

Youngone Corporation and Subsidiaries

Consolidated Financial Statements

December 31, 2013 and 2012

Youngone Corporation and Subsidiaries
Index
December 31, 2013 and 2012

	Page(s)
Report of Independent Auditors	1 - 2
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Income	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Changes in Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements.....	8 - 55



Report of Independent Auditors

To the Board of Directors and Shareholders of
Youngone Corporation

We have audited the accompanying consolidated statements of financial position of Youngone Corporation and its subsidiaries (the Group) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of TITAS SPORTSWEAR INDUSTRIES LTD. and 26 other subsidiaries(including two jointly controlled entities), whose statements reflect 45.71% and 48.97% of the consolidated total assets as of December 31, 2013 and 2012, respectively, and 10.38% and 11.86% of the consolidated sales for the respective years then ended. These statements were audited by other auditors whose reports have been furnished us, and our opinion, insofar as it relates to the amounts included for these subsidiaries and jointly controlled entities, is based solely on the reports of other auditors.

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

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In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of Youngone Corporation and its subsidiaries as of December 31, 2013 and 2012, and their financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean-IFRS").

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. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

Seoul, Korea
March 6, 2014

This report is effective as of March 6, 2014, 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.
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Youngone Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2013 and 2012

<i>(in Korean won)</i>	Notes	2013	2012
Assets			
Current assets			
Cash and cash equivalents	4,7,8,9	₩ 165,387,042,051	₩ 145,026,772,199
Short-term financial assets	4,7,8	56,198,249,497	30,862,656,000
Accounts receivable	4,7,8,11	152,087,650,385	107,151,731,573
Inventories	14	172,146,125,236	159,149,475,143
Other receivables	4,7,12	32,129,077,110	41,346,469,744
Other current assets	13	31,406,595,741	25,005,623,750
		<u>609,354,740,020</u>	<u>508,542,728,409</u>
Non-current assets			
Long-term financial assets	4,7,8	12,000,000	12,000,000
Available-for-sale financial assets	5,7,10	42,786,854,886	56,979,391,926
Investments in associates and jointly controlled entity	6,19	57,924,467,751	11,128,805,584
Property, plant and equipment	15	407,416,896,928	351,978,702,581
Intangible assets	16	3,445,807,947	3,905,748,906
Investment property	17	78,561,302,580	54,625,738,138
Other receivables	4,7,12	9,065,339,003	9,671,132,411
Other non-current assets	13	3,708,209,455	1,676,673,529
		<u>602,920,878,550</u>	<u>489,978,193,075</u>
Total assets		<u>₩ 1,212,275,618,570</u>	<u>₩ 998,520,921,484</u>
Liabilities			
Current liabilities			
Accounts payable	4,7,20	₩ 56,486,080,313	₩ 59,281,375,364
Borrowings	4,7,22	33,039,174,549	53,140,370,326
Current income tax liabilities		10,113,411,091	11,744,783,637
Provisions for other liabilities and charges		2,998,301,267	2,134,620,357
Other payables	4,7,20	37,512,591,770	25,208,565,867
Other current liabilities	21	2,688,673,788	3,687,456,263
		<u>142,838,232,778</u>	<u>155,197,171,814</u>
Non-current liabilities			
Debentures	4,7,22	49,832,915,703	49,784,114,500
Borrowings	4,7,22	13,000,000,000	13,000,000,000
Net defined benefit liability	23	1,075,282,351	2,471,281,188
Deferred income tax liabilities	24	103,279,038,042	97,252,758,885
Other payables	4,7,20	257,378,337	264,570,545
		<u>167,444,614,433</u>	<u>162,772,725,118</u>
Total liabilities		<u>310,282,847,211</u>	<u>317,969,896,932</u>
Equity attributable to owners of the Parent			
Capital stock	1,25	22,155,734,000	20,405,734,000
Capital surplus	25	453,267,231,054	334,814,957,228
Retained earnings	27	440,396,644,354	338,055,696,163
Other components of equity	26	(64,378,617,155)	(51,569,998,841)
		<u>851,440,992,253</u>	<u>641,706,388,550</u>
Non-controlling interest		<u>50,551,779,106</u>	<u>38,844,636,002</u>
Total equity		<u>901,992,771,359</u>	<u>680,551,024,552</u>
Total liabilities and equity		<u>₩ 1,212,275,618,570</u>	<u>₩ 998,520,921,484</u>

art of these consolidated financial statements.

Youngone Corporation and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2013 and 2012

<i>(in Korean won)</i>	Notes	2013	2012
Revenue	6	₩ 1,108,226,793,501	₩ 1,059,149,339,989
Cost of sales	30	<u>825,529,088,208</u>	<u>764,552,885,271</u>
Gross profit		282,697,705,293	294,596,454,718
Selling and administrative expenses	28,30	<u>121,909,659,587</u>	<u>108,293,707,917</u>
Operating profit	6	160,788,045,706	186,302,746,801
Other income	29	31,434,857,033	28,506,150,817
Other expenses	29	32,257,870,535	34,878,532,344
Finance income	32	4,237,874,153	3,086,631,986
Finance costs	32	2,958,631,500	3,818,773,632
Gain on investments in jointly controlled entities	19	3,192,959,941	1,357,719,920
Loss on investments in jointly controlled entities	19	<u>1,635,719,825</u>	<u>1,619,171,534</u>
Profit before income tax		162,801,514,973	178,936,772,014
Income tax expense	33	<u>40,872,152,466</u>	<u>47,267,306,323</u>
Profit for the year		<u>₩ 121,929,362,507</u>	<u>₩ 131,669,465,691</u>
Profit attributable to:			
Owners of the parent		110,503,183,991	119,113,665,706
Non-controlling interests		11,426,178,516	12,555,799,985
Earnings per share attributable to the equity holders of the company			
Basic earnings per share	34	₩ 2,513	₩ 2,909

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

Youngone Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2013 and 2012

<i>(in Korean won)</i>	Note	2013	2012
Profit for the year		<u>₩ 121,929,362,507</u>	<u>₩ 131,669,465,691</u>
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit liability		(194,580,160)	(385,438,933)
Items that will be reclassified to profit or loss			
Change in value of available-for-sale financial assets		(10,757,943,077)	4,486,003,710
Currency translation differences		180,837,460	(23,534,181,154)
Valuation of jointly controlled entity	19	(1,755,967,949)	(5,226,603)
Disposal of non-current assets held for sale		<u>-</u>	<u>(364,219,993)</u>
Other comprehensive loss for the year, net of tax		<u>(12,527,653,726)</u>	<u>(19,803,062,973)</u>
Total comprehensive income for the year		<u>₩ 109,401,708,781</u>	<u>₩ 111,866,402,718</u>
Attributable to:			
Shareholders of the Company		₩ 97,694,565,677	₩ 100,793,350,813
Non-controlling interest		<u>11,707,143,104</u>	<u>11,073,051,905</u>
Total comprehensive income for the year		<u>₩ 109,401,708,781</u>	<u>₩ 111,866,402,718</u>

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

Youngone Corporation and Subsidiaries **Consolidated Statements of Changes in Equity** **Years Ended December 31, 2013 and 2012**

(in Korean won)

	Note	Attributable to equity holders of the Company					Non-controlling Interest	Total Equity
		Capital Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Total		
Balance at January 1, 2012		₩ 20,405,734,000	₩ 334,814,957,228	₩ 225,098,610,686	₩ (31,244,028,377)	₩ 549,075,273,537	₩ 27,793,453,677	₩ 576,868,727,214
Changes of accounting policy		-	-	2,005,655,571	(2,005,655,571)	-	-	-
After adjustments		20,405,734,000	334,814,957,228	227,104,266,257	(33,249,683,948)	549,075,273,537	27,793,453,677	576,868,727,214
Total comprehensive income								
Profit for the year		-	-	119,113,665,706	-	119,113,665,706	12,555,799,985	131,669,465,691
Change in value of available-for-sale financial assets		-	-	-	4,486,003,710	4,486,003,710	-	4,486,003,710
Currency translation differences		-	-	-	(22,051,433,074)	(22,051,433,074)	(1,482,748,080)	(23,534,181,154)
Share of other comprehensive income of jointly controlled entity	19	-	-	-	(5,226,603)	(5,226,603)	-	(5,226,603)
Disposal of non-current assets held for sale		-	-	-	(364,219,993)	(364,219,993)	-	(364,219,993)
Remeasurements of net defined benefit liability		-	-	-	(385,438,933)	(385,438,933)	-	(385,438,933)
Total transactions with owners of the Company, recognized directly in equity								
Dividends to equity holders of the company		-	-	(8,162,235,800)	-	(8,162,235,800)	-	(8,162,235,800)
Changes in scope of consolidation		-	-	-	-	-	1,347	1,347
Disposal of subsidiaries		-	-	-	-	-	(21,870,927)	(21,870,927)
Balance at December 31, 2012		₩ 20,405,734,000	₩ 334,814,957,228	₩ 338,055,696,163	₩ (51,569,998,841)	₩ 641,706,388,550	₩ 38,844,636,002	₩ 680,551,024,552
Balance at January 1, 2013		₩ 20,405,734,000	₩ 334,814,957,228	₩ 338,055,696,163	₩ (51,569,998,841)	₩ 641,706,388,550	₩ 38,844,636,002	₩ 680,551,024,552
Total comprehensive income								
Profit for the year		-	-	110,503,183,991	-	110,503,183,991	11,426,178,516	121,929,362,507
Change in value of available-for-sale financial assets		-	-	-	(10,757,943,077)	(10,757,943,077)	-	(10,757,943,077)
Currency translation differences		-	-	-	(100,127,128)	(100,127,128)	280,964,588	180,837,460
Share of other comprehensive income of jointly controlled entity	19	-	-	-	(1,755,967,949)	(1,755,967,949)	-	(1,755,967,949)
Remeasurements of net defined benefit liability		-	-	-	(194,580,160)	(194,580,160)	-	(194,580,160)
Total transactions with owners of the Company, recognized directly in equity								
Stock issuance		1,750,000,000	118,452,273,826	-	-	120,202,273,826	-	120,202,273,826
Dividends to equity holders of the company		-	-	(8,162,235,800)	-	(8,162,235,800)	-	(8,162,235,800)
Balance at December 31, 2013		₩ 22,155,734,000	₩ 453,267,231,054	₩ 440,396,644,354	₩ (64,378,617,155)	₩ 851,440,992,253	₩ 50,551,779,106	₩ 901,992,771,359

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

Youngone Corporation and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2013 and 2012

<i>(in Korean won)</i>	Note	2013	2012
Cash flows from operating activities			
Cash generated from operations	35	₩ 134,234,615,349	₩ 209,977,957,844
Interest received		2,980,300,632	2,518,812,994
Interest paid		(2,936,168,653)	(3,842,951,187)
Dividends received		630,320,497	603,250,161
Income tax paid		(32,941,376,478)	(30,701,886,394)
Net cash generated from operating activities		<u>#####</u>	<u>#####</u>
Cash flows from investing activities			
Increase in short-term financial assets		(45,000,000,000)	(30,862,656,000)
Decrease in short-term financial assests		20,500,000,000	-
Short-term loans (repayments)/proceeds , net		9,390,896,256	(11,796,945,394)
Proceeds from sale of property, plant and equipment	15	3,380,669,492	9,467,478,013
Collection of long-term loans		838,704,955	-
Acquisition of property, plant and equipment	15	#####	#####
Purchases of investment property	17	(3,938,873,590)	(115,335,500)
Purchases of intangible assets	16	(333,064,422)	(2,290,092,337)
Decrease in guarantee deposits		329,100,000	241,612,528
Increase in guarantee deposits		(258,121,000)	(370,000,000)
Purchases of available-for-sale financial assets		(42,910,000)	(39,519,601,690)
Proceeds from sale of available-for-sale financial assets		40,358,704	851,983,447
Proceeds from sale of non-current assets held for sale		-	40,000,000
Proceeds from sale of investments in subsidiaries		-	1,800,000,000
Purchase of investments in jointly controlled entities	19	(1,182,390,000)	(1,570,937,500)
Proceeds from sales of investments in jointly controlled entities	19	-	332,040,000
Acquisition of investments in associates	19	(45,812,000,000)	-
Settlement of derivatives		(764,250,000)	-
Decrease in cash due to chages in scope of consolidation		-	599,049,907
Decrease in cash due to disposal of subsidiaries		-	(121,745,046)
Net cash used in investing activities		<u>#####</u>	<u>#####</u>
Cash flows from financing activities			
Short-term borrowings (repayments)/proceeds , net		(20,129,509,817)	(27,355,822,983)
Proceeds from long-term borrowings		-	13,000,000,000
Proceeds from issuance of debentures		-	49,767,600,000
Proceeds from stock issuance		120,202,273,826	-
Dividends to equity holders of the Company		(8,162,235,800)	(8,162,235,800)
Net cash generated from financing activities		<u>91,910,528,209</u>	<u>27,249,541,217</u>
Exchange losses on cash and cash equivalents		<u>(1,326,405,918)</u>	<u>(1,471,793,976)</u>
Net increase(decrease) in cash and cash equivalents		<u>20,360,269,852</u>	<u>(29,980,454,160)</u>
Cash and cash equivalents at beginning of year		<u>145,026,772,199</u>	<u>175,007,226,359</u>
Cash and cash equivalents at the end of year		<u>₩ 165,387,042,051</u>	<u>₩ 145,026,772,199</u>

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

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

1. General Information

Youngone Corporation (the "Company") is a controlling company in accordance with the Korean IFRS 1027, "Consolidated financial statements and separate financial statements". The Company and its 33 subsidiaries (collectively referred to as "the Group") including YOUNGONE (CEPZ) LTD. ("YCL") are subject to consolidation and three of them, including GREEN GROUND LTD., are subject to the equity method of accounting in the preparation of the consolidated financial statements.

