Yujin SMRC Automotive Techno Corporation

Financial statements
for the year ended March 31, 2020 and the three months period ended March 31, 2019
with the independent auditor's report

YUJIN automotive SMRC

유진에스엠알시

Table of contents

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Independent auditor's report

The Shareholders and Board of Directors
Yujin SMRC Automotive Techno Corporation

Opinion

We have audited the financial statements of Yujin SMRC Automotive Techno Corporation (the "Company"), which comprise the statements of financial position as of March 31, 2020 and 2019, and the statements of comprehensive income (loss), statements of changes in equity and statements of cash flows for the year ended March 31, 2020 and the three months period ended March 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as of March 31, 2020 and 2019 and its financial performance and its cash flows for the year ended March 31, 2020 and the three months period ended March 31, 2019 in accordance with Korean International Financial Reporting Standards (KIFRS).

Basis for opinion

We conducted our audits in accordance with Korean Auditing Standards (KGAAS). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with KGAAS we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Han Young

May 15, 2020

This audit report is effective as of May 15, 2020, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

Yujin SMRC Automotive Techno Corporation

Financial statements
for the year ended March 31, 2020 and
the three months period ended March 31, 2019

“The accompanying financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of the Company.”

Heung Sik Kim
Chief Executive Officer
Yujin SMRC Automotive Techno Corporation

Yujin SMRC Automotive Techno Corporation
Statements of financial position
as of March, 31 2020 and 2019

(Korean won)

	Notes		2020		2019
Assets					
Current assets:					
Cash and cash equivalents	6,28,29,30	₩	10,308,942,305	₩	9,445,116,799
Trade receivables, net	7,27,28,29,30		19,861,164,436		29,338,905,934
Other receivables, net	7,27,28,29,30		1,517,065,996		5,301,033,681
Other current financial assets	9,29,30		8,165,000		20,210,000
Inventories	10,32		1,150,868,973		1,447,388,336
Current tax assets			215,451,485		34,404,809
Other current assets	8		12,646,728,357		13,470,759,268
			45,708,386,552		59,057,818,827
Non-current assets:					
Other non-current financial assets	9,29,30		4,255,000		12,420,000
Property, plant and equipment, net	11,32		18,642,868,220		20,358,047,392
Right-of-use asset	12		1,605,913,759		2,032,297,119
Intangible assets	13		679,298,758		679,298,758
Other receivables, net	7,27,28,29,30		2,726,306,910		2,661,818,390
Deferred tax assets	24		-		109,516,128
			23,658,642,647		25,853,397,787
Total assets		₩	**69,367,029,199**	₩	**84,911,216,614**
Liabilities					
Current liabilities:					
Trade payables	27,28,29,30		13,011,520,134		20,606,396,716
Other current payables	14,27,28,29,30		6,968,336,655		7,343,486,581
Other current liabilities	8		15,963,443,316		23,169,340,224
Lease liabilities	12		568,446,872		-
			36,511,746,977		51,119,223,521
Non-current liabilities:					
Long-term borrowings	15,27,28,29,30		2,340,266,216		2,155,398,729
Defined benefit liabilities	16		7,336,803		1,242,510,027
Other non-current payables	14,28,29,30		-		88,091,739
Provision for product warranties	17		231,669,013		167,246,972
Deferred tax liabilities	24		150,962,422		-
Non-current lease liabilities	12		1,037,466,887		2,032,297,119
			3,767,701,341		5,685,544,586
Total liabilities		₩	**40,279,448,318**	₩	**56,804,768,107**
Equity					
Issued capital	18		8,498,405,000		8,498,405,000
Retained earnings	18		20,589,175,881		19,608,043,507
Total equity		₩	**29,087,580,881**	₩	**28,106,448,507**
Total liabilities and equity		₩	**69,367,029,199**	₩	**84,911,216,614**

The accompanying notes are an integral part of the financial statements.

Yujin SMRC Automotive Techno Corporation
Statements of comprehensive income (loss)
for the year ended March 31, 2020 and the three months period ended March 31, 2019

(Korean won)

	Notes		2020		2019
Sales	19,27	₩	121,457,515,935	₩	30,321,964,575
Cost of sales	23,27		115,217,130,682		29,266,891,663
Gross profit			**6,240,385,253**		**1,055,072,912**
Selling, general and administrative expenses	20,23		6,531,069,329		1,890,148,156
Operating loss			**(290,684,076)**		**(835,075,244)**
Other income (expenses):					
Other income	22,27,29		6,741,809,259		187,843,339
Other expenses	22,29		(338,865,695)		(74,483,820)
Finance income	21,27,29		277,975,203		63,597,379
Finance expenses	21,27,29		(164,180,274)		(38,475,820)
			6,516,738,493		138,481,078
Profit (loss) before income tax			**6,226,054,417**		**(696,594,166)**
Income tax expense (benefit)	24		1,322,480,251		(213,646,010)
Profit (loss) for the year		₩	**4,903,574,166**	₩	**(482,948,156)**
Other comprehensive income (loss)					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Remeasurement profit (loss) on defined benefit plan	16		569,280,381		(68,733)
Income tax effect	24		(125,241,684)		15,121
			444,038,697		(53,612)
Other comprehensive income (loss)			**444,038,697**		**(53,612)**
Total comprehensive income (loss) for the year		₩	**5,347,612,863**	₩	**(483,001,768)**
Earnings (loss) per share	25				
Basic and diluted earnings (loss) per share		₩	2,885	₩	(284)

The accompanying notes are an integral part of the financial statements.

Yujin SMRC Automotive Techno Corporation
Statements of changes in equity
for the year ended March 31, 2020 and the three months period ended March 31, 2019

(Korean won)

		Issued capital		Retained earnings		Total equity
As of January 1, 2019	₩	**8,498,405,000**	₩	**22,433,205,693**	₩	**30,931,610,693**
Loss for the year		-		(482,948,156)		(482,948,156)
Remeasurement loss on defined benefit plan		-		(53,612)		(53,612)
Total comprehensive loss		-		(483,001,768)		(483,001,768)
Dividends		-		(2,342,160,418)		(2,342,160,418)
As of March 31, 2019	₩	**8,498,405,000**	₩	**19,608,043,507**	₩	**28,106,448,507**
As of April 1, 2019	₩	**8,498,405,000**	₩	**19,608,043,507**	₩	**28,106,448,507**
Interim dividends		-		(4,366,480,489)		(4,366,480,489)
Profit for the year		-		4,903,574,166		4,903,574,166
Remeasurement profit on defined benefit plan		-		444,038,697		444,038,697
Total comprehensive income		-		5,347,612,863		5,347,612,863
As of March 31, 2020	₩	**8,498,405,000**	₩	**20,589,175,881**	₩	**29,087,580,881**

The accompanying notes are an integral part of the financial statements.

