24,400,242	₩	7,786,011	₩	-
Joint Arrangements	Boryeong LNG Terminal Co., Ltd.		811,514		-		-		-		-
Associates	Shinan Green Energy Co., Ltd.		-		-		-		-		6,416,657
Other related parties	SK Innovation Co., Ltd.		20,604,998		-		6,015,483		-		-
	SK Networks Company Limited		268,189		39,882,091		3,370,991		42,544		-
	SK Engineering & Construction Co., Ltd.		744,522		-		990,000		518,641,689		-
	SK hynix Inc.		30,498,150		-		-		-		-
	SKC LTD.		10,044,851		-		-		-		-
	M&SERVICE Co., Ltd.		-		-		5,192,974		-		-
	SK GAS Co., Ltd. ²		20,000		-		78,988,565		-		-
	SK Energy Co. Ltd.		35,109,834		-		26,190		-		-
	SK TELECOM CO.,LTD. and other 23 companies		3,243,380		53,164		6,289,507		1,760,565		-
		₩	101,547,679	₩	39,935,255	₩	125,273,952	₩	528,230,809	₩	6,416,657

¹ As SKC&C Co., Ltd. acquired SK Holdings Co., Ltd., the transactions are aggregated.

² The Group purchased 49,229,500 shares of common stock of China Gas Holdings Ltd., an associate of the Group, for ₩78,988,565 thousand from SK Gas Co., Ltd.

The Group entered short-term beneficiary certificate amounts to ₩45,000,000 thousand with SK SECURITIES CO., LTD. and SK SECURITIES CO., LTD. underwrote total bond amounts to ₩90,000,000 thousand upon issuance of the Group

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Details of receivables and payables with related parties as of December 31, 2015 and 2014, are as follows:

(in thousands of
Korean won)

		2015				2014			
		Trade receivables	Other receivables	Trade payables	Other liabilities	Trade receivables	Other receivables	Trade payables	Other liabilities
Parent company	SK Holdings Co., Ltd. ¹	₩ 4,037	₩ 96	₩ -	₩ 2,127,730	₩ 5,452	₩ 67,016	₩ -	₩ 5,540,103
Joint Arrangement	Boryeong LNG Terminal Co., Ltd.	-	181,566	-	-	-	176,130	-	-
Other related parties	SK Innovation Co., Ltd.	956,401	567,636	-	389,608	731,604	435,788	-	192,292
	SK Networks Company Limited	12,867	160,000	-	1,200,456	23,732	160,000	9,546,157	3,352,324
	SK Engineering & Construction Co., Ltd.	17,530	-	-	66,089,938	107,099	-	-	71,784,651
	M&SERVICE Co., Ltd.	-	-	-	631,654	-	-	-	640,786
	SK hynix Inc.	3,121,986	-	-	-	4,538,909	-	-	-
	SKC LTD.	463,375	-	-	422,725	844,283	-	-	-
	SK Energy Co. Ltd.	4,412,608	-	-	-	5,445,747	-	-	-
	SK TELECOM CO.,LTD. and other 20 companies	290,046	434,019	199,810	2,866,711	325,684	14,630	1,084	655,781
		₩ 9,278,850	₩ 1,343,317	₩ 199,810	₩ 73,728,822	₩ 12,022,510	₩ 853,564	₩ 9,547,241	₩ 82,165,937

¹ As SK C&C Co., Ltd. acquired SK Holdings Co., Ltd., the transactions are aggregated.

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Details of payment and performance guarantees provided by the Group to the related parties and payment, and performance guarantees provided by the related parties to the Group as of December 31, 2015, are as follows:

(in thousands of Korean won, thousands of Chinese yuan, thousands of US dollars)

	Provided by	Beneficiary	Guaranteed by	Remark
Payment guarantees	Controlling company	Hwangangsaerak Natural Gas Ltd.	KEB Hana Bank	Borrowings
Fund raising contract	Controlling company	Boryeong LNG Terminal Co., Ltd.	Holders of public offering bonds	Borrowings
			PF Syndicate	Excess working cost
Performance guarantee	SK Holdings Co., Ltd.	Controlling company	FLNG Liquefaction 3, LLC	Liquefaction Tolling Agreement
	Controlling company	Subsidiary	Boryeong LNG Terminal Co., Ltd.	Vaporization Tolling Agreement

Details of collateral provided by the Group to the related parties as of December 31, 2015, are as follows:

Provided by	Beneficiary	Guarantees	Remark	Secured assets
Controlling company	Boryeong LNG Terminal Co., Ltd.	Woori Bank and the Project Financing syndicate	PF Borrowings	4,509,064 shares of common stock of Boryeong LNG Terminal Co., Ltd.

The Group's main commitments with related parties as of December 31, 2015, are as follows:

(in thousands of Korean won)

Entities	Related parties	Commitment	Amount
PMP Co., Ltd.	SK Engineering & Construction Co., Ltd.	EPC contract	₩ 1,228,376,000
Narae Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	EPC contract	218,551,516
Wirye Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	EPC contract	424,480,000
Wirye Energy Service Co., Ltd, PMP Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	Vaporization Tolling Agreement	Service fee

Compensation for key management of the Controlling Company for the years ended December 31, 2015 and 2014, consists of:

(In thousands of Korean won)

	2015	2014
Salaries	₩ 3,026,829	₩ 2,602,880
Severance benefits	665,570	436,313
	₩ 3,692,399	₩ 3,039,193

Key management includes executive directors, members of the Executive Committee.