1.1 The Company

The Company was established on July 1, 2009, through the spin-off from Youngone Holdings Co., Ltd.'s distribution and garments manufacturing business. On July 30, 2009, the Company was listed on the Korea Exchange.

As of December 31, 2013, the Company is headquartered in Jung-gu, Seoul, and the Company has its subsidiaries in Bangladesh and China, and distribution centers and sales office in Seoul, Gyeonggi Province and other regions.

The Company's capital stock as of December 31, 2013, is ₩ 22,155,734 thousand, and the Company's shareholders and their respective percentage of ownership as of December 31, 2013, are as follows:

	Number of shares	Percentage of ownership (%)	Remark
Youngone Holdings Co., Ltd.	22,386,320	50.52	Majority shareholder
Others	21,925,148	49.48	Others
	<u>44,311,468</u>	<u>100.00</u>	

1.2 Subsidiaries

The Company's consolidated subsidiaries as of December 31, 2013, are as follows:

(in thousands of Korean won)

Subsidiaries	Number of investment shares			Percentage of ownership (%) ³⁵	Closing month	Location
	Parents	Subsidiaries	Total			
YCL ¹	893,501	888,510	1,782,011	83.30	December	Bangladesh
YSL ²	402,550	465,410	867,960	81.67	December	Bangladesh
LSL ³	773,119	-	773,119	100.00	December	Bangladesh
TSL ⁴	821,439	-	821,439	100.00	December	Bangladesh
KSL ⁵	41,607	63,457	105,064	89.91	December	Bangladesh
YHT ^{6, 37}	200,492	-	200,492	46.29	December	Bangladesh
SSL ⁷	39,944	-	39,944	100.00	December	Bangladesh
YPL ⁸	514,684	-	514,684	100.00	December	Bangladesh
YGA ⁹	199,594	-	199,594	100.00	December	Bangladesh
SEL ¹⁰	-	346,802	346,802	100.00	December	Bangladesh
SDF ¹¹	619,759	-	619,759	100.00	December	Bangladesh

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(in thousands of Korean won)

Subsidiaries	Number of investment shares			Percentage of ownership (%) ³³	Closing month	Location
	Parents	Subsidiaries	Total			
YSF ¹²	199,892	253,830	453,722	100.00	December	Bangladesh
STL ¹³	1,706,256	-	1,706,256	100.00	December	Bangladesh
YSS ¹⁴	2,143,929	253,830	2,397,759	98.23	December	Bangladesh
YSA ¹⁵	853,980	-	853,980	100.00	December	Bangladesh
AAL ¹⁶	-	2,499,998	2,499,998	100.00	December	Bangladesh
KSI ¹⁷	-	99,998	99,998	100.00	December	Bangladesh
SWL ¹⁸	-	3	3	100.00	December	Bangladesh
SLS ^{19,34,36}	-	-	-	100.00	December	Bangladesh
YSP ^{20,34}	-	-	-	100.00	December	China
GMC ^{21,34}	-	-	-	100.00	December	China
QMS ^{22,34}	-	-	-	100.00	December	China
YBP ^{23,34}	-	-	-	100.00	December	China
YNL ^{24,34}	-	-	-	100.00	December	Vietnam
SKL ^{25,34}	-	-	-	100.00	December	Vietnam
YBL ^{26,34}	-	-	-	100.00	December	Vietnam
YHL ^{27,34,36}	-	-	-	100.00	December	Vietnam
YLS ²⁸	760,000	-	760,000	100.00	December	EL Salvador
EVER						
SUMMIT ²⁹	390,000	-	390,000	100.00	December	Hong Kong
DTL ³⁰	10,000	-	10,000	100.00	December	Thailand
YOA ³¹	950,000	-	950,000	100.00	December	USA
YTL ^{32,34}	-	-	-	100.00	December	Turkey
AAI ³³	9,400,000	9,400,000	18,800,000	100.00	December	IOM

¹ YOUNGONE (CEPZ) LTD

² YOUNGONE SPORTSWEAR (CEPZ) LTD.

³ LALMAI SPORTSWEAR INDUSTRIES LTD.

⁴ TITAS SPORTSWEAR INDUSTRIES LTD.

⁵ KARNAPHULI SPORTSWEAR INDUSTRIES LTD.

⁶ YOUNGONE HI-TECH SPORTSWEAR INDUSTRIES LTD.

⁷ SAVAR SPORTSWEAR CO., LTD.

⁸ YOUNGONE PADDING (CEPZ) LTD.

⁹ YOUNGONE GARMENT ACCESSORIES INDUSTRIES LTD.

¹⁰ SHINHAN EMULSION CO., LTD.

¹¹ SAVAR DYEING & FINISHING INDUSTRIES LTD.

¹² YOUNGONE SYNTHETIC FIBRE PRODUCTS INDUSTRIES LTD.

¹³ SUNGNAM TEXTILES MILLS LTD.

¹⁴ YOUNGONE SPORTS SHOES INDUSTRIES LTD.

¹⁵ YOUNGONE SHOES ACCESSORIES INDUSTRIES LTD.

¹⁶ ARIRANG AVIATION LTD.

¹⁷ KARNAPHULI SHOES INDUSTRIES LTD.

¹⁸ SURMA GARMENT WASHING & FINISHING CO., LTD.

¹⁹ SUNGNAM LEATHER AND SPORTS PRODUCT INDUSTRIES LTD

²⁰ QINGDAO YOUNGONE SPORTS PRODUCTS CO., LTD.

²¹ QINGDAO YOUNGONE SPORTSWEAR CO., LTD.

²² QINGDAO MAN BOK SPORTSWEAR CO., LTD.

²³ QINGDAO YOUNGONE BROAD PEAK TRADING CO., LTD.

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

²⁴ YOUNGONE NAM DINH CO., LTD.

²⁵ SUNGNAM KNITTING MILLS CO., LTD.

²⁶ YOUNGONE BAC GIANG CO., LTD.

²⁷ YOUNGONE HUNGYEN CO., LTD.

²⁸ YOUNGONE (EL SALVADOR) S.A DE C.V.

²⁹ EVER SUMMIT (HK) LTD.

³⁰ DONGNAMA TRADING CO., LTD.

³¹ YOUNGONE AMERICA INC.

³² YOUNGONE (ISTANBUL) APPAREL SANAYI VE TICARET LTD. SIRKETI.

³³ ARIRANG AVIATION IOM LTD.

³⁴ This subsidiary either does not issue the stock certificates or is not a stock corporation. Thus, there is no stock.

³⁵ Based on consolidated shareholding ratio.

³⁶ Newly established during current year and incorporated into the subsidiary.

³⁷ Share rates of YHT is under 50%. As the Company has substantial control on operating and financial decisions, YHT is classified as a subsidiary.

1.3 Summary of Financial information of Subsidiaries

The summarized information of subsidiaries as of and for the years ended December 31, 2013 and 2012, follows:

(in thousands of Korean won)

Subsidiaries	2013					
	Assets	Liabilities	Equity	Sales	Net income (loss)	Total comprehensive income(loss)
YCL	₩130,966,084	₩ 55,704,469	₩ 75,261,615	₩ 162,047,155	₩ 16,492,657	₩ 16,967,513
YSL	20,310,095	37,781	20,272,314	-	-	311,425
LSL	52,692,683	33,636,305	19,056,378	23,719,517	2,660,148	2,843,002
TSL	143,180,072	69,306,697	73,873,375	105,623,155	11,200,130	11,872,298
KSL	69,037,623	27,759,119	41,278,504	95,306,798	8,826,130	9,095,643
YHT	78,514,258	26,641,297	51,872,961	107,536,665	14,180,550	14,392,963
SSL	27,538,132	2,686,012	24,852,120	26,926,222	4,278,549	4,483,581
YPL	13,266,616	1,499,324	11,767,292	4,729,949	1,202,342	1,334,000
YGA	11,152,120	778,128	10,373,992	6,482,999	1,237,370	1,345,620
SEL	4,735,536	1,786,367	2,949,169	3,460,167	502,209	526,768
SDF	15,061,439	11,924,898	3,136,541	19,366,239	(1,661,942)	(1,545,102)
YSF	11,793,323	1,643,099	10,150,224	10,779,955	1,925,579	2,001,963
STL	9,453,087	6,319,173	3,133,914	7,396,917	397,729	429,443
YSS	45,480,877	22,168,002	23,312,875	80,883,681	6,417,232	6,510,267
YSA	14,719,404	1,173,980	13,545,424	17,755,736	2,580,923	2,682,390
AAL	4,283,881	732,388	3,551,493	662,113	98,641	149,128
KSI	56,709,523	63,183,364	(6,473,841)	17,302,196	(3,615,067)	(3,565,178)
SWL	1,685,091	514,669	1,170,422	534,159	202,554	212,166
SLS	111,114	5,894	105,220	-	(184)	(6,310)
YSP	46,564,635	15,073,095	31,491,540	44,443,507	(4,481,332)	(3,925,940)
GMC	26,659,516	5,660,351	20,999,165	35,863,424	2,104,040	2,293,381
QMS	18,753,807	5,718,242	13,035,565	36,290,559	767,147	905,202
YBP	6,364,006	371,740	5,992,266	1,811,306	247,128	314,487
YNL	102,001,955	29,346,108	72,655,847	135,329,654	13,259,688	11,076,682

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Subsidiaries	Assets	Liabilities	Equity	Sales	Net income (loss)	Total comprehensive income(loss)
SKL	9,364,455	7,167,153	2,197,302	3,519,830	(1,911,720)	(1,902,726)
YBL	3,130,321	417,330	2,712,991	539,242	(413,079)	(484,134)
YHL	5,741,278	2,885,740	2,855,538	953,503	(311,727)	(380,462)
YLS	17,818,227	341,796	17,476,431	13,093,646	3,904,459	3,367,208
EVER SUMMIT	10,742,733	4,994,670	5,748,063	37,507,227	1,121,170	1,015,175
DTL	5,120,737	1,375,311	3,745,426	21,870,286	1,191,820	837,656
YOA	627,783	311,747	316,036	-	34,391	28,907
YTL	334,425	-	334,425	-	-	(5,007)
AAI	18,943,020	171,240	18,771,780	985,536	(177,478)	(454,649)

(in thousands of Korean won)