Yujin SMRC Automotive Techno Corporation
Statements of cash flows
for the year ended March 31, 2020 and the three months period ended March 31, 2019

(Korean won)

		2020		2019
Operating activitives				
Net cash flows from operating activities (Note 31)	₩	10,141,871,179	₩	833,757,008
Interest received		282,662,671		137,325,517
Interest paid		(162,077,073)		(102,821,353)
Income tax paid		(1,368,290,061)		(5,508,570)
Net cash flows provided by operating activities		**8,894,166,716**		**862,752,602**
Investing activities				
Decrease in other receivables		40,000,000		-
Decrease in other financial assets		20,210,000		130,000
Purchase of property, plant and equipment		(953,400,101)		(1,560,000)
Increase in other receivables		(30,000,000)		(3,240,000)
Net cash flows used in investing activities		**(923,190,101)**		**(4,670,000)**
Financing activities				
Dividends paid		(6,708,640,907)		-
Lease liabilities paid		(398,510,202)		(189,222,642)
Net cash flows used in financing activities		**(7,107,151,109)**		**(189,222,642)**
Net increase in cash and cash equivalents		**863,825,506**		**668,859,960**
Cash and cash equivalents as of April 1, 2019 and January 1, 2019		9,445,116,799		8,776,256,839
Cash and cash equivalents as of March 31	₩	**10,308,942,305**	₩	**9,445,116,799**

The accompanying notes are an integral part of the financial statements.

1. Corporate information

1.1 Summary of the Company

Yujin-SMRC Automotive Techno Corporation (the “Company”) was incorporated on May 1, 1997 under the Commercial Code of the Republic of Korea to manufacture and sell instrument panel pads and other related products. The Company was registered as a foreign invested enterprise on January 11, 2000. On August 1, 2018, the Company changed its legal name from Visteon Interiors Korea Limited to Yujin-SMRC Automotive Techno Corporation.

The Company’s initial issued capital amounted to ₩3,650,000 thousand at the time of incorporation. As of March 31, 2020, issued capital amounts to ₩8,498,405 thousand after the issuance of stock amounting to ₩74,340 thousand in 1999 and ₩4,774,065 thousand in 2008.

As the majority shareholder was changed in 2018, the current major shareholder is SMRC Automotive Holdings Netherlands B.V., which owns 50.9% interests of the Company.

Based on the resolution made at the annual shareholders’ meeting on January 3, 2019, the Company changed its fiscal year end from December 31 to March 31 effective from January 1, 2019. Accordingly, the financial statements as of March 31, 2019 and for the three months then ended, present the financial position of the Company as of March 31, 2019, and its financial performance and cash flows for the three months then ended.

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

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

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

2.2 Summary of significant accounting policies

2.2.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or

2.2.1 Current versus non-current classification(cont'd)

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

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

2.2.2 Fair value measurement

The Company measures financial instruments such as derivatives at fair value at the end of each reporting period. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosure for valuation methods, significant estimates and assumptions – Note 4
- Financial instruments (including those carried at amortized cost) – Note 29
- Fair value measurement, quantitative disclosures fair value measurement hierarchy – Note 30

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

2.2.3 Foreign currencies

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

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated using the group's internal exchange rates at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2.2.4 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are the same as those on the statement of cash flows.

2.2.5 Revenue from contracts with customers

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements, excluding commission income, since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The following specific recognition criteria must also be met before revenue is recognized. The estimation of the Company is based on past experience such as customer types, transaction types and each transaction conditions.

Sale of goods and merchandise
The Company manufactures and sells instrument panel pads and other related products. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer.

Warranty obligations
The Company typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*. Refer to the Note 16 on warranty provisions.

2.2.6 Income taxes

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

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

2.2.6 Income taxes (cont'd)

Deferred tax

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

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

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

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

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

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

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustments would either be treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

2.2.7 Government grants

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

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

2.2.8 Pension benefits

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

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the current service costs and net interest expense in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the statement of profit or loss and other comprehensive income.

2.2.9 Financial instruments: Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.2.9.1 Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under KIFRS 1115.

2.2.9.1 Financial assets (cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through OCI (debt instruments)
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under KIFRS 1032 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

2.2.9.1 Financial assets (cont'd)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss and other comprehensive income.

This category includes derivatives and listed and unlisted equity instruments that have not made an irrevocable choice to treat changes in fair value through other comprehensive income. Dividends on listed equity instruments are recognized in profit or loss when rights are established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

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

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

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

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

2.2.9.1 Financial assets (cont'd)

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

2.2.9.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss and other comprehensive income.

2.2.9.2 Financial liabilities (cont'd)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in KIFRS 1109 are satisfied. The Company has not designated any financial liability as of fair value through profit or loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

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

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

2.2.10 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

- Buildings, structures: 30 ~ 40 years
- Machinery: 7 ~ 14 years
- Vehicles: 7 years
- Tools and other equipment: 5 years
- Furniture and fixtures: 6 years

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

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

2.2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

2.2.12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized.

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

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

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

2.2.13 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventories includes purchase costs, transfer costs and costs incurred in bringing each product to its present location and conditions. Initial cost of inventories is determined by using the gross weighted-average method.

2.2.14 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.2.14 Impairment of non-financial assets (cont'd)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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

2.2.15 Provisions

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

Provisions for warranty-related costs are recognized when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

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

2.2.16 Cash dividend and non-cash distributions to equity holders of the parent

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution are no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss and other comprehensive income.