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35. Segment Information

The Group has determined the operating segments based on the information reviewed by the Group's chief operating decision maker. For the purposes of allocating resources and assessing performance, chief operating decision maker reviews the information based on segment profit before income tax.

The Group's operating segments consist of the power generation, LNG, city gas and other segments as of December 31, 2015.

The segment information for the years ended December 31, 2015 and 2014, is presented after considering the distribution of intra-company transactions, adjustments of depreciation cost, interest income, interest expense and profit before tax. Assets and liabilities of each operating segment are excluded as such information is not provided regularly to the chief operating decision maker.

The following table presents segment profit(loss) for the years ended December 31, 2015 and 2014:

(in thousands of Korean won)

		2015					
		Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩	724,555,025 ₩	602,106,770 ₩	3,912,878,200 ₩	- ₩	(585,331,721) ₩	4,654,208,274
Inter-segment revenue		-	(587,122,882)	-	-	587,122,882	-
Net-segment revenue		724,555,025	14,983,888	3,912,878,200	-	1,791,161	4,654,208,274
Segment profit(loss) before income tax		(4,450,673)	249,821,737	116,403,781	424,048,315	(392,749,233)	393,073,928

(in thousands of Korean won)

		2014					
		Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩	840,991,497 ₩	783,294,056 ₩	4,808,463,955 ₩	- ₩	(794,233,078) ₩	5,638,516,430
Inter-segment revenue		-	(783,294,056)	(10,939,022)	-	794,233,078	-
Net-segment revenue		840,991,497	-	4,797,524,933	-	-	5,638,516,430
Segment profit(loss) before income tax		2,921,838	434,733,445	138,607,190	(48,927,646)	2,036,240	529,371,067

Breakdown of the Group's revenue from all services for the years ended December 31, 2015 and 2014, follows:

(In thousands of Korean won)

	2015	2014
Finished Goods	₩ 731,803,171	₩ 850,189,491
Trading	3,889,950,292	4,773,939,771
Others	25,391,628	7,580,279
Rental	7,063,183	6,806,889
	<u>₩ 4,654,208,274</u>	<u>₩ 5,638,516,430</u>

Revenues of ₩727,644,916 thousand (2014: ₩ 838,612,143 thousand), which are more than 10% of the Group revenue in 2015, are derived from Korea Power Exchange, and these revenues are attributable to the power generation segments.

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36. Discontinued operations

The board of directors of the Company has approved to dispose of Pyeongtaek Energy Service Co., Ltd., Gimcheon Energy Service Co., Ltd. and Jeonbuk Mass Energy Co., Ltd. on December 22, 2015. Therefore the assets and liabilities related to subsidiaries above have been presented as held for sale and profits and losses related to subsidiaries above have been presented as discontinued operations.

Assets and liabilities of disposal group classified as held for sale are as follows :

<i>(In thousands of Korean won)</i>	2015	2014
Assets of disposal group		
Cash and cash equivalents	₩ -	₩ 54,837,478
Trade receivables	-	81,632,448
Property, plant and equipment	-	902,155,772
Intangible assets	-	75,384,728
Other assets	-	31,188,137
	<u>₩ -</u>	<u>₩ 1,145,198,563</u>
 Trade payables	-	91,451,527
Borrowings	-	628,040,038
Other liabilities	-	66,253,877
	<u>₩ -</u>	<u>₩ 785,745,442</u>

Analysis of the profits and losses of discontinued operations for the years ended December 31, 2015 and 2014, follows :

<i>(in thousands of Korean won)</i>	2015	2014
Revenue	₩ -	₩ 996,665,525
Expenses	-	934,835,277
Profit before tax of discontinued operations	-	61,830,248
Tax(benefit)	-	13,291,962
Profit after tax of discontinued operations	-	48,538,286
Gain on disposal of discontinued operations	113,856,657	-
Tax	23,581,261	34,250,777
Profit for the year from discontinued operations	<u>₩ 90,275,396</u>	<u>₩ 14,287,509</u>

Cash flows of discontinued operations for the years ended December 31, 2015 and 2014, follow :

<i>(in thousands of Korean won)</i>	2015	2014
Operating cash flows	₩ -	₩ 83,942,208
Investing cash flows	495,082,000	(10,973,858)
Financing cash flows	-	(87,431,908)
Profit for the year from discontinued operations	<u>₩ 495,082,000</u>	<u>₩ (14,463,558)</u>

37. Event after the Reporting Period

On January 15, 2016, as Wirye Energy Service Co., Ltd., a subsidiary, drew from the PF borrowing for the first time, the Company provided 45,680,000 common shares of Wirye Energy Service Co., Ltd. (₩228,400,000 thousand) to Korea Development Bank and PF syndicate as collateral for the PF borrowing.