2012						
Subsidiaries	Assets	Liabilities	Equity	Sales	Net income (loss)	Total comprehensive income(loss)
YCL	₩ 89,895,467	₩ 31,601,365	₩ 58,294,102	₩ 133,702,305	₩ 16,793,161	₩ 14,411,348
YSL	19,997,799	36,910	19,960,889	-	(138)	(949,247)
LSL	32,305,663	16,092,287	16,213,376	33,094,789	6,136,904	5,508,497
TSL	122,500,454	60,499,377	62,001,077	115,692,499	12,431,016	9,771,645
KSL	53,514,229	21,331,368	32,182,861	82,428,822	10,645,723	9,362,698
YHT	59,569,691	22,089,693	37,479,998	91,470,380	15,475,755	14,053,024
SSL	20,853,543	485,003	20,368,540	35,888,493	6,512,670	5,695,418
YPL	11,399,358	966,066	10,433,292	3,856,285	806,410	329,052
YGA	9,424,847	396,476	9,028,371	5,234,375	926,540	518,773
SEL	4,251,945	1,829,544	2,422,401	3,100,967	305,306	445,661
SDF	15,469,331	10,787,688	4,681,643	17,501,725	1,071,102	873,371
YSF	10,019,667	1,871,406	8,148,261	10,019,556	1,917,997	1,575,101
STL	9,136,034	6,431,562	2,704,472	7,863,827	566,556	451,120
YSS	30,964,280	14,161,673	16,802,607	69,425,829	5,909,431	5,247,725
YSA	12,022,658	1,159,624	10,863,034	14,314,321	1,664,225	1,186,353
AAL	3,797,755	395,390	3,402,365	426,979	65,834	(94,414)
KSI	33,977,414	36,886,077	(2,908,663)	6,396,516	(2,493,808)	(2,409,713)
SWL	1,370,786	412,531	958,255	694,241	981,032	958,250
YSP	47,539,354	12,121,874	35,417,480	56,287,933	463,392	(1,716,821)
GMC	24,269,670	5,563,886	18,705,784	23,058,150	1,640,434	519,667
QMS	21,891,679	9,761,315	12,130,364	38,007,530	2,404,215	1,706,917
YBP	6,070,570	392,791	5,677,779	450,872	180,811	(166,355)
YNL	89,979,556	28,400,392	61,579,164	122,631,443	12,344,665	8,484,989
SKL	7,671,329	5,692,101	1,979,228	2,798,085	(1,885,723)	(2,024,316)
YBL	3,298,689	101,563	3,197,126	-	(17,274)	(125,175)
YLS	14,874,248	765,024	14,109,224	12,379,993	5,073,390	4,109,545
EVER SUMMIT	9,208,091	4,475,203	4,732,888	32,984,368	587,162	250,366
DTL	3,655,390	747,620	2,907,770	16,901,918	702,241	591,150
YOA	603,544	316,415	287,129	-	62,799	42,236
YTL	339,432	-	339,432	-	-	(26,049)
AAI	19,692,198	465,769	19,226,429	884,662	(957,654)	(2,183,011)

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

1.4 Changes in scope of consolidation

The following subsidiary was newly included in the scope of consolidation for the year ended December 31, 2013:

Subsidiary	Reason
YHL, SLS	Newly incorporated

None of subsidiaries is excluded in the scope of consolidation for the year ended December 31, 2013.

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.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group for the annual period beginning on January 1, 2011, have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

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, 2013:

- Amendment to Korean IFRS 1001, *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*

The amendment requires entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The Group applies the amendment retroactively and there is no impact of the application of this amendment on its total comprehensive income or loss

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

- Amendment to Korean IFRS 1019, *Employee Benefits*

The amendment requires entities to immediately recognize all actuarial gains and losses incurred in other comprehensive income or loss. All past service costs incurred are immediately recognized in accordance with the change of the plan, and the previous separate calculation of the interest cost and the expected returns on plan assets has been revised to calculate net interest expense (income) by applying the discount rate used in the defined benefit obligation measurement in the net defined benefit liabilities (assets). There is no material impact of the application of this amendment on the consolidated financial statements.

- Korean IFRS 1110, *Consolidated Financial Statements*

Korean IFRS 1110, *Consolidated Financial Statements*, introduces a single control concept and provides a specific guidance for the control. The adoption of this standard does not have an impact on consolidation scope in the consolidated financial statements.

- Korean IFRS 1111, *Joint Arrangements*

Korean IFRS 1111, *Joint Arrangements*, reflects the substance of joint arrangements and focuses on the rights and obligations of the parties to the joint arrangements rather than on the legal forms of the arrangements. Joint arrangements are classified into joint operations or joint ventures. The adoption of this standard does not have an impact on the consolidated financial statements.

- Korean IFRS 1112, *Disclosures of Interests in Other Entities*

Korean IFRS 1112, *Disclosure of Interests in Other Entities*, provides disclosure requirements for all types of equity investments in other entities including subsidiaries, associates, joint ventures and unconsolidated structured entities.

- Korean IFRS 1027, *Separate Financial Statements*

Korean IFRS 1027, *Separate Financial Statements*, contains accounting treatments and requirements for investments in subsidiaries, associates and joint ventures relating only to separate financial statements of the Controlling Company.

- Korean IFRS 1113, *Fair Value Measurement*

Korean IFRS 1113, *Fair Value Measurement*, provides a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across K-IFRS. The Group has applied this standard prospectively according to the transitional provisions of K-IFRS 1113 and there is no material impact of the application of this standard on the consolidated financial statements.

(b) New standards and interpretations not yet adopted

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013, and not early adopted by the Group are as follows:

- Amendment to Korean IFRS 1110, *Consolidated Financial Statements*

Amendment to Korean IFRS 1110, *Consolidated Financial Statements*, provides that, if a parent company qualifies as an investment entity, it is required to measure its investments in subsidiaries at fair value through profit and loss instead of consolidating these subsidiaries in its consolidated financial statements. The amendment does not apply for a parent of an investment entity if the parent itself is not an investment entity. This amendment is effective for annual periods beginning

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

on or after January 1, 2014, with early adoption permitted. The Group expects that the application of this amendment would not have a material impact on its consolidated financial statements.

- Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*

Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*, provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. This amendment is effective for annual periods beginning on or after January 1, 2014, and the Group is assessing the impact of application of this amendment on its consolidated financial statements.

- Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*

Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Group is assessing the impact of application of this amendment on its consolidated financial statements.

- Enactment of Korean IFRS 2121, *Levies*

Korean IFRS 2121, *Levies*, are applied to a liability to pay a levy imposed by a government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). This interpretation is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Group expects that the application of this interpretation would not have a material impact on its consolidated financial statements.

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 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.

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

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.

In transactions with non-controlling interests that do not result in loss of control, any difference between the adjustment to the carrying amount of non-controlling interest and consideration paid or received is recognized directly in equity attributable to the controlling interest.

(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 its book value as impairment loss.

(c) Joint Arrangements

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 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 6). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.5 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 entity operates ("the functional currency"). The consolidated financial statements are presented in Korean won, which is the controlling entity'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.

Exchange differences arising on non-monetary financial assets and liabilities such as equity instruments at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss and included in other comprehensive income, respectively, as part of the fair value gain or loss.

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

2.6 Financial Assets

(a) Classification and measurement

The Group classifies its financial assets in 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.

For hybrid (combined) instruments, the Group is unable to measure an embedded derivative separately from its host contract and therefore, the entire hybrid (combined) contract is classified as at fair value through profit or loss. The financial assets designated as at fair value through profit or loss by the Group are foreign convertible bonds and securitized derivatives.

Regular purchases and sales of financial assets are recognized on the trade date. At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. 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.

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 three months; or the disappearance of an active market for that financial asset because of financial difficulties. A decline in the fair value of an available-for-sale equity instrument by more than 30% from its cost or a prolonged decline below its cost for more than six months is also objective evidence of impairment.

(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. The related financial liability is classified as 'borrowings' in the statement of financial position (Note 11).

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

2.7 Inventories

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

2.8 Property, Plant and Equipment

Property, plant and equipment is 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.

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:

Buildings	22 - 59 years
Structures	13 - 30 years
Machinery	13 - 30 years
Tools and fixtures	6 - 13 years
Equipment	3 - 13 years
Other	3 - 13 years

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

2.9 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.

2.10 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.

2.11 Intangible Assets

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

	Useful lives
Software development costs	5 years

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

2.12 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 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 their useful lives from 40 years.

2.13 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.

2.14 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, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, 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 costs', 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.

2.15 Financial Guarantee Contracts

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*.

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

2.16 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.

2.17 Current and Deferred Income 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.

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 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.

2.18 Employee Benefits

(a) Net Defined benefit liability

The pension schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. 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.

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

2.19 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

Revenue from the sale of goods is recognized when products are delivered to the purchaser.

(b) Interest income

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

(c) Dividend income

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

(d) Customer loyalty programme

The Group operates a customer loyalty programme in which customers are granted rewards to receive discounts on future purchases when purchasing products. The fair value of consideration to give or given for the initial sale is allocated to the reward points and remaining of initial sale, and the consideration allocated to the reward points is measured based on the fair value of reward in exchange of reward points, which is the fair value of reward points considered the proportion of reward points that are not expected to be redeemed. Revenue from the award credits is recognized when it is redeemed.

2.20 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.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases and recognized as lease assets and liabilities at the lower of the fair value of the leased property and the present value of the minimum lease payments on the opening date of the lease period.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

2.21 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2013 financial statements of the Company was approved by the Board of Directors on February 25, 2014, which is subject to change with approval of shareholders at the annual shareholders' meeting.

3. Critical Accounting Estimates and Judgments

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) 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 24).

(b) 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 23).

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group'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.

The financial assets of the Group subject to the financial risk management are cash and cash equivalents, short/long-term financial instruments, available-for-sale financial assets, accounts receivable and other receivables. The Group's financial liabilities consist of accounts payable, other payables and borrowings.

4.1.1 Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Also, subsidiaries regularly valuates, manages and reports on the foreign exchange risks for the receivables and payables in foreign currencies.

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

The Group's financial instruments denominated in major foreign currencies except for functional currency as of December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)

Cash and cash equivalents	2013		2012	
USD	₩	73,940,651	₩	83,214,708
CNY		8,488		6,310
EUR		672,252		2,291,698
HKD		1,786		2,075
JPY		20,164		16,205
	₩	<u>74,643,341</u>	₩	<u>85,530,996</u>

(in thousands of Korean won)

Short-term financial instruments	2013		2012	
USD	₩	31,749,232	₩	-

(in thousands of Korean won)

Accounts receivable and other receivables	2013		2012	
USD	₩	171,154,480	₩	126,018,870
EUR		238,256		83,537
NZD		-		5,386
	₩	<u>171,392,736</u>	₩	<u>126,107,793</u>

(in thousands of Korean won)

Accounts payable and other payables	2013		2012	
USD	₩	47,673,320	₩	53,101,290
EUR		338,270		295,109
CNY		1,549		1,723
	₩	<u>48,013,139</u>	₩	<u>53,398,122</u>

(in thousands of Korean won)

Short-term borrowings	2013		2012	
USD	₩	31,713,375	₩	17,830,202

As of December 31, 2013 and 2012, if the foreign exchange rate fluctuated by 5% while other variables are fixed, the effects on income before tax would be as follows:

<i>(in thousands of Korean won)</i>	2013		2012	
	Increase	Decrease	Increase	Decrease
USD	₩ 9,874,030	₩ (9,874,030)	₩ 6,915,104	₩ (6,915,104)
CNY	347	(347)	229	(229)
EUR	28,612	(28,612)	104,006	(104,006)
HKD	89	(89)	104	(104)
JPY	1,008	(1,008)	810	(810)
NZD	-	-	539	(539)
	<u>₩ 9,904,086</u>	<u>₩ (9,904,086)</u>	<u>₩ 7,020,792</u>	<u>₩ (7,020,792)</u>

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

ii) Price risk

The Group acquires equity securities (including both listed and unlisted) to manage a liquidity risk and for trading. The Group invests in more than one investment vehicle either directly or indirectly, and the fair values of equity securities (excluding subsidiaries and associates) as of December 31, 2013, is ₩42,262,028 thousand (₩56,454,565 thousand) (Note 10).

As of December 31, 2013 and 2012, if the price of equity securities fluctuated by 10%, the effects on other comprehensive income would be as follows:

(in thousands of Korean won)	2013		2012	
	Increase	Decrease	Increase	Decrease
Effects on other comprehensive income				
Available-for-sale financial assets	₩ 6,406,923	₩ (6,406,923)	₩ 8,558,512	₩ (8,558,512)

iii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through changes in interest income(expense) generated from investments and borrowings. The risk mainly arises from investments of floating rate receivables and borrowings of floating rate payables.

As of December 31, 2013 and 2012, if the interest rate fluctuated by 0.1% while other variables are fixed, the effects on profit before income tax would be as follows:

(in thousands of Korean won)	2013		2012	
	Increase	Decrease	Increase	Decrease
Short-term borrowings	₩ (118,991)	₩ 118,991	₩ (131,970)	₩ 131,970

4.1.2 Credit Risk

Credit risk is the risk of possible loss to portfolio due to counterparty's default, breach of covenant and loss of credibility. The Group controls the credit concentration risk exposure by applying and managing total exposure limits to prevent the excessive risk concentration to industry and borrowers.

There has been no loan or receivable included in the accounts receivable or other receivables that are past due or have any sign of doubtful collection. The subsidiary expects low probability of default at the end of the reporting period.

Credit risk can arise from transaction with financial institution such as cash and cash equivalents, deposits with banks, derivative financial instruments. The Group has transactions with counterparties that are above certain credit rating in order to mitigate risks of default.