2.2.17 Leases

The Company assesses at contract inception whether the contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.2.17.1 The Company as lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.2.17.2 The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2-2-14 Impairment of non-financial assets section.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments less any lease incentives receivable) and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs or conditions (if not incurred in producing inventory assets)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (For example, changes in future lease payments due to changes in the index or rate recognized to calculate the lease payments.), or an assessment of the option of purchase the underlying asset

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of vehicles and etc. (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

3. Changes in accounting policies and disclosures

3.1 Standards issued but not yet effective

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

KIFRS 1103 *Business Combinations - Definition of a business*
In October 2018, the International Accounting Standards Board (IASB) amended the definition of a business in KIFRS 1103 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business and remove the assessment of whether market participants are capable of replacing any missing elements. In addition, they add guidance to help entities assess whether an acquired 'process' is substantive, narrow the definitions of business and of outputs, and introduce an optional concentration test. New illustrative examples were provided along with the amendments. Because the amendments apply prospectively to transactions or events that occur on or after the date of initial application, it is not expected that these amendments will have a significant effect on the financial statements of the Company at the date of transition.

KIFRS 1001 and KIFRS 1008 *- Definition of a significance*
In October 2018, IASB issued amendments to KIFRS 1001 Presentation of Financial Statements and KIFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. According to the new definition, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant effect on the Company's financial statements.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:
- Financial risk management and policies – Note 28
- Capital management – Note 28

4.1 Judgements

4.1.1 Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

4.1.1 Determining the lease term of contracts with renewal and termination options – Company as lessee (cont'd)

The Company included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period. The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Company typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised

4.2 Estimates and assumptions

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

4.2.1 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility (See Note 30).

4.2.2 Income taxes

There is uncertainty in determining the final tax effect on taxable profit generated by our operations. As a result of operating activities up to the end of the reporting period, the Company estimates the tax effects expected to be borne in the future and recognizes them as income taxes and deferred taxes for the current period. However, the actual future tax burden may not be consistent with the related assets and liabilities recognized, and this difference may affect current and deferred tax assets and liabilities at the time when the expected income tax effects are determined.

4.2.3 Pension benefits

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

4.2.3 Impairment of non-financial assets

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

4.2.5 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

5. Operating segments

For management purposes, management has determined the operating segments based on their products and services information using the report reviewed by Board of Directors, making business strategy. The strategic steering committee considers the business from both a geographic and product perspective. Geographically, management considers a unitary segment associated with the performance of sales for automotive interiors parts in Korea.

The Company has two major customers, revenues from which account for more than 10% of the total revenue. The Company's revenue from the two customers accounted for 57.8% and 41.3%, respectively, for the year ended Macrh 31, 2020, and 53.5% and 45.6%, respectively, for the three months ended March 31, 2019.

6. Cash and cash equivalents

Cash and cash equivalents as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

		2020		2019
Cash and deposits	₩	2,634	₩	1,393
Deposits at financial institutions (*)		10,306,308		9,443,724
	₩	10,308,942	₩	9,445,117

(*) Deposits at financial institutions include ordinary savings and others.

7. Trade and other receivables

Trade and other receivalbles as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020		2019	
	Current	Non-current	Current	Non-current
Trade receivables (*1)	₩ 20,061,783	₩ -	₩ 29,570,879	₩ -
Allowance for doubtful accounts	(200,618)	-	(231,973)	-
	19,861,165	-	29,338,906	-
Other receivables	790,100	-	4,720,482	-
Allowance for doubtful accounts	(5,016)	-	(37,027)	-
Accrued income	31,381	-	36,069	-
Guarantee deposits	700,600	275,766	581,510	404,856
Long-term loans (*2)	-	2,450,541	-	2,256,962
	1,517,065	2,726,307	5,301,034	2,661,818
	₩ 21,378,230	₩ 2,726,307	₩ 34,639,940	₩ 2,661,818

(*1) Trade receivables are non-interest bearing and are generally settled on terms of 30 ~ 60 days.
(*2) Long-term loans are loans to related parties. (Note 26)

The movements of allowance for doubtful accounts for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

	Trade receivables	Other receivables	Total
January 1, 2019	₩ 201,888	₩ 35,124	₩ 237,012
Provision	30,085	1,903	31,988
March 31, 2019	231,973	37,027	269,000
Reversal	(31,355)	(32,011)	(63,366)
March 31, 2020	₩ 200,618	₩ 5,016	₩ 205,634

The ageing analysis of trade and other receivables as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	Not past due	Past due	Impaired	Total
2020	₩ 24,104,536	₩ -	₩ 205,634	₩ 24,310,170
2019	37,301,758	-	269,000	37,570,758

8. Other assets and liabilities

Other assets and liabilities as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020		2019	
	Current	Non-current	Current	Non-current
Other assets:				
Advanced payments	₩ 12,325,086	₩ -	₩ 13,120,692	₩ -
Prepaid expenses	321,642	-	350,067	-
	₩ 12,646,728	₩ -	₩ 13,470,759	₩ -
Other liabilities:				
Advance receipt	₩ 15,275,606	₩ -	₩ 20,714,759	₩ -
Withholdings	687,837	-	112,421	-
Dividend payable	-	-	2,342,160	-
	₩ 15,963,443	₩ -	₩ 23,169,340	₩ -

9. Other financial assets

Other financial assets as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020		2019	
	Current	Non-current	Current	Non-current
Financial assets at amortized cost (debt instruments)	₩ 8,165	₩ 4,255	₩ 20,210	₩ 12,420

10. Inventories

Details of inventories as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Finished goods	₩ 182,830	₩ 253,494
Work in progress	320,884	240,199
Raw materials (*)	603,246	779,023
Supplies	8,638	7,879
Merchandise	6,191	12,411
Materials-in-transit	29,080	154,382
	₩ 1,150,869	₩ 1,447,388

(*) The Company recognized obsolescence loss of ₩34,265 thousand (2019: ₩167 thousand) in 2020.