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

The Group's maximum exposures of financial assets to credit risk without consideration of collaterals' values as of December 31, 2013 and 2012, are as follows:

	2013		
	Book value	Accumulated	Book value
(in thousands of Korean won)	without deduction	impairment loss	
Cash and cash equivalents ¹	₩ 161,019,872	₩ -	₩ 161,019,872
Short-term financial assets	56,198,249	-	56,198,249
Long-term financial assets	12,000	-	12,000
Accounts receivable	152,513,133	(425,483)	152,087,650
Other receivables	41,200,643	(6,227)	41,194,416
Guarantee contract	4,854,380	-	4,854,380
	<u>₩ 415,798,277</u>	<u>₩ (431,710)</u>	<u>₩ 415,366,567</u>

	2012		
	Book value	Accumulated	Book value
(in thousands of Korean won)	without deduction	impairment loss	
Cash and cash equivalents ¹	₩ 144,554,016	₩ -	₩ 144,554,016
Short-term financial assets	30,862,656	-	30,862,656
Long-term financial assets	12,000	-	12,000
Accounts receivable	108,108,886	(957,154)	107,151,732
Other receivables	51,024,296	(6,694)	51,017,602
Guarantee contract	4,927,060	-	4,927,060
	<u>₩ 339,488,914</u>	<u>₩ (963,848)</u>	<u>₩ 338,525,066</u>

¹ Cash on hand is not included in cash and cash equivalents.

4.1.3 Liquidity Risk

Liquidity risk is defined as the risk that the Group is unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing.

The Group forecasts its cash flow and liquidity status, and sets action plans on a regular basis to manage liquidity risk proactively.

Repayment schedule for financial liabilities as of December 31, 2013 and 2012, are as follows:

	2013				
	Within	3 months ~	1 year ~	Over	Total
(in thousands of Korean won)	3 months	1 year	2 years	2 years	
Short-term borrowings	₩ 9,643,303	₩ 23,395,872	₩ -	₩ -	₩ 33,039,175
Long-term borrowings	149,175	447,525	13,298,350	-	13,895,050
Debentures	490,000	1,470,000	1,960,000	53,430,000	57,350,000
Accounts payable	56,486,080	-	-	-	56,486,080
Other payables	31,877,217	5,513,585	56,988	257,378	37,705,168
Guarantee contract ¹	4,854,380	-	-	-	4,854,380

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

(in thousands of Korean won)	2012				Total
	Within 3 months	3 months ~ 1 year	1 year ~ 2 years	Over 2 years	
Short-term borrowings	₩ 17,709,835	₩ 36,111,962	₩ -	₩ -	₩ 53,821,797
Long-term borrowings	149,175	447,525	596,700	13,447,525	14,640,925
Debentures	490,000	1,470,000	1,960,000	55,390,000	59,310,000
Accounts payable	59,281,375	-	-	-	59,281,375
Other payables	21,408,112	3,748,522	5,105	264,571	25,426,310
Guarantee contract ¹	4,927,060	-	-	-	4,927,060

¹ The cash flows are classified on the basis of the earliest period that the agreement can be carried out as stated on the financial guaranty agreement.

4.2 Capital Risk Management

The Group's capital risk management purpose is to maximize shareholders' value through maintaining a sound capital structure. The Group uses debt/equity ratio as indicator of capital management. This ratio is calculated from total liabilities divided by total equity which are posted in the financial statements.

Debt to equity ratios as of December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)	2013	2012
Total liabilities	₩ 310,282,847	₩ 317,969,897
Total equity	901,992,771	680,551,025
Debt to equity ratio	34.40%	46.72%

5. Fair Value

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).

5.1 Fair Value Hierarchy

The following table presents the Group's financial instruments that are measured at fair value as of December 31, 2013 and 2012:

(in thousands of Korean won)	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	₩42,262,028	₩ -	₩ -	₩42,262,028
(in thousands of Korean won)	2012			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	₩56,454,565	₩ -	₩ -	₩56,454,565

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity from the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value.

Other methods such as discount method for cash flows are used for the remaining financial instruments.

The book value are estimated to a reasonable approximate value for the financial instruments, excluding available-for-sale financial assets, and financial liabilities.

5.2 Financial Instruments Measured at Cost

The following table presents available for sale financial assets that are valued at historical cost as of December 31, 2013 and 2012:

<i>(in thousands of Korean won)</i>		Category	2013	2012
Available-for-sale financial assets		MAXPEED CARGO (BD) LTD.	₩ 24,826	₩ 24,826
		KOFAD	500,000	500,000
		MXF TECHNOLOGIES, INC. ¹	1	1
			<u>₩ 524,827</u>	<u>₩ 524,827</u>

¹ Impairment on financial assets is recognized as their net asset value fell below their acquisition cost in the previous year (Note 10).

Above available-for-sale financial assets are unlisted equities associated with project financing. Because the related projects are in their initial phase of business operation, the range of reasonable fair value estimates 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 can develop a reliable estimate of the fair value.

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

6. Segment Information

The Group's reportable segments are organized into clothes, shoes and other business segments depending on the type of each selling product.

Income and loss of each business segment for the years ended December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)	2013				
	Clothes	Shoes	Others ²	Consolidation adjustment	Balance
Sales	₩1,680,983,900	₩ 198,290,738	₩ 239,656,672	₩ (1,010,704,516)	₩1,108,226,794
Operating income ¹	142,886,601	5,357,637	13,270,575	(726,767)	160,788,046
Depreciation and amortization	22,207,508	3,665,775	3,769,589	-	29,642,872

(in thousands of Korean won)	2012				
	Clothes	Shoes	Others ²	Consolidation adjustment	Balance
Sales	₩1,596,727,642	₩156,659,354	₩ 238,721,313	₩ (932,958,969)	₩1,059,149,340
Operating income ¹	163,561,699	5,308,914	18,263,815	(831,681)	186,302,747
Depreciation and amortization	23,079,213	2,937,335	4,747,613	-	30,764,161

¹ Management of the Group evaluates the performance of business segments based on operating income of each segment.

Assets and liabilities by business segment as of December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)	2013					
	Clothes	Shoes	Others	Adjustment ^{3,4}	Consolidation adjustment	Balance
Assets ¹	₩1,553,970,824	₩128,418,494	₩205,539,554	₩ 74,546,731	₩ (750,199,984)	₩1,212,275,619
Investments in associates and jointly controlled entity	236,609,039	11,334,417	103,318,495	-	(293,337,483)	57,924,468
Purchase of non-current assets ²	138,039,182	16,871,864	7,224,403	3,938,874	(5,468,331)	160,605,992
Liabilities ¹	435,350,734	89,687,288	41,034,447	135,676,348	(391,465,970)	310,282,847

(in thousands of Korean won)	2012					
	Clothes	Shoes	Others	Adjustment ^{3,4}	Consolidation adjustment	Balance
Assets ¹	₩1,256,551,916	₩50,216,345	₩206,913,652	₩89,435,571	₩(604,596,563)	₩998,520,921
Investments in associates and jointly controlled entity	232,912,057	11,332,317	57,828,588	-	(290,944,156)	11,128,806
Purchase of non-current assets ²	119,226,658	19,351,393	42,321,819	115,336	(15,918,860)	165,096,346
Liabilities ¹	361,134,586	16,315,391	41,348,162	160,105,080	(260,933,322)	317,969,897

¹ The segment's assets and liabilities reported to the Board are calculated with the same method used for the assets and liabilities on the financial statements and distributed based on the departmental sales.

² The financial instruments are excluded from the acquisition cost of non-current assets.

³ Assets that are not distributed to the reporting business such as deferred income tax, available-for-sale financial assets and others.

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

⁴ Liabilities that are not distributed to the reporting business such as deferred income tax, income tax expense, short-term and long-term borrowings.

The following table presents segment information as of and for the years ended December 31, 2013 and 2012:

Sales and Non-current assets:

(in thousands of Korean won)	Sales		Non-current assets ¹	
	2013	2012	2013	2012
Korea	₩1,096,209,968	₩ 1,054,611,445	₩ 290,222,518	₩ 193,521,799
Bangladesh	690,513,622	631,111,910	125,041,454	76,555,459
Vietnam	140,342,230	125,429,527	63,481,975	55,838,659
China	118,408,795	117,804,486	37,792,273	38,647,574
Other	73,456,696	63,150,941	23,551,666	48,679,301
Consolidation adjustment	(1,010,704,517)	(932,958,969)	7,258,589	8,396,203
	<u>₩1,108,226,794</u>	<u>₩ 1,059,149,340</u>	<u>₩ 547,348,475</u>	<u>₩ 421,638,995</u>

¹ Financial instrument was excluded from acquisition cost of non-current asset.

The Group's sales from major customers of clothing and footwear businesses amount to about ₩ 179 billion.

7. Financial Instruments by Category

Categorizations of financial instruments as of December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)	2013			
	Loans and receivables	Assets classified as available-for-sale	Financial liabilities at amortized cost	Total
Financial assets				
Cash and cash equivalents	₩ 165,387,042	₩ -	₩ -	₩ 165,387,042
Long-term and short-term financial instruments	56,210,249	-	-	56,210,249
Financial assets as available-for-sale	-	42,786,855	-	42,786,855
Accounts receivable	152,087,650	-	-	152,087,650
Other receivables	41,194,416	-	-	41,194,416
	<u>₩ 414,879,357</u>	<u>₩ 42,786,855</u>	<u>₩ -</u>	<u>₩ 457,666,212</u>
Financial liabilities				
Accounts payable	₩ -	₩ -	₩ 56,486,080	₩ 56,486,080
Short-term borrowings	-	-	33,039,175	33,039,175
Other payables	-	-	37,769,970	37,769,970
Debentures	-	-	49,832,916	49,832,916
Long-term borrowings	-	-	13,000,000	13,000,000
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 190,128,141</u>	<u>₩ 190,128,141</u>

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

(in thousands of Korean won)

	2012			
	Loans and receivables	Assets classified as available-for- sale	Financial liabilities at amortized cost	Total
Financial assets				
Cash and cash equivalents	₩ 145,026,772	₩ -	₩ -	₩ 145,026,772
Long-term and short-term financial instruments	30,874,656	-	-	30,874,656
Financial assets as available- for-sale	-	56,979,392	-	56,979,392
Accounts receivable	107,151,732	-	-	107,151,732
Other receivables	51,017,602	-	-	51,017,602
	<u>₩ 334,070,762</u>	<u>₩ 56,979,392</u>	<u>₩ -</u>	<u>₩ 391,050,154</u>
Financial liabilities				
Accounts payable	₩ -	₩ -	₩ 59,281,375	₩ 59,281,375
Short-term borrowings	-	-	53,140,370	53,140,370
Other payables	-	-	25,473,136	25,473,136
Debentures	-	-	49,784,115	49,784,115
Long-term borrowings	-	-	13,000,000	13,000,000
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 200,678,996</u>	<u>₩ 200,678,996</u>

Income and loss of financial instruments by category for the years ended December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)

	2013	2012
Loans and receivables		
Interest income	₩ 3,607,554	₩ 2,483,382
Foreign exchange gain and losses	(493,869)	(7,298,209)
Available-for-sale financial assets		
Gain(Loss) on valuation (Other comprehensive income(loss))	(10,757,943)	4,486,004
Gain(Loss) on disposal (Profit or loss)	(2,552)	(22,941)
Dividend income	630,320	603,250
Financial asset or financial liability at fair value through profit or loss		
Gain(Loss) on transaction of derivatives	(764,250)	-
Financial liabilities at amortized cost		
Interest expense	(2,958,632)	(3,818,774)
Foreign exchange gain and losses	(262,332)	(259,817)

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

8. Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates as of December 31, 2013 and 2012:

<i>(in thousands of Korean won)</i>	2013	2012
Accounts receivable		
Counterparties without external credit rating		
Group 1 ¹	₩ 2,803,056	₩ 5,134,531
Group 2 ²	149,710,077	102,974,355
Group 3 ³	-	-
Sum of unimpaired accounts receivable	<u>₩ 152,513,133</u>	<u>₩ 108,108,886</u>

¹ New customers/related parties (less than 12 months).

² Existing customers/related parties (more than 12 months) with no defaults in the past.

³ Existing customers with some defaults in the past. All defaults were fully recovered.

<i>(in thousands of Korean won)</i>	2013	2012
Cash at bank and short-term bank deposits¹		
Counterparties with external credit rating		
A1	₩ 120,210,121	₩ 94,626,563
A2	21,556,406	21,165,648
A3	-	210
Baa2	19,253,345	28,811,997
	<u>₩ 161,019,872</u>	<u>₩ 144,604,418</u>

¹ All other 'cash and cash equivalents' in the statement of financial position are cash on hand.

<i>(in thousands of Korean won)</i>	2013	2012
Short-term financial assets		
Counterparties with external credit rating		
A1	₩ 24,449,017	₩ 25,862,656
A2	-	5,000,000
Baa2	31,749,232	-
	<u>₩ 56,198,249</u>	<u>₩ 30,862,656</u>

<i>(in thousands of Korean won)</i>	2013	2012
Long-term financial assets		
Counterparties with external credit rating		
A1	₩ 12,000	₩ 9,500
A2	-	2,500
	<u>₩ 12,000</u>	<u>₩ 12,000</u>

None of normal financial assets was readjusted during the year 2012. None of the loans to related parties is past due nor impaired.

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

9. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Cash in hand	₩ 4,367,170	₩ 472,756
Short-term bank deposits	161,019,872	144,604,418
Government grants	-	(50,402)
	<u>₩ 165,387,042</u>	<u>₩ 145,026,772</u>

Restricted financial instruments as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	Financial institution	2013	2012	Reason of restriction
	Shinhan Bank and others			
Long-term financial assets		₩ 12,000	₩ 12,000	Guarantee deposit

10. Available-for-sale Financial Assets

The changes in available-for-sale financial assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
At January 1	₩ 56,979,392	₩ 12,416,503
Additions	42,910	39,519,602
Disposals	(42,910)	(874,924)
Evaluations	<u>(14,192,537)</u>	<u>5,918,211</u>
At December 31	<u>₩ 42,786,855</u>	<u>₩ 56,979,392</u>

Available-for-sale financial assets as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Marketable financial assets ¹		
(except for Investments in subsidiary, associates, jointly controlled entity)	₩ 42,262,028	₩ 56,454,565
Unmarketable financial assets ²		
(except for Investments in subsidiary, associates, jointly controlled entity)	524,827	524,827
	<u>₩ 42,786,855</u>	<u>₩ 56,979,392</u>

¹ The details of marketable financial assets as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013				2012	
	Number of shares	Percentage of ownership	Acquisition cost	Fair Value	Book value	Book value
GOLDWIN INC.	₩ 8,856,000	15.05%	₩ 45,489,450	₩ 42,262,028	₩ 42,262,028	₩ 56,454,565

²The Group measured the fair value of marketable equity securities which are included in available-for-sale financial assets at market prices that are used in the active market.

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Unlisted equity securities which are included in available-for-sale equity securities that cannot be reliably measured at fair value and are not traded in an active market are measured at acquisition cost (Note 5).

None of the available-for sale financial assets as of December 31, 2013 and 2012, is either past due or impaired. Losses of unlisted equity securities in the amount of ₩ 129,233 thousand before December 31, 2012, were due to impairment.

11. Accounts Receivable

Accounts receivable as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Accounts receivable	₩ 152,513,133	₩ 108,108,886
Less: provision for impairment of account receivables	(425,483)	(957,154)
Accounts receivable ,net	₩ 152,087,650	₩ 107,151,732

The Group transferred receivable balances to a bank in exchange for cash during the year ended December 31, 2013. The transaction has been accounted for as a collateralized borrowing (Note 22). In case of that the entities default under the loan agreement, the bank has the right to receive the cash flows from the Company.

Details of transferred accounts receivable that are not derecognized in their entirety as of December 31, 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Carrying amount of the transferred assets ¹	₩ 31,713,375	₩ 17,704,209
Carrying amount of the associated liabilities	31,713,375	17,704,209

¹ Accounts receivable before elimination of consolidation

The aging analyses of accounts receivable as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Receivables not past due	₩ 152,513,133	₩ 108,108,886
Past due but not impaired ¹		
Up to 3 months	-	-
3 to 6 months	-	-
Impaired		
Over 6 months	-	-
	₩ 152,513,133	₩ 108,108,886

¹ Accounts receivable past due but not impaired relate to a number of independent customers for whom there is no recent history of default.

Movements on the provision for impairment of accounts receivable for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Beginning	₩ 957,154	₩ 1,016,132
Unused amounts reversed	(531,671)	(58,978)

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Ending	₩	425,483	₩	957,154
The provision and reverse of provision for impaired receivables have been included in 'selling and administrative expenses' in the income statement (Note 28).				

12. Other Receivables

Other receivables as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>		2013		2012
Current				
Short-term loans	₩	25,713,994	₩	34,823,689
Accrued income		173,617		295,597
Non-trade receivables		6,247,693		6,233,878
Provision		(6,227)		(6,694)
		<u>32,129,077</u>		<u>41,346,470</u>
Non current				
Long-term loans		-		828,189
Rent deposits		7,825,124		7,744,669
Other deposits		1,240,215		1,098,274
		<u>9,065,339</u>		<u>9,671,132</u>
	₩	<u>41,194,416</u>	₩	<u>51,017,602</u>

There are no impaired or past due receivables as of December 31, 2013 and 2012.

Movements on the provision for impairment of trade receivables for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>		2013		2012
Beginning	₩	6,694	₩	6,694
Provision(reversal)		(467)		-
Ending	₩	<u>6,227</u>	₩	<u>6,694</u>

The provision and reversal of provision for impaired receivables have been included in 'selling and administrative expenses' (Note 28) in the income statement.

13. Other Assets

Other assets as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>		2013		2012
Current				
Advances	₩	26,214,102	₩	21,593,534
Provision for advances		-		(81,189)
Prepaid expenses		1,005,530		928,237
Prepaid VAT		3,419,949		2,444,834
Prepaid income tax		71,322		110,476
Others		695,693		9,732
		<u>31,406,596</u>		<u>25,005,624</u>
Non-current				
Prepaid expenses		3,708,209		1,670,549
Others		-		6,125
		<u>3,708,209</u>		<u>1,676,674</u>
	₩	<u>35,114,805</u>	₩	<u>26,682,298</u>

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

14. Inventories

Inventories as of December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)

	2013		
	Before valuation	Valuation allowance	Book value
Merchandise	₩ 45,479,035	₩ (22,955,323)	₩ 22,523,712
Finished goods	25,446,920	(1,559,113)	23,887,807
Raw materials	82,051,833	(7,001,621)	75,050,212
Work in progress	25,729,286	(7,355)	25,721,931
Supplies	16,559,015	-	16,559,015
Goods in transit	8,403,448	-	8,403,448
	<u>₩ 203,669,537</u>	<u>₩ (31,523,412)</u>	<u>₩ 172,146,125</u>

(in thousands of Korean won)

	2012		
	Before valuation	Valuation allowance	Book value
Merchandise	₩ 37,936,524	₩ (17,655,892)	₩ 20,280,632
Finished goods	29,508,726	(1,221,332)	28,287,394
Raw materials	74,150,488	(5,037,918)	69,112,570
Work in progress	24,398,106	-	24,398,106
Supplies	10,265,632	-	10,265,632
Goods in transit	6,805,141	-	6,805,141
	<u>₩ 183,064,617</u>	<u>₩ (23,915,142)</u>	<u>₩ 159,149,475</u>

As of December 31, 2013, inventories are pledged as collateral in relation to borrowings (Note 22).

The cost of inventories recognized as expense amounted to ₩ 571,921,001 thousand (2012: ₩ 541,699,360 thousand).

15. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)

	2013								
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Facilities	Construction in progress	Total
Beginning balance (net)	₩ 54,538,641	₩ 90,341,132	₩ 316,842	₩ 71,268,849	₩ 35,712,643	₩ 9,805,180	₩ 878,097	₩ 89,117,319	₩ 351,978,703
Acquisitions	2,577,117	23,847,336	469,903	22,180,484	1,525,768	7,963,975	1,303,642	49,471,439	109,339,664
Disposals	(35,839)	(263,270)	(7,195)	(2,668,171)	(41,083)	(163,361)	(86,369)	(115,385)	(3,380,673)
Depreciation	-	(4,200,550)	(29,373)	(15,752,314)	(4,208,616)	(3,031,542)	(475,429)	-	(27,697,824)
Transfer	(1,305,794)	20,776,215	-	19,609,349	202,348	4,440	3,688,279	(64,176,240)	(21,201,403)
Currency translation differences	(23,232)	(327,949)	3,738	(390,872)	(463,380)	(22,613)	(136,097)	(261,165)	(1,621,570)
Ending balance (net)	55,750,893	130,172,914	753,915	94,247,325	32,727,680	14,556,079	5,172,123	74,035,968	407,416,897
Cost	55,750,893	154,491,507	1,073,327	189,443,982	48,084,359	35,453,232	9,057,693	74,035,968	567,390,961
Accumulated depreciation	-	(24,318,593)	(319,412)	(95,196,657)	(15,356,679)	(20,897,153)	(3,885,570)	-	(159,974,064)
Net book amount	<u>₩55,750,893</u>	<u>₩130,172,914</u>	<u>₩ 753,915</u>	<u>₩94,247,325</u>	<u>₩32,727,680</u>	<u>₩14,556,079</u>	<u>₩5,172,123</u>	<u>₩74,035,968</u>	<u>₩407,416,897</u>

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

(in thousands of
Korean won)

	2012								
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Facilities	Construction in progress	Total
Beginning balance (net)	₩31,969,564	₩ 102,139,253	₩ 337,375	₩67,083,375	₩20,216,066	₩9,276,219	₩1,395,944	₩29,442,783	₩261,860,579
Acquisitions	36,622,970	4,585,370	-	25,049,329	22,030,466	4,224,840	246,162	68,239,097	160,998,234
Disposals	(5,982,087)	(908,450)	-	(2,551,724)	(41,878)	(88,135)	(38,855)	-	(9,611,129)
Depreciation	-	(4,268,016)	(20,533)	(17,125,455)	(4,214,039)	(3,599,055)	(646,741)	-	(29,873,839)
Transfer	(7,834,709)	(8,365,231)	-	2,241,060	-	72,044	20,437	(6,384,177)	(20,250,576)
Currency translation differences	(237,097)	(3,038,822)	-	(3,461,609)	(2,311,764)	(169,623)	(98,850)	(2,180,384)	(11,498,149)
Changes in scope of consolidation	-	197,028	-	33,873	33,792	88,890	-	-	353,583
Ending balance (net)	54,538,641	90,341,132	316,842	71,268,849	35,712,643	9,805,180	878,097	89,117,319	351,978,703
Cost	54,538,641	112,549,098	605,740	153,558,553	46,382,582	29,038,252	4,395,076	89,117,319	490,185,261
Accumulated depreciation	-	(22,207,966)	(288,898)	(82,289,704)	(10,669,939)	(19,233,072)	(3,516,979)	-	(138,206,558)
Net book amount	₩54,538,641	₩ 90,341,132	₩ 316,842	₩71,268,849	₩35,712,643	₩9,805,180	₩ 878,097	₩89,117,319	₩351,978,703

Depreciation expense of ₩ 18,716,056 thousand (2012: ₩ 20,831,360 thousand) has been charged to 'manufacturing cost' and ₩ 8,981,766 thousand (2012: ₩ 9,042,479 thousand) to 'selling and administrative expenses'.

Details of capitalized borrowing costs as of December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)	2013	2012
Construction-in-progress	₩ 2,036,911	₩ 1,012,624

Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.36% (2012: 3.92%).

16. Intangible Assets

Intangible assets for the years ended December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)	2013			
	Industrial property	Software	Membership rights	Total
Beginning balance	₩ 68,877	₩ 2,915,188	₩ 921,684	₩ 3,905,749
Acquisitions	3,740	323,519	5,806	333,065
Amortization	(35,043)	(764,528)	-	(799,571)
Disposals	-	-	-	-
Currency translation differences	-	6,718	(153)	6,565
Ending balance	37,574	2,480,897	927,337	3,445,808
Cost	176,774	4,093,081	931,888	5,201,743
Accumulated amortization	(139,200)	(1,612,184)	(4,551)	(1,755,935)
Net book amount	₩ 37,574	₩ 2,480,897	₩ 927,337	₩ 3,445,808

(in thousands of Korean won)	2012			
	Industrial property	Software	Membership rights	Total
Beginning balance	₩ 98,408	₩ 1,144,301	₩ 921,684	₩ 2,164,393

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Acquisitions	4,686	2,285,406	-	2,290,092
Amortization	(34,217)	(524,420)	-	(558,637)
Disposals	-	-	-	-
Currency translation differences	-	9,901	-	9,901
Ending balance	68,877	2,915,188	921,684	3,905,749
Cost	173,034	5,249,467	921,684	6,344,185
Accumulated amortization	(104,157)	(2,334,279)	-	(2,438,436)
Net book amount	₩ 68,877	₩ 2,915,188	₩ 921,684	₩ 3,905,749

Amortization of ₩ 129,729 thousand (2012: ₩ 28,225 thousand) is included in the 'cost of sales' in the income statement; and ₩ 669,842 thousand (2012: ₩ 530,412 thousand) in 'selling and administrative expenses'.