11. Property, plant and equipment

Changes in property, plant and equipment for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

	2020					
	Apr. 1	Additions	Disposals	Transfers	Depreciation	Mar. 31
Acquistion cost:						
Land	₩ 1,267,235	₩ -	₩ -	₩ -	₩ -	₩ 1,267,235
Buildings	7,667,268	-	-	-	-	7,667,268
Structures	502,118	28,616	-	-	-	530,734
Machinery	21,419,836	608,601	(525,441)	-	-	21,502,996
Vehicles	812,374	25,000	-	-	-	837,374
Tools and other equipment	7,022,578	411,165	(53,900)	2,000	-	7,381,843
Furniture and fixtures	4,916,330	158,540	(163,858)	-	-	4,911,012
Construction-in-progress	2,000	-	-	(2,000)	-	-
	43,609,739	1,231,922	(743,199)	-	-	44,098,462
Accumulated depreciation:						
Buildings	(3,548,306)	-	-	-	(233,250)	(3,781,556)
Structures	(196,784)	-	-	-	(16,061)	(212,845)
Machinery	(11,309,386)	-	523,716	-	(1,285,894)	(12,071,564)
Vehicles	(397,267)	-	-	-	(98,972)	(496,239)
Tools and other equipment	(4,820,335)	-	53,893	-	(760,165)	(5,526,607)
Furniture and fixtures	(2,979,614)	-	162,265	-	(549,434)	(3,366,783)
	(23,251,692)	-	739,874	-	(2,943,776)	(25,455,594)

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

	2020					
	Apr. 1	Additions	Disposals	Transfers	Depreciation	Mar. 31
Net book value:						
Land	1,267,235	-	-	-	-	1,267,235
Buildings	4,118,962	-	-	-	(233,250)	3,885,712
Structures	305,334	28,616	-	-	(16,061)	317,889
Machinery	10,110,450	608,601	(1,725)	-	(1,285,894)	9,431,432
Vehicles	415,106	25,000	-	-	(98,972)	341,135
Tools and other equipment	2,202,243	411,165	(7)	2,000	(760,165)	1,855,236
Furniture and fixtures	1,936,716	158,540	(1,593)	-	(549,434)	1,544,229
Construction-in-progress	2,000	-	-	(2,000)	-	-
	₩ 20,358,047	₩ 1,231,922	₩ (3,325)	₩ -	₩ (2,943,776)	₩ 18,642,868

	2019					
	Jan. 1	Additions	Disposals	Transfers	Depreciation	Mar. 31
Acquistion cost:						
Land	₩ 1,267,235	₩ -	₩ -	₩ -	₩ -	₩ 1,267,235
Buildings	7,667,268	-	-	-	-	7,667,268
Structures	502,118	-	-	-	-	502,118
Machinery	21,362,514	58,300	(5,978)	5,000	-	21,419,836
Vehicles	812,374	-	-	-	-	812,374
Tools and other equipment	6,773,114	225,089	(42,380)	66,755	-	7,022,578
Furniture and fixtures	4,906,630	14,900	(5,200)	-	-	4,916,330
Construction-in-progress	73,755	-	-	(71,755)	-	2,000
	43,365,008	298,289	(53,558)	-	-	43,609,739
Accumulated depreciation:						
Buildings	(3,489,994)	-	-	-	(58,312)	(3,548,306)
Structures	(192,992)	-	-	-	(3,792)	(196,784)
Machinery	(11,002,159)	-	5,750	-	(312,977)	(11,309,386)
Vehicles	(373,041)	-	-	-	(24,226)	(397,267)
Tools and other equipment	(4,677,380)	-	38,671	-	(181,626)	(4,820,335)
Furniture and fixtures	(2,836,007)	-	5,199	-	(148,806)	(2,979,614)
	(22,571,573)	-	49,620	-	(729,739)	(23,251,692)
Net book value:						
Land	1,267,235	-	-	-	-	1,267,235
Buildings	4,177,274	-	-	-	(58,312)	4,118,962
Structures	309,126	-	-	-	(3,792)	305,334
Machinery	10,360,355	58,300	(228)	5,000	(312,977)	10,110,450
Vehicles	439,333	-	-	-	(24,227)	415,106
Tools and other equipment	2,095,734	225,089	(3,709)	66,755	(181,626)	2,202,243
Furniture and fixtures	2,070,623	14,900	(1)	-	(148,806)	1,936,716
Construction-in-progress	73,755	-	-	(71,755)	-	2,000
	₩ 20,793,434	₩ 298,289	₩ (3,938)	₩ -	₩ (729,740)	₩ 20,358,047

12. Leases

Details of right-of-use assets as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020		
	Acquistion cost	Accumulated depreciation	Net book value
Buildings	₩ 1,831,978	₩ (386,066)	₩ 1,445,912
Vehicles	361,669	(201,667)	160,002
	₩ 2,193,647	₩ (587,733)	₩ 1,605,914

	2019		
	Acquistion cost	Accumulated depreciation	Net book value
Buildings	₩ 1,832,425	₩ (136,019)	₩ 1,696,406
Vehicles	389,095	(53,204)	335,891
	₩ 2,221,520	₩ (189,223)	₩ 2,032,297

Changes in the carrying amount of right-of-use assets for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

	2020			
	April 1	Depreciation	Subsequent measurement	March 31
Buildings	₩ 1,696,406	₩ (250,047)	₩ (447)	₩ 1,445,912
Vehicles	335,891	(148,463)	(27,426)	160,002
	₩ 2,032,297	₩ (398,510)	₩ (27,873)	₩ 1,605,914

	2019			
	January 1	Depreciation	Effect of adopting KIFRS 1116	March 31
Buildings	₩ -	₩ (136,019)	₩ 1,832,425	₩ 1,696,406
Vehicles	-	(53,204)	389,095	335,891
	₩ -	₩ (189,223)	₩ 2,221,520	₩ 2,032,297

Details of lease liabilities as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	Annual interest rate (%)	2020	2019
Lease liabilities	5.37~7.12	₩ 1,605,914	₩ 2,032,297
Less: transfers to current portion		(568,447)	-
		₩ 1,037,467	₩ 2,032,297

Changes in the carrying amount of lease liabilities for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

	2020	2019
Beginning balance	₩ 2,032,297	₩ -
Interest expenses	72,571	16,978
Payments	(481,314)	(206,201)
Subsequent measurement	(17,640)	-
Effect of adopting KIFRS 1116	-	2,221,520
Ending balance	₩ 1,605,914	₩ 2,032,297

12. Leases (cont'd)

The repayment schedules of lease liabilities as of March 31, 2019 are as follows (Korean won in thousands):

		Amounts
Less than a year	₩	652,990
One to two years		539,946
Two to five years		534,063
More than five years		208,515
	₩	1,935,514
Present value discount		(329,600)
	₩	1,605,914

The Company recognized lease payments of ₩71,520 thousand for short-term leases and leases of low-value assets.

13. Intangible assets

Intangible assets consist solely of memberships, changes in the intangible assets for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Beginning balance	₩	679,299	₩	679,299
Additions or disposals		-		-
Ending balance	₩	679,299	₩	679,299

Memberships with indefinite useful lives are tested for impairment annually and also assessed for impairment whenever there is an indication that the intangible assets may be impaired. There is no impairment loss recognized for the year ended March 31, 2020 and the three months ended March 31, 2019. Recoverable amount of memberships is the higher of asset's net fair value and its value-in-use. Unless net fair value is used, the recoverable amount was determined based on the reasonably calculated net fair value and value-in-use.

14. Other payables

Details of the Company's other payables as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020				2019			
	Current		Non-current		Current		Non-current	
Other accounts payable	₩	5,032,841	₩	-	₩	5,442,103	₩	88,092
Accrued expenses		1,935,496		-		1,901,384		-
	₩	6,968,337	₩	-	₩	7,343,487	₩	88,092

15. Long-term borrowings

Details of the Company's long-term borrowings as of March 31, 2020 and 2019 are as follows (Korean Won in thousands, USD). (Refer to Note 27)

Lender	Interset rate	Borrowing date	Maturity date	2020	2019
SMRC Automotive Holdings Netherlands B.V.	LIBOR+2.25%	2017-02-24	2022-02-23	₩ 2,340,266 (USD 1,910,000)	₩ 2,155,399 (USD 1,910,000)

16. Pensions and other post-employment benefit plans

The Company operates a defined benefit plan for its employees in which the cost of such liability is determined using actuarial valuations and discounted using the projected unit credit method performed by an eligible and independent actuary.

Net benefit expense for the defined benefit obligation recognized in the income statement for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Current service cost	₩	1,061,125	₩	255,097
Net interest expense		50,680		32,372
	₩	1,111,805	₩	287,469

Defined benefit liabilities as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

		2020		2019
Present value of funded defined benefit obligation	₩	11,355,816	₩	11,651,194
Fair value of pension plan assets		(11,348,479)		(10,408,684)
Employee benefit liability in financial statements (*)	₩	7,337	₩	1,242,510

Changes in the present value of the net defined benefit liability for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Beginning balance	₩	1,242,510	₩	904,852
Pension cost charged to profit or loss:				
Current service cost		1,061,125		255,097
Net interest expense		50,680		32,372
		1,111,805		287,469
Benefits paid		(362,413)		50,121
Re-measurement gain (loss) in OCI:				
Actuarial gains arising from changes in demographic assumptions		18,932		-
Actuarial changes arising from changes in financial assumptions		(184,085)		(3,508)
Loss on plan assets (excluding amounts included in interest expenses)		29,491		3,576
Experience adjustments		(433,618)		-
		(569,280)		68
Contributions by the Company		(1,416,560)		-
Decrease in severance and retirement benefits obligation to the National Pension Service (NPS)		1,275		-
Ending balance	₩	7,337	₩	1,242,510

16. Pensions and other post-employment benefit plans (cont'd)

Changes in the present value of the defined benefit obligation for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Beginning balance	₩	11,651,194	₩	11,348,286
Pension cost charged to profit or loss:				
Current service cost		1,061,125		255,097
Interest expenses		266,680		77,153
		1,327,805		332,250
Benefits paid		(1,024,412)		(25,834)
Re-measurement gain (loss) in OCI:				
Actuarial changes arising from changes in demographic assupmptions		18,932		-
Actuarial changes arising from changes in financial assumptions		(184,085)		(3,508)
Experience adjustments		(433,618)		-
		(598,771)		(3,508)
Ending balance	₩	11,355,816	₩	11,651,194

Changes in the fair value of the plan assets for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Beginning balance	₩	10,408,684	₩	10,443,434
Pension cost charged to profit or loss:				
Interest income		216,000		44,781
		216,000		44,781
Benefits paid		(661,999)		(75,955)
Re-measurement gain (loss) in OCI:				
Loss on plan assets (excluding amounts included in interest income)		(29,491)		(3,576)
Contributions by the Company		1,416,560		-
Decrease in severance and retirement benefits obligation to the National Pension Service (NPS)		(1,275)		-
Ending balance	₩	11,348,479	₩	10,408,684

The major categories of plan assets as a percentage of the fair value of the total plan assets as of March 31, 2020 and 2019 are as follows (Korean won in thousands and percentages):

	2020			2019		
		Amount	Ratio		Amount	Ratio
Fixed income type financial instrument	₩	3,872,292	34.12%	₩	4,224,393	40.59%
Principal guaranteed financial instrument		4,626,590	40.77%		5,989,991	57.55%
Time deposits, others		2,849,597	25.11%		194,400	1.86%
	₩	11,348,479	100%	₩	10,408,684	100%

16. Pensions and other post-employment benefit plans (cont'd)

The principal assumptions used in actuarial calculation for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows:

	2019	2019
Future salary increase rate	2.00%	2.30%
Discount rate	1.90%	2.20%
Expected rate of return of plan assets	1.90%	2.20%

In determining the appropriate discount rate, management considers the interest rates of corporate bonds of the defined benefit obligation.

Sensitivity analysis for significant assumptions as of March 31, 2020 and 2019 are as shown below (Korean won in thousands):

	2020		2019	
	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%
Discount rate	₩ (526,553)	567,781	₩ (417,640)	435,330
Future salary increase rate	550,197	(515,656)	468,544	(452,594)

The sensitivity analyses above have been determined based on the method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Expected contributions to post-employment benefit plans are as follows (Korean won in thousands):

	2020	2019
Within twelve months	₩ 1,500,000	₩ 1,000,000

17. Warranty provisions

Changes in the warranty provisions for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

	2020	2019
Beginning balance	₩ 167,247	₩ 172,066
Provided during the year	447,851	155,546
Utilized	(383,429)	(160,365)
Ending balance	₩ 231,669	₩ 167,247

18. Issued capital and retained earnings

The Company's number of authorized shares is 2,920,000 shares. Total number of ordinary shares issued is 1,699,681 and the par value per share is ₩5,000.