17. Investment Property

Changes in investment property for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>		2013		2012
Beginning acquisition cost	₩	54,625,738	₩	34,591,511
Acquisition		3,938,874		115,336
Depreciation		(1,145,477)		(331,685)
Transfer		21,142,168		20,250,576
Net book value	₩	78,561,303	₩	54,625,738
Ending acquisition cost	₩	88,237,579	₩	61,078,207
Ending accumulated depreciation		(9,676,276)		(6,452,469)
Ending net book value	₩	78,561,303	₩	54,625,738

Fair value of investment property as of December 31, 2013, is ₩ 114,130,718 thousand (2012: ₩ 89,331,411 thousand).

Rent income from investment property during the year ended December 31, 2013, is ₩ 4,222,848 thousand (2012: ₩ 2,810,467 thousand).

18. Collateralized Assets

Collateralized assets related to the Group's borrowings as of December 31, 2013, are as follows:

(only Korean won in thousands)

Collateralized assets	Location	Financial institution	Collateralized amount
Geumgwang-dong Company building (Land and buildings)	293 Gwangmyung-ro, Jungwong-gu, Sungnam	Shinhan Bank	₩ 57,500,000 USD 2,400,000
Banyeo-dong Company building (Land and buildings)	20 Banyeo-ro, Haeundae-gu, Pusan	NongHyup	₩ 3,900,000
Hawolgok-dong Company building (Land and buildings)	37 Opaesan-ro, Seongbuk-gu, Seoul	Woori Bank	₩ 8,460,000

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Collateralized assets include investment property.

19. Associate and Jointly Controlled Entities

The Group's investments in associate and jointly controlled entities as of December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)	Location	Percentage of shares owned	2013			2012		
			Acquisition cost	Net assets	Book value	Acquisition cost	Net assets	Book value
DTI ¹	New Zealand	50.00%	₩ 5,984,936	₩ 9,873,960	₩ 9,873,960	₩ 5,984,936	₩ 8,789,612	₩ 8,789,613
GGL ²	Hong Kong	55.00%	12,472,928	1,894,606	1,894,606	8,583,528	2,339,193	2,339,193
SCOTT ³	Swiss	20.00%	45,812,000	30,433,280	46,155,902	-	-	-
			<u>₩64,269,864</u>	<u>₩42,201,846</u>	<u>₩57,924,468</u>	<u>₩14,568,464</u>	<u>₩11,128,805</u>	<u>₩11,128,806</u>

¹ DESIGNER TEXTILES INTERNATIONAL LTD.

² GREEN GROUND LTD.

³ SCOTT CORPORATION SA.

Changes in investments in associate and jointly controlled entities for the years ended December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)	2013						
	Beginning balance	Acquisition	Dividends	Share of profit(loss)	Shares of other comprehensive income of associates accounted for using the equity method	Disposal	Ending balance
GGL	₩ 8,789,613	₩ -	₩ -	₩ 1,275,093	₩ (190,746)	₩ -	₩ 9,873,960
DTI	2,339,193	1,182,390	-	(1,635,720)	8,743	-	1,894,606
SCOTT	-	45,812,000	-	1,917,867	(1,573,965)	-	46,155,902
	<u>₩11,128,806</u>	<u>₩46,994,390</u>	<u>₩ -</u>	<u>₩ 1,557,240</u>	<u>₩ (1,755,968)</u>	<u>₩ -</u>	<u>₩57,924,468</u>

(in thousands of Korean won)	2012						
	Beginning balance	Acquisition	Dividends	Share of profit(loss)	Shares of other comprehensive income of associates accounted for using the equity method	Disposal	Ending balance
GGL	₩ 7,253,037	₩ -	₩ -	₩ 1,357,720	₩ 178,856	₩ -	₩ 8,789,613
DTI	2,440,027	1,570,938	-	(1,487,689)	(184,083)	-	2,339,193
Scott North Asia Ltd.	409,281	-	-	(131,483)	-	(277,798)	-
	<u>₩10,102,345</u>	<u>₩1,570,938</u>	<u>₩ -</u>	<u>₩ (261,452)</u>	<u>₩ (5,227)</u>	<u>₩ (277,798)</u>	<u>₩11,128,806</u>

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

The summary of financial information on its principal associate and jointly controlled entities as of and for the years ended December 31, 2013 and 2012, follows:

<i>(in thousands of Korean won)</i>		2013			
	Assets	Liabilities	Revenues	Profit/(loss)	Other comprehensive income (loss)
DTI ²	₩ 29,410,064	₩ 9,662,144	₩ 41,046,599	₩ 2,550,186	₩ (381,492)
GGL ^{1,2}	4,006,991	562,252	-	(2,974,036)	15,896
SCOTT	424,088,928	271,855,961	165,375,061	₩11,798,655	(7,869,825)
<i>(in thousands of Korean won)</i>		2012			
	Assets	Liabilities	Revenues	Profit/(loss)	Other comprehensive income (loss)
DTI ²	₩ 24,595,696	₩ 7,016,472	₩ 51,501,336	₩ 2,714,646	₩ 357,712
GGL ^{1,2}	4,619,252	366,173	-	(2,704,889)	(334,696)

¹ The effects on the financial statements and content of the equity method applied to reconcile GGL's accounting policy with the parent company are as follows:

<i>(in thousands of Korean won)</i>	Net assets before adjustment	Adjustment	Net assets after adjustment
Application of equity method	₩ 21,183,675	₩ (17,738,937)	₩ 3,444,738

² The ratio of shareholding is over 50%. However, it is not classified as subsidiary, as it is a joint controlled entity.

Details of adjustments from financial information of major associate and joint ventures to the book value of investments in associate and joint ventures for the years ended December 31, 2013 and 2012, are as follows:

		2013						
<i>(in thousands of Korean won)</i>	Net assets at the end of the year (a)	Net assets of equity shares (b)	Interests in net assets (a*b)	Goodwill	Intangible assets	Intergroup transactions	Book value	
DTI	₩19,747,920	50%	₩ 9,873,960	₩ -	₩ -	₩ -	₩ 9,873,960	
GGL	3,444,738	55%	1,894,606	-	-	-	1,894,606	
SCOTT	152,166,401	20%	30,433,280	10,632,415	5,532,070	(441,863)	46,155,902	

		2012						
<i>(in thousands of Korean won)</i>	Net assets at the end of the year (a)	Net assets of equity shares (b)	Interests in net assets (a*b)	Goodwill	Intangible assets	Intergroup transactions	Book value	
DTI	₩17,579,225	55%	₩ 8,789,612	₩ -	₩ -	₩ -	₩ 8,789,612	
GGL	4,253,079	50%	2,339,193	-	-	-	2,339,193	

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

20. Accounts Payable and Other Payables

Accounts payable and other payables as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Current		
Accounts payable	₩ 56,486,080	₩ 59,281,375
Other payables	8,067,479	2,657,157
Accrued expense	24,814,635	18,850,280
Rent deposits	3,618,471	2,574,357
Operation deposits	1,000,000	1,107,826
Financial guarantee contract ¹	12,007	18,946
	<u>93,998,672</u>	<u>84,489,941</u>
Non-current liabilities		
Accrued expenses	257,378	264,571
	<u>₩ 94,256,050</u>	<u>₩ 84,754,512</u>

¹ As of December 31, 2013, the Group provides payment guarantee in relation to the associates and jointly controlled entities' borrowings (Note 37).

21. Other Liabilities

Details of other liabilities as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Current		
Customer advances	₩ 921,556	₩ 900,655
Unearned revenue	808,459	2,187,332
Returnable deposits	650,899	550,351
Deposits for value added tax	181,747	24,870
Others	126,013	24,248
	<u>₩ 2,688,674</u>	<u>₩ 3,687,456</u>

22. Borrowings

Details of borrowings as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Current		
Bank overdrafts	₩ 231,547	₩ 1,089,009
Collateralized borrowings	31,713,375	17,704,209
Bank borrowings	-	34,321,407
Other borrowings	1,094,253	25,745
	<u>33,039,175</u>	<u>53,140,370</u>
Non-current		
Debentures	49,832,916	49,784,115
Bank borrowings	13,000,000	13,000,000
	<u>62,832,916</u>	<u>62,784,115</u>

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

₩	95,872,091	₩	115,924,485
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Details of bank borrowings as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	Creditor	Latest maturity date	Annual interest rate(%) December 31,2013	2013	2012
Current					
Overdrafts	Standard Chartered and others	-	6M Libor + 2.00	₩ 231,547	₩ 1,089,009
General borrowings	Shinhan Bank	-	-	-	30,000,000
Foreign currency ¹	Citibank and others	-	-	-	4,321,407
Collateralized borrowings ²	Woori Bank and others	-	6M Libor + 1.61	31,713,375	17,704,209
Borrowings in foreign currency	KEPZ	-	-	1,094,253	25,746
				<u>33,039,175</u>	<u>53,140,371</u>
Non-current					
Long-term borrowings	Woori Bank	2015.04.27	3M CD + 1.74	13,000,000	13,000,000
				<u>₩ 46,039,175</u>	<u>₩ 66,140,371</u>

¹ Borrowings are collateralized with inventories (Note 14).

² Borrowings are collateralized with land and buildings (Notes 15, 17 and 18).

Details of debentures as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	Issue date	Latest maturity date	Annual interest rate(%) December 31,2013	2013	2012
1 st non-guaranteed debenture	2012-06-29	2017-06-29	3.92	₩ 50,000,000	₩ 50,000,000
Less: Discount on debenture				(167,084)	(215,885)
				<u>₩ 49,832,916</u>	<u>₩ 49,784,115</u>

23. Net Defined Benefit Liability

Net defined benefit liability recognized on the statements of financial position as of December 31, 2013 and 2012, is as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Present value defined benefit liability	₩ 17,590,199	₩ 15,455,883
Fair value of plan assets ¹	(16,514,917)	(12,984,602)
Liability on the statement of financial position	<u>₩ 1,075,282</u>	<u>₩ 2,471,281</u>

¹ Contributions to the National Pension Fund of ₩30,447 thousand (2012: ₩ 30,641 thousand), are included to fair value of plan assets.

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Beginning balance	₩ 15,455,883	₩ 14,227,619
Current service cost	2,346,505	2,063,727

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Interest expense	576,410	622,745
Past service cost and gains and losses arising from settlements	-	603,726
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	(98,594)	(93,243)
Actuarial gains and losses arising from changes in financial assumptions	(257,436)	538,529
Actuarial gains and losses arising from experience adjustments	548,135	(14,277)
Payments from plans:		
Benefit payments	(867,358)	(2,473,735)
Liability to associates	(113,346)	(3,192)
Conversion of defined contribution	-	(16,016)
Ending balance	₩ 17,590,199	₩ 15,455,883

The movements in the fair value of plan assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Beginning balance	₩ 12,984,602	₩ 10,039,200
Interest income	521,644	509,451
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(64,597)	(77,485)
Contributions:		
Employers	3,800,000	3,700,000
Payments from plans:		
Benefit payments	(646,653)	(1,167,266)
Effect arising from transfer from associates	(80,079)	(3,192)
Conversion of defined contribution	-	(16,106)
Ending balance	₩ 16,514,917	₩ 12,984,602

The principal actuarial assumptions as of December 31, 2013 and 2012, are as follows:

	2013	2012
Discount rate	4.20%	4.00%
Future salary increases ¹	5.15%	5.15%

¹ Inflation rate included.

Plan assets as of December 31, 2013 and 2012, consist of the following:

<i>(in thousands of Korean won)</i>	2013	2012
Current portion of assets	₩ 3,296,378	₩ 4,410,870
Securities	11,144,266	5,710,628
Loan	1,666,355	280,467
Others	407,918	2,582,637
	₩ 16,514,917	₩ 12,984,602

The sensitivity of the defined benefit obligations as of December 31, 2013, to changes in the

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

weighted principal assumptions is:

*(in thousands of
Korean won)*

	Effect on defined benefit obligation		
	Changes in principal assumption	Increase in principal assumption	Decrease in principal assumption
Discount rate	1%	₩ (1,186,741)	₩ 1,362,791
Salary growth rate	1%	1,331,182	(1,183,127)

The Group reviews the funding level on an annual basis and has a policy to eliminate deficit in the fund.

Expected contributions to post-employment benefit plans for the year ended December 31, 2014 are ₩ 2,585,660 thousand.

Expected maturity analysis of undiscounted pension benefits as of December 31, 2013, 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	₩ 2,111,409	₩ 1,884,668	₩ 7,029,676	₩ 11,916,327	₩ 22,942,080

The weighted average duration of the defined benefit obligations is 7.26 years.