Appropriated retained earnings of the Company as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Legal reserve	₩ 4,249,203	₩ 4,249,203
Retained earnings	16,339,973	15,358,841
	₩ 20,589,176	₩ 19,608,044

18. Issued capital and retained earnings (cont'd)

The statements of appropriations of retained earnings for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won):

		2020		2019
Retained earnings before appropriations:	₩	16,339,973,381	₩	15,358,841,007
Unappropriated retained earnings carried forward from the prior year		15,358,841,007		15,841,842,775
Interim dividends		(4,366,480,489)		
Re-measurement of defined benefit obligations		444,038,697		(53,612)
Profit (loss) for the year		4,903,574,166		(482,948,156)
Appropriations:		-		-
Unappropriated retained earnings to be carried forward to the next year	₩	16,339,973,381	₩	15,358,841,007

The statements of appropriations of retained earnings for the year ended March 31, 2020 are scheduled to be approved on June 26, 2020 and for for the three months ended March 31, 2019 were approved on June 27, 2019.

19. Sales

Details of the Company's revenue for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Sales of finished goods	₩	102,543,303	₩	25,624,213
Sales of merchandise		18,914,213		24,486,646
	₩	121,457,516	₩	30,321,965

20. Selling and administrative expenses

Details of the Company's selling and administrative expenses for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Wages and salaries	₩	4,015,676	₩	1,003,974
Development expense		808,059		357,708
Commissions		429,554		111,396
Provision for sales warranty		447,852		155,546
Automobiles		114,374		20,290
Transportation		102,590		34,663
Entertainment		111,452		24,897
Taxes and dues		114,291		36,445
Depreciation		192,451		75,040
Insurance		71,364		16,779
Rents		58,305		-
Communication		27,424		7,328
Utilities		33,649		9,208
Training		17,399		3,327
Bad debt expense (reversal of allowance for doubtful accounts)		(31,355)		30,085
Others		17,984		3,962
	₩	6,531,069	₩	1,890,148

21. Finance income and Finance expense

Gain and loss of financial instruments by category for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Finance income:				
Interest income	₩	277,975	₩	63,597
Finance expense				
Interest expense		164,180		38,476

22. Other operating income and expenses

Other operating income and expenses for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Other income:				
Gain on foreign currency transactions	₩	21,578	₩	3,062
Gain on foreign currency translations		193,732		36,547
Gain on disposal of property, plant and equipment		89,208		-
Rental revenue		6,437,291		14,532
Miscellaneous revenue		6,741,809		133,702
	₩	21,578	₩	187,843
Other expenses:				
Loss on foreign currency transactions	₩	29,731	₩	4,654
Loss on foreign currency translations		189,318		33,869
Other bad debt expenses (reversal of other allowance for doubtful accounts)		(32,011)		1,903
Donation		10,075		150
Loss on disposal of property, plant and equipment		3,325		3,938
Loss on retirement of inventory		34,265		167
Miscellaneous expenses		104,163		29,803
	₩	338,866	₩	74,484

23. Classification of expenses based on nature of expense

Classification of expenses (cost of sales and selling and administrative expenses) based on nature of expense for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Changes of inventories	₩	296,519	₩	(185,808)
Purchase of raw materials and merchandises		80,081,024		20,498,130
Wages and salaries		17,948,494		4,751,901
Depreciation		3,342,284		918,961
Advertising expense		4,267		1,750
Commission fees		1,883,518		422,747
Others		18,192,094		4,749,359
	₩	121,748,200	₩	31,157,040

23. Classification of expenses based on nature of expense (cont'd)

Employee benefits for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Salaries	₩	14,374,836	₩	3,882,976
Employee severance benefits		1,397,118		287,469
Employee welfare benefits		2,176,539		581,456
	₩	17,948,493	₩	4,751,901

24. Income taxes

The major components of income tax expense for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

Income taxes in profit or loss

		2020		2019
Current income taxes	₩	1,187,243	₩	155,514
Deferred income taxes:				
Relating to origination and reversal of temporary differences		260,479		(369,175)
Recognized directly to equity		(125,242)		15
Income tax expense	₩	1,322,480	₩	(213,646)

Income taxes in other comprehensive income (loss)

		2020		2019
Deferred income taxes recognized directly to equity:				
Remeasurement of the net defined benefit liability	₩	(125,242)	₩	15
	₩	(125,242)	₩	15

A reconciliation of income tax expense and the accounting profit at the Korean domestic tax rate for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Profit (loss) before income tax	₩	6,226,054	₩	(696,594)
Taxes at the statutory income tax rate (2020: 21.65%, 2019: 25.16%)		1,347,732		(175,251)
Adjustments:				
Tax credits		(179,148)		(85,990)
Non-deductible expenses and income not subject to tax		68,245		(19,988)
Others		85,651		67,583
Income tax expense		1,322,480		(213,646)
Effective tax rate		21.24%		-

24. Income tax (cont'd)

Deferred tax assets and liabilities for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

	Statements of financial position				Statements of comprehensive income			
	2020		2019		2020		2019	
Accrued income	₩	(762)	₩	(2,340)	₩	(1,578)	₩	527
Pension plan assets		(2,495,841)		(2,288,805)		207,036		(7,645)
Depreciation		(548,836)		(695,347)		(146,511)		(24,159)
Gain on foreign currency translations		(2)		(242)		(240)		(2,013)
Defined benefit liability		2,497,455		2,562,157		64,702		(66,640)
Provision for sales warranty		50,967		36,794		(14,173)		1,061
Government grants		-		19,380		19,380		-
Accrued expenses		281,374		413,237		131,863		(270,306)
Impairment of intangible assets		64,682		64,682		-		-
Deferred tax expense (benefit)					₩	260,479	₩	(369,175)
Deferred tax asset (liability)	₩	(150,963)	₩	109,516				

25. Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net profit for the year by the weighted average number of ordinary shares outstanding during the year. The following reflects income and share data used in the basic earnings (loss) per share computations (Korean won except for number of shares):

	2020		2019	
Profit (loss) for the year	₩	4,903,574,166	₩	(482,948,156)
Weighted-average number of shares of ordinary stock outstanding (*1)		1,699,681		1,699,681
Basic earnings (loss) per share (*2)	₩	2,885	₩	(284)

(*1) Weighted-average number of shares of common stock outstanding in 2020 is 1,699,681, which is the same in 2019.
(*2) Diluted earnings (loss) per share are the same as basic earnings (loss) per share as the Company has not issued dilutive securities.

26. Government grants

Changes in the government grants for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

	2020		2019	
Beginning balance	₩	88,091	₩	88,091
Released to profit or loss		(88,091)		-
Ending balance	₩	-	₩	88,091

Government grants have been used for research and development activities in connection with a MOU with Korea Institue for Advancement of Technology. All portions of the grants not requiring repayment conditions have been offset against related expenses.

27. Related party disclosures

As of March 31, 2020, the Company's parent company is SMRC Automotive Holdings Netherlands BV (equity ownership: 50.9%), and Motherson Sumi Systems Limited is the ultimate controlling company.

There are no subsidiaries as of March 31, 2020 and 2019.

Related parties with significant transactions or outstanding balances of receivables and payables for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows:

	2020	2019
Parent	SMRC Automotive Holdings Netherlands B.V	SMRC Automotive Holdings Netherlands B.V
Other related parties	Duckyang Industry Co., Ltd.	Duckyang Industry Co., Ltd.
	SMRC Automotive Modules France SAS	SMRC Automotive Modules France SAS
	SMRC Automotive Interiors Spain, S.L.U	SMRC Automotive Interiors Spain, S.L.U
	SMRC Automotive Products India Private Limited	-
	SMRC Automotive Smart Interior Tech (Thailnad) Ltd.	-

Significant transactions with related parties for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

	Period	Sales	Rental revenue	Other revenue	Purchase	Rental expense
Parent:						
SMRC Automotive Holdings Netherlands B.V.	2020	₩ -	₩ -	₩ -	₩ -	₩
	2019	₩ -	₩ -	₩ -	₩ -	₩
Other related parties:						
Duckyang Industry Co., Ltd.	2020	3,966	89,208	417,552	8,430	418,695
	2019	3,909	14,532	31,776	77,580	85,500
SMRC Automotive Modules France SAS	2020	75,660	-	172,279	51,240	-
	2019	-	-	-	8,660	-
SMRC Automotive Interiors Spain, S.L.U	2020	652,548	-	-	-	-
	2019	173,868	-	-	-	-
SMRC Automotive Products India Private Limited	2020	-	-	153,320	523	-
	2019	-	-	-	-	-
SMRC Automotive Smart Interior Tech(Thailnad) Ltd.	2020	-	-	6,726	-	-
	2019	-	-	-	-	-
	2020	₩ 732,174	₩ 89,208	₩ 749,877	₩ 60,193	₩ 418,695
	2019	₩ 177,777	₩ 14,532	₩ 31,776	₩ 86,240	₩ 85,500

Financial transactions among related parites except for dividends paid for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows:

	Period	Interest income	Interest expense	Loans	Borrowings
Pararent:					
SMRC Automotive Holdings Netherlands B.V.	2020	₩ -	₩ 91,609	₩ -	₩ 2,340,266
	2019	₩ -	₩ 21,498	₩ -	₩ 2,155,399
Other related parties:					
SMRC Automotive Modules France SAS	2020	108,375	-	2,450,541	-
	2019	25,432	-	2,256,962	-

27. Related party disclosures (cont'd)

Outstanding balances with related parties as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

		Receivables		Payables	
	Year end	Accounts receivable	Other receivables	Trade payables	Other payables
Parent:					
SMRC Automotive Holdings Netherlands B.V.	2020	₩ -	₩ -	₩ -	₩ 2,363,867
	2019	₩ -	₩ -	₩ -	₩ 2,176,896
Other related parties:					
Duckyang Industry Co., Ltd.	2020	-	19,424	-	28,892
	2019	-	-	-	91,150
SMRC Automotive Modules France SAS	2020	9,901	2,478,461	22,485	1,351
	2019	3,702	2,282,394	21,062	20,616
SMRC Automotive Interiors Spain, S.L.U	2020	16,629	-	-	-
	2019	62,602	-	-	-
SMRC Automotive Products India Private Limited	2020	-	44,298	-	528
	2019	-	-	-	-
	2020	₩ 26,530	₩ 2,542,183	₩ 22,485	₩ 2,394,638
	2019	₩ 66,304	₩ 2,282,394	₩ 21,062	₩ 2,288,662

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

	2020	2019
Wages and salaries	₩ 783,626	₩ 160,430
Employee severance benefits	94,833	15,369
	₩ 878,459	₩ 175,799

28. Financial risk management objectives and policies

The Company's principal financial liabilities comprise trade and other payables to finance the Company's operations. The Company has trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks and reviews and agrees policies for managing each of these risks which are summarized below.

28.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. The sensitivity analyses in the following sections relate to the position as of March 31, 2020.

28.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company, as of March 31, 2020, operates all deposits and borrowings at fixed rate of interest, and the impact of changes in market interest rates on the fair value and cash flow of the financial instruments is deemed immaterial.

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

28.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As of March 31, 2020, the impact of changes in monetary assets and liabilities by foreign currency on the fair value and cash flow of the financial instruments is deemed immaterial.

28.1.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than interest rate risks or foreign currency risks. The equity securities of unlisted companies that the Company has are exposed to market price risks resulting from the uncertainties of changes in future market value. However, the impact of changes in fair market value on its future cash flows is not material.

28.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating and financing activities.

28.2.1 Trade and other receivables

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

The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are put into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk as at March 31, 2020 and 2019 are the carrying value of each class of financial assets as follows (Korean won in thousands):

	2020	2019
Trade receivables	₩ 19,861,164	₩ 29,338,906
Non-trade receivables	4,243,373	7,962,852

The requirement for impairment is analyzed at each reporting date on an individual basis.

28.2.2 Other assets

Credit risk is associated with the Company's other assets which consist of cash, short-term deposits and short-term financial instruments that arise from the default of counterparties. Maximum exposure to credit risks will be the carrying value of the other assets. The Company deposits its surplus funds in KEB Hana Bank and other financial institutions whose credit ratings are high, and as such, credit risk related to financial instruments is considered low.

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

28.3 Liquidity risk

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

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

The table below summarizes the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments as of March 31, 2020 and 2019 (Korean won in thousands):

	2020		
	Within 1 year	Over 1 year	Total
Trade payables	₩ 13,011,520	₩ -	₩ 13,011,520
Other financial liabilities	6,968,337	-	6,968,337
Long-term borrowing	91,609	2,448,934	2,540,543
Lease liabilities	652,990	1,282,524	1,935,514
	₩ 20,724,456	₩ 3,731,458	₩ 24,455,914

	2019		
	Within 1 year	Over 1 year	Total
Trade payables	₩ 20,606,397	₩ -	₩ 20,606,397
Other financial liabilities	7,343,487	88,092	7,431,579
Long-term borrowing	21,498	2,342,668	2,364,166
Lease liabilities	-	2,434,468	2,434,468
	₩ 27,971,382	₩ 4,865,228	₩ 32,836,610

The periodical cash flows of the above financial liabilities until maturity are not discounted and calculated on the basis of the earliest date when a bondholder can ask the Company to pay.

28.4 Capital management

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a debt ratio, which is net debt divided by adjusted capital. The Company includes within net debt, total debt less cash and short-term deposits.

No changes were made in the objectives, policies or processes for managing capital during the year ended March 31, 2020.

The debt-to-equity ratio as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Total liabilities	₩ 40,279,448	₩ 56,804,768
Less: cash and cash equivalents	10,308,942	9,445,117
Net liabilities	29,970,506	47,359,651
Total capital	29,087,581	28,106,449
Debt to equity ratio	103.04%	168.50%

29. Financial instruments by category

Financial assets by category as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
	Amortized cost financial assets	Amortized cost financial assets
Current assets:		
Cash and cash equivalents	₩ 10,308,942	₩ 9,445,117
Trade receivables	19,861,164	29,338,906
Other receivables	1,517,065	5,301,034
Other financial assets	8,165	20,210
	31,695,336	44,105,267
Non-current assets:		
Other non-current financial assets	4,255	12,420
Other receivables	2,726,307	2,661,818
	2,730,562	2,674,238
	₩ 34,425,898	₩ 46,779,505

Financial liabilities consist of financial liabilities at fair value through profit or loss and those at amortized cost ("other financial liabilities"), and as of March 31, 2020, financial liabilities consist solely of other financial liabilities. Financial liabilities by category as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Current liabilities:		
Trade payables	₩ 13,011,520	₩ 20,606,397
Other financial liabilities	5,032,841	5,442,103
Lease liabilities	568,447	-
	18,612,808	26,048,500
Non-current liabilities:		
Other financial liabilities	-	88,092
Long-term borrowing	2,340,266	2,155,399
Non-current lease liabilities	1,037,467	2,032,297
	3,377,733	4,275,788
	₩ 21,990,541	₩ 30,324,288

Revenue and expenses for financial assets and liabilities by category for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

	2020		
	Financial assets at amortized cost	Other financial liabilities	Total
Interest income	₩ 277,975	₩ -	₩ 277,975
Gain on foreign currency transactions	21,578	-	21,578
Gain on foreign currency translations	193,732	-	193,732
Bad debts expenses	31,355	-	31,355
Other bad debts expenses	32,011	-	32,011
Interest expense	-	(164,180)	(164,180)
Loss on foreign currency transactions	-	(29,731)	(29,731)
Loss on foreign currency translations	-	(189,318)	(189,318)
	₩ 556,652	₩ (383,229)	₩ 173,422

29. Financial instruments by category (cont'd)

	2019		
	Financial assets at amortized cost	Other financial liabilities	Total
Interest income	₩ 63,597	₩ -	₩ 63,597
Gain on foreign currency transactions	3,062	-	3,062
Gain on foreign currency translations	36,547	-	36,547
Bad debts expenses	(30,085)	-	(30,085)
Other bad debts expenses	(1,903)	-	(1,903)
Interest expense	-	(38,476)	(38,476)
Loss on foreign currency transactions	-	(4,654)	(4,654)
Loss on foreign currency translations	-	(33,869)	(33,869)
	₩ 71,218	₩ (76,999)	₩ (5,781)

30. Fair value

Fair values of financial instruments as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020		2019	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	₩ 10,308,942	₩ 10,308,942	₩ 9,445,117	₩ 9,445,117
Trade receivables	19,861,164	19,861,164	29,338,906	29,338,906
Other current receivables	1,517,066	1,517,066	5,301,034	5,301,034
Other current financial assets	8,165	8,165	20,210	20,210
Other non-current financial assets	4,255	4,255	12,420	12,420
Other non-current receivables	2,726,307	2,726,307	2,661,818	2,661,818
	₩ 34,425,899	₩ 34,425,899	₩ 46,779,505	₩ 46,779,505
Financial liabilities:				
Trade payables	13,011,520	13,011,520	20,606,397	20,606,397
Other current liabilities	5,032,841	5,032,841	5,442,103	5,442,103
Other non-current liabilities	-	-	88,092	88,092
Long-term borrowing	2,340,266	2,340,266	2,155,399	2,155,399
Lease liabilities	568,447	568,447	-	-
Non-current lease liabilities	1,037,467	1,037,467	2,032,297	2,032,297
	₩ 21,990,541	₩ 21,990,541	₩ 30,324,288	₩ 30,324,288

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

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

30. Fair value (cont'd)

Fair value hierarchies for financial instruments measured or disclosed at fair value as of March 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020			
	Level 1	Level 2	Level 3	Total
Assets				
Assets for which fair values are disclosed:				
Cash and cash equivalents	₩ -	₩ 10,308,942	₩ -	₩ 10,308,942
Trade receivables	-	-	19,861,164	19,861,164
Other current receivables	-	-	1,517,066	1,517,066
Other financial assets	-	12,420	-	12,420
Other non-current receivables	-	-	2,726,307	2,726,307
	₩ -	₩ 10,321,362	₩ 24,104,537	₩ 34,425,899
Liabilities				
Liabilities for which fair values are disclosed:				
Trade payables	₩ -	₩ -	₩ 13,011,520	₩ 13,011,520
Other current liabilities	-	-	6,968,337	6,968,337
Other non-current liabilities	-	-	-	-
Long-term borrowing	-	-	2,340,266	2,340,266
	₩ -	₩ -	₩ 22,320,123	₩ 22,320,123

	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Assets for which fair values are disclosed:				
Cash and cash equivalents	₩ -	₩ 9,445,117	₩ -	₩ 9,445,117
Trade receivables	-	-	29,338,906	29,338,906
Other current receivables	-	-	5,301,034	5,301,034
Other financial assets	-	32,630	-	32,630
Other non-current receivables	-	-	2,661,818	2,661,818
	₩ -	₩ 9,477,747	₩ 37,301,758	₩ 46,779,505
Liabilities				