24. Deferred Income Tax

Deferred tax assets and deferred tax liabilities as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	₩ 10,003,306	₩ 9,021,547
Deferred tax asset to be recovered after more than 12 months	6,311,615	4,865,526
	<u>16,314,921</u>	<u>13,887,073</u>
Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	(2,845,604)	(2,859,476)
Deferred tax liability to be recovered after more than 12 months	(116,748,355)	(108,280,356)
	<u>(119,593,959)</u>	<u>(111,139,832)</u>
Deferred tax assets(liabilities), net	<u>₩ (103,279,038)</u>	<u>₩ (97,252,759)</u>

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

The gross movement on the deferred income tax account for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Beginning balance	₩ (97,252,759)	₩ (76,483,751)
Exchange differences	(4,468)	35,926
Income statement charge (Note 33)	(9,518,527)	(19,372,727)
Tax charged/(credited) directly to equity (Note 33)	3,496,716	(1,432,207)
Ending balance	<u>₩ (103,279,038)</u>	<u>₩ (97,252,759)</u>

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

<i>(in thousands of Korean won)</i>	January 1, 2013	Income statement	Equity	Foreign currency translation	December 31, 2013
Deferred tax assets					
Provision for sales promotion	₩ 529,334	₩ (333,687)	₩ -	₩ -	₩ 195,647
Agent sales	3,881,558	14,831	-	-	3,896,389
Loss on valuation of inventories	4,272,726	1,282,462	-	-	5,555,188
Service fees	3,651	-	-	-	3,651
Bad debts expense	182,884	-	-	-	182,884
Impairment loss of available-for-sale financial assets	31,274	-	-	-	31,274
Loss on valuation of available-for-sale financial assets	-	-	781,036	-	781,036
Payment guarantee	635,456	380,742	-	-	1,016,198
Interest related to loan for construction	30,098	(1,037)	-	-	29,061
Retirement benefit obligation	3,308,614	235,283	62,122	-	3,606,019
Receivables	846,976	141	-	-	847,117
Accrued expenses	151,394	18,153	-	-	169,547
Others	13,108	(12,198)	-	-	910
	<u>₩ 13,887,073</u>	<u>₩ 1,584,690</u>	<u>₩ 843,158</u>	<u>₩ -</u>	<u>₩ 16,314,921</u>
Deferred tax liabilities					
Accrued income	₩ (77,491)	₩ 23,513	₩ -	₩ -	₩ (53,978)
Agent cost of goods sold	(2,781,986)	(9,640)	-	-	(2,791,626)
Advanced depreciation provision	(2,767,789)	-	-	-	(2,767,789)
Investments in subsidiaries and jointly controlled entity	(98,875,464)	(10,695,152)	-	-	(109,570,616)
Gain on valuation of available-for-sale financial assets	(2,653,558)	-	2,653,558	-	-
Insurance for retirement	(3,127,364)	(478,655)	-	-	(3,606,019)
Depreciation	(539,765)	56,717	-	(9,136)	(492,184)
Others	(316,415)	-	-	4,668	(311,747)
	<u>₩ (111,139,832)</u>	<u>₩ (11,103,217)</u>	<u>₩ 2,653,558</u>	<u>₩ (4,468)</u>	<u>₩ (119,593,959)</u>

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

<i>(in thousands of Korean won)</i>	January 1, 2012	Income statement	Equity	Foreign currency translation	December 31, 2012
Deferred tax assets					
Provision for sales promotion	₩ 460,436	₩ 68,898	₩ -	₩ -	₩ 529,334
Agent sales	3,875,683	5,875	-	-	3,881,558
Loss on valuation of inventories	1,700,864	2,571,862	-	-	4,272,726
Service fees	3,651	-	-	-	3,651
Bad debts expense	182,884	-	-	-	182,884
Impairment loss of available-for-sale financial assets	31,274	-	-	-	31,274
Payment guarantee	624,785	10,671	-	-	635,456
Interest related to loan for construction	31,136	(1,038)	-	-	30,098
Retirement benefit obligation	2,694,779	490,779	123,056	-	3,308,614
Receivables	787,525	59,451	-	-	846,976
Accrued expenses	137,325	14,069	-	-	151,394
Others	910	12,198	-	-	13,108
	<u>₩10,531,252</u>	<u>₩ 3,232,765</u>	<u>₩ 123,056</u>	<u>₩ -</u>	<u>₩ 13,887,073</u>
Deferred tax liabilities					
			₩		
Accrued income	₩ (46,985)	(30,506)	-	₩ -	₩ (77,491)
Agent cost of goods sold	(2,527,985)	(254,001)	-	-	(2,781,986)
Advanced depreciation provision	(2,767,789)	-	-	-	(2,767,789)
Investments in subsidiaries and jointly controlled entity	(77,639,769)	(21,235,695)	-	-	(98,875,464)
Gain on valuation of available-for-sale financial assets	(1,221,351)	-	(1,432,207)	-	(2,653,558)
Insurance for retirement	(2,420,415)	(706,949)	-	-	(3,127,364)
Depreciation	(50,010)	(501,399)	-	11,644	(539,765)
Others	(340,698)	-	-	24,283	(316,415)
	<u>₩ (87,015,002)</u>	<u>₩ (22,728,550)</u>	<u>₩ (1,432,207)</u>	<u>₩ 35,927</u>	<u>₩ (111,139,832)</u>

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Deferred income tax assets not recognized for the deductible temporary difference, because it is not probable that the temporary differences will reverse in the foreseeable future as of December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Accumulated deficit	₩ 7,466,561	₩ 5,772,998

As of December 31, 2013, deferred tax assets amounting to ₩16,127,318 thousand (2012: ₩15,967,967 thousand) were not recognized due to the remote possibility of realization, which are related to deductible temporary differences amounting to ₩66,641,812 thousand (2012: ₩65,983,337 thousand) included in other comprehensive income of subsidiaries deemed to be disposed of.

Youngone Corporation and Subsidiaries **Notes to Consolidated Financial Statements** **December 31, 2013 and 2012**

25. Capital Stock

Changes in share capital and premium for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>		No. of shares (unit: shares)	Common stocks	Share premium	Total
January 1, 2012	Beginning of the prior year	₩ 40,811,468	₩ 20,405,734	₩ 334,814,957	₩ 355,220,691
December 31, 2012	Ending of the prior year	<u>40,811,468</u>	<u>20,405,734</u>	<u>334,814,957</u>	<u>355,220,691</u>
January 1, 2013	Beginning of the year	40,811,468	20,405,734	334,814,957	355,220,691
February 6, 2013	Stock issuance ¹	<u>3,500,000</u>	<u>1,750,000</u>	<u>118,452,274</u>	<u>120,202,274</u>
December 31, 2013	Ending of the year	<u>₩ 44,311,468</u>	<u>₩ 22,155,734</u>	<u>₩ 453,267,231</u>	<u>₩ 475,422,965</u>

¹The Company issued new stocks as approved by Board of Directors on January 31, 2013, and listed its Global Depositary Receipts (GDR) amounting to USD 113,750,000 on Singapore Exchange Securities Trading Ltd. on February 14, 2013.

The details of share capital and premium for the years ended December 31, 2013 and 2012, are as follows:

<i>(in Korean won, number of shares)</i>	2013	2012
Number of shares authorized to issue	100,000,000	100,000,000
Par value per share	₩ 500	₩ 500
Number of shares outstanding	44,311,468	40,811,468
Capital stock	₩ 22,155,734,000	₩ 20,405,734,000
Share premium	₩ 453,267,231,054	₩ 334,814,957,228

26. Other Components of Equity

The details of other components of equity as of December 31, 2013 and 2012, are as follows:

<i>(in Korean won, number of shares)</i>	2013	2012
Capital surplus		
Other capital adjustment	₩ (825,155)	₩ (825,155)
Other comprehensive income		
Gain on valuation of available-for-sale financial assets	(2,446,386)	8,311,557
Shares of other comprehensive income of associates accounted for using the equity method	-	465,367
Negative shares of other comprehensive income of associates accounted for using the equity method	(2,681,413)	(1,390,812)
Currency translation differences	(55,837,574)	(55,737,447)
Actuarial losses	<u>(2,585,675)</u>	<u>(2,391,095)</u>
	<u>(63,551,048)</u>	<u>(50,742,430)</u>
Capital adjustments		
Treasury shares ¹	<u>(2,414)</u>	<u>(2,414)</u>
	<u>₩ (64,378,617)</u>	<u>₩ (51,569,999)</u>

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

¹ Details of treasury shares whose voting power is limited by regulations as of December 31, 2012, are as follows:

Owner	Number of shares	Ownership	Reason for restriction
Treasury shares	289	0.0007%	Commercial Law Article 369, Part II

Changes in accumulated other comprehensive income for the year ended December 31, 2012, is as follows:

(in thousands of Korean won)

	Beginning	Increase (Decrease)	Ending
Available-for-sale assets	₩ 8,311,557	₩ (10,757,943)	₩ (2,446,386)
Shares of other comprehensive income of associates accounted for using the equity method	465,367	(465,367)	-
Share in other comprehensive loss of associates accounted for using the equity method	(1,390,812)	(1,290,601)	(2,681,413)
Currency translation differences	(55,737,447)	(100,127)	(55,837,574)
Actuarial losses	(2,391,095)	(194,580)	(2,585,675)
	<u>₩ (50,742,430)</u>	<u>₩ (12,808,618)</u>	<u>₩ (63,551,048)</u>

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

27. Retained Earnings

Retained earnings as of December 31, 2013 and 2012, consist of:

(in thousands of Korean won)

	2013	2012
Legal reserves ¹	₩ 3,320,000	₩ 2,420,000
Voluntary reserves ²	150,000,000	110,000,000
Unappropriate retained earnings	287,076,644	225,635,696
	<u>₩ 440,396,644</u>	<u>₩ 338,055,696</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

² Voluntary reserves are the retained earnings that are allowed with the approval of the shareholders.

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

28. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)

	2013	2012
Salaries	₩ 40,504,796	₩ 37,036,912
Severance benefits	2,401,271	2,780,746
Employee benefits	5,347,804	5,038,568
Travel expense	559,155	481,315
Communications	1,831,517	1,764,631
Utilities	996,883	795,409
Tax and duties	1,546,071	958,089
Rent expenses	8,665,594	9,803,769
Depreciation	10,127,245	9,374,164
Repairs	1,539,290	1,205,249
Vehicle maintenance	4,654,917	2,425,161
Entertainment	1,152,655	926,733
Supplies	950,088	749,430
Insurance	2,160,381	2,171,403
Publications	75,488	80,501
Training	299,868	148,858
Service fees	15,787,707	11,706,493
Samples	173,381	180,589
Advertising costs	1,987,833	3,027,886
Transportation	528,572	886,748
Exports	4,460,775	3,529,219
Shipping	6,347,782	3,291,456
Amortization	669,842	530,412
Overseas marketing	3,629,254	4,132,902
Packaging	257,629	244,780
Overseas trips	2,981,376	2,507,315
Sales promotion	166,931	170,267
Miscellaneous expenses	2,560,095	2,424,305
Reversal of allowance for bad debts	(454,540)	(79,602)
	<u>₩ 121,909,660</u>	<u>₩ 108,293,708</u>

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

29. Other Income and Expenses

Other income for the years ended December 31, 2013 and 2012, consists of:

(in thousands of Korean won)

	2013	2012
Transaction income on derivatives	₩ 549,300	₩ -
Gain on disposal of plant, property and equipment	474,277	66,452
Foreign currency gains	3,357,389	3,833,054
Foreign currency transaction gains	20,304,229	12,825,558
Gain on disposal of non-current assets held for sale	-	2,160,365
Gain on disposal of available-for-sale financial assets	-	9,734
Gain on disposal of investments in joint ventures	-	54,242
Import fees	3,237,763	3,526,359
Rental income	461,799	409,584
Claim income	213,756	507,823
Miscellaneous revenue	2,836,344	5,112,980
	<u>₩ 31,434,857</u>	<u>₩ 28,506,151</u>

Other expenses for the years ended December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)

	2013	2012
Transaction loss on derivatives	₩ 1,313,550	₩ -
Loss on disposals of available-for-sale financial assets	2,552	32,675
Loss on disposal of investments in subsidiaries	-	47,484
Loss on disposal of plant, property and equipment	614,326	210,101
Foreign currency losses	4,322,169	6,081,056
Foreign currency transaction losses	20,095,650	18,135,582
Donations	3,729,204	8,820,589
Claim expenses	792,469	609,183
Miscellaneous expenses	1,387,951	941,862
	<u>₩ 32,257,871</u>	<u>₩ 34,878,532</u>

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

30. Expenses by Nature

Expenses by nature for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Changes in inventories of finished goods and work in progress	₩ (12,996,650)	₩ (1,424,642)
Raw materials and consumables used	584,917,651	543,124,002
Employee benefit expense (Note 31)	176,969,251	154,973,068
Welfare benefit expenses	11,894,084	10,140,697
Depreciation (Notes 15,17)	28,843,301	30,205,524
Amortization (Note 16)	799,571	558,637
Service fees	67,179,221	52,757,838
Shipping	12,974,017	10,154,400
Overseas marketing	3,629,254	4,132,902
Advertising costs	1,987,833	3,027,886
Exports	4,796,878	3,768,586
Sales promotion	166,931	170,267
Other expenses	66,277,406	61,257,428
	<u>₩ 947,438,748</u>	<u>₩ 872,846,593</u>

31. Employee Benefit Expense

Employee benefit expense for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Short-term employee benefits	₩ 174,567,980	₩ 152,192,321
Severance benefits	2,401,271	2,780,747
	<u>₩ 176,969,251</u>	<u>₩ 154,973,068</u>

32. Financial Income and Costs

Financial income for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Interest income on short-term bank deposits	₩ 2,300,363	₩ 1,848,580
Interest income on loans	1,307,191	634,802
Dividend income	630,320	603,250
	<u>₩ 4,237,874</u>	<u>₩ 3,086,632</u>

Financial costs for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Interest expense on bank borrowings	₩ 1,708,539	₩ 2,480,118
Disposals of accounts receivable	1,250,093	1,338,656
	<u>₩ 2,958,632</u>	<u>₩ 3,818,774</u>

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

33. Income Tax Expense

Income tax expense for the years ended December 31, 2013 and 2012, consists of:

(in thousands of Korean won)

	2013	2012
Current tax:		
Current tax on profits for the year	₩ 26,579,686	₩ 27,728,271
Adjustments in respect of prior years	4,773,940	43,252
Total current tax	<u>31,353,626</u>	<u>27,771,523</u>
Deferred tax (Note 24):		
Origination and reversal of temporary differences	6,021,811	20,804,935
Income tax recognized directly in equity	3,496,716	(1,309,151)
Income tax expense	<u>₩ 40,872,152</u>	<u>₩ 47,267,306</u>

The reconciliation between the net profit before income tax and income tax expense for the years ended December 31, 2013 and 2012, follows:

(in thousands of Korean won)

	2013	2012
Profit before tax	₩ 162,801,515	₩ 178,936,772
Tax at the applicable tax rate	₩ 24,743,985	₩ 25,303,751
Tax effects of:		
Expenses not deductible for tax purposes	204,586	152,536
Additional payment of income taxes	4,773,940	43,252
Tax credit and tax exemption	(929,995)	(780,853)
Tax effect of investments in subsidiaries	11,765,923	22,167,395
Other	(514,334)	232,459
Temporary difference for which no deferred tax is recognized	828,047	148,766
Income tax expense	<u>₩ 40,872,152</u>	<u>₩ 47,267,306</u>

The income tax (charged)/credited directly to equity as of December 31, 2013 and 2012, is as follows:

	2013			2012		
<i>(in thousands of Korean won)</i>	Before tax	Tax(charge) credit	After tax	Before tax	Tax(charge) credit	After tax
Fair value gains from available-for-sale financial assets	₩ (14,192,537)	₩ (3,434,594)	₩ (10,757,943)	₩5,918,211	₩ (1,432,207)	₩4,486,004
Actuarial gains and losses	(256,702)	(62,122)	(194,580)	(508,495)	123,056	(385,439)

The tax rates of subsidiaries at the end of the reporting period are applied differently for each tax authority and the weighted average applicable tax rate is 15.20%. The weighted average applicable tax rate has decreased since the previous year (14.18%) due to changes in applicable tax rate of the Parent Company.

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

34. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares. Meanwhile, the Company has not issued any dilutive securities. Thus, earnings per share and dilutive earnings per share are the same.

Basic earnings per share for the years ended December 31, 2013 and 2012, is as follows:

	2013	2012
Profit attributable to equity holders of the Company	₩110,503,183,991	₩119,113,665,706
Weighted average number of ordinary shares in issue ¹	43,965,974	40,811,179
Basic earnings per share	₩ 2,513	₩ 2,909

¹Weighted average number of common stock outstanding

<i>(in number of shares)</i>	2013	2012
Number of common stock outstanding	40,811,468	40,811,468
Stock issuance	3,154,795	-
Weighted average number of treasury shares	289	289
Weighted average number of common stock outstanding	43,965,974	40,811,179

35. Cash Generated from Operations

Cash generated from operations for the years ended December 31, 2013 and 2012, is as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Net income	₩ 121,929,363	₩ 131,669,466
Adjustments for		
Tax expense	₩ 40,872,152	₩ 47,267,306
Interest income	(3,607,554)	(2,483,382)
Dividend income	(630,320)	(603,250)
Interest expense	2,958,632	3,818,774
Depreciation	28,843,301	30,205,524
Amortization	799,571	558,637
Provision for severance benefits	2,401,271	2,780,747
Gain on disposal of property, plant and equipment	(474,277)	(66,452)
Loss on disposal of property, plant and equipment	614,326	210,101
Miscellaneous losses	165	-
Reversal of allowance for bad debts	(454,540)	(79,602)
Gain on foreign currency translation	(3,357,389)	(3,833,054)
Loss on foreign currency translation	4,322,169	6,081,056
Transaction income on derivatives	(549,300)	-
Transaction loss on derivatives	1,313,550	-
Gain on investments in joint ventures	(3,192,960)	(1,357,720)
Loss on investments in joint ventures	1,635,720	1,619,172
Gain on disposal of investments in joint ventures	-	(54,241)
Gain on disposal of available-for-sale financial assets	-	(9,734)

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Loss on disposal of available-for-sale financial assets	2,551	32,675
Loss on disposal of investments in subsidiaries	-	47,484
Gain on disposal of non-current assets held for sale	-	(2,160,365)
Changes in scope of consolidation	-	(689,253)
	<u>71,497,068</u>	<u>81,284,423</u>
Changes in operating assets and liabilities		
Decrease(increase) in accounts receivable	(43,303,822)	1,976,000
Increase in inventories	(12,611,460)	(7,484,502)
Increase in other receivables	384,710	(888,612)
Increase in other current assets	(6,090,233)	(47,971)
Decrease (increase) in other non-current assets	(2,043,809)	244,714
Increase (decrease) in accounts payable	(2,922,742)	11,046,602
Increase in provisions for other liabilities and charges	836,235	767,297
Increase(decrease) in other current payables	11,757,459	(3,448,772)
Decrease in other current liabilities	(1,144,182)	(104,268)
Decrease in retirement benefit obligations	(4,053,972)	(5,006,378)
Increase(decrease) in other non-current payables	-	(30,041)
	<u>(59,191,816)</u>	<u>(2,975,931)</u>
Cash generated from operations	<u>₩ 134,234,615</u>	<u>₩ 209,977,958</u>

Significant non-cash transactions for the years ended December 31, 2013 and 2012, are as follows:

<i>(in thousands of Korean won)</i>	2013	2012
Gain on valuation of available-for-sale financial assets	₩ (14,192,537)	₩ 5,918,211
Reclassification from construction-in-progress to plant	64,176,240	6,384,177
Reclassification from long-term financial assets to short-term financial assets	-	500,000
Reclassification from plant, property and equipment to investment property	21,142,168	20,250,576
Disposal of investments in associates(advances)	-	2,700,000

36. Contingencies and Commitment

The Group's major agreements with financial institutions as of December 31, 2012, are as follows:

(only Korean won in the thousands)

	Financial institution	Credit line	Balance
Overdrafts	KRW	7,000,000	KRW -
Borrowings	KRW	40,000,000	KRW 13,000,000
Trade finance	KRW	3,000,000	KRW -
L/C	Woori Bank and others	USD 48,000,000	USD 3,373,350
D/A,O/A		USD 180,000,000	USD 30,051,525
FX		USD 30,000,000	USD -

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Stand-by credit	USD	3,100,000	USD	3,100,000
E-bill	KRW	10,000,000	KRW	2,686,171
Payment guarantees	USD	130,500,000	USD	109,500,000

The subsidiary's major agreements with financial institutions as of December 31, 2012, are as follows:

(in US dollars)

	Financial institution	Credit line	Balance
Short-term borrowings			USD -
Overdrafts	Standard Chartered Bank	USD ¹ 129,000,000	USD 219,414
L/C	and others		USD 1,152,181
FX		USD 2,400,000	USD -

¹ USD 129,000,000 and USD 20,000,000 out of USD 133,000,000 is only available for overdrafts and short-term borrowing, respectively, and USD 91,000,000 is available for overdrafts, L/C and short-term borrowings.

Joint venture agreements

The Company jointly established Green Ground Limited with L.L. Bean, Inc. in 2008. The contract requires satisfying the minimum requirement in year 2012 and 2019 in accordance with joint venture agreement.

37. Related Party Transactions

Related parties of the Group as of December 31, 2013 and 2012, are as follows:

	Name
Parent Company	Youngone Holdings Co., Ltd.
Jointly controlled entities	GGL, DTI.
Associate	SCOTT Corporation
Others	Youngone Outdoor("former" GOLDWIN KOREA), POIVRE BLANC-S13, KEPZ, Qweto GmbH, YMSA, DTV, CRD, Scott North Asia Ltd., SCOTT JAPAN INC., YSC

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

(in thousands of Korean won)

		Sales		Purchases		Others	
		2013	2012	2013	2012	2013	2012
Parent company	Youngone Holdings Co., Ltd.	W -	W -	W -	W -	W 8,383,704	W 5,935,202
Jointly controlled entities	GGL	-	-	-	-	1,182,390	1,570,938
	DTI	-	-	11,186	511,410	909,625	84,998
Associate	SCOTT	3,578,047	-	-	-	45,812,025	-
Other	YMSA	1,734	182	32,135,466	28,119,357	37,694	6,051,046
	Youngone Outdoor	89,215,464	97,650,779	19,867,577	24,998,505	3,705,568	3,710,837
	Scott North Asia Ltd.	44,410	34,488	-	-	21,826	12,033
	CRD	-	-	-	-	171,602	238,702

Youngone Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

DTV	-	-	-	-	655,836	664,015
KEPZ	786,160	2,606	1,270,364	879,384	-	-
S-13	4,572,497	4,723,119	116,250	82,968	23,521	81,093
	<u>₩ 98,198,312</u>	<u>₩ 102,411,174</u>	<u>₩ 53,400,843</u>	<u>₩ 54,591,624</u>	<u>₩ 60,903,791</u>	<u>₩ 18,348,864</u>

The balances of significant transactions as of December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)

		Receivables		Payables	
		2013	2012	2013	2012
Parent company	Youngone Holdings Co., Ltd.	₩ 1,264,187	₩ 1,250,146	₩ 2,557,572	₩ 152,573
Jointly controlled entities	DTI	-	861,588	-	66,574
Associate	SCOTT	2,043,506	-	-	-
Other	YMSA	116,600	247,109	941,551	922,349
	Youngone Outdoor	16,511,932	7,792,818	15,249,177	15,186,005
	Scott North Asia Ltd.	3,576	3,551	10,000	10,000
	CRD	-	-	14,300	14,300
	DTV	287,208	9,946	-	-
	KEPZ	25,698,010	22,724,126	1,421,696	25,746
	S-13	642,279	334,196	-	-
		<u>₩46,567,298</u>	<u>₩33,223,480</u>	<u>₩20,194,296</u>	<u>₩16,377,547</u>

Loans to related parties as of December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)

		2013	2012
Jointly controlled entities	DTI	₩ -	₩ 828,189
Other	KEPZ	25,613,994	22,719,189
		<u>₩ 25,613,994</u>	<u>₩ 23,547,378</u>

No provisions are made for loans to related parties.

Borrowings from related parties as of December 31, 2013 and 2012, are as follows:

(in thousands of Korean won)

		2013	2012
Other	KEPZ	₩ 1,094,253	₩ 25,746

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

(in thousands of Korean won)

		2013						Equity contributions in cash
		Loan transactions		Borrowing transactions				
		Loans	Repayments	Borrowings	Repayments			
Associate	SCOTT	₩ -	₩ -	₩ -	₩ -	₩ -	45,812,000	
Jointly controlled entities	GGL	-	-	-	-	-	1,182,390	
	DTI	-	828,189	-	-	-	-	
Other related parties	KEPZ	4,164,697	1,555,593	1,097,015	-	-	-	

Youngone Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

		₩	4,164,697	₩	2,383,782	₩	1,097,015	₩	-	₩	46,994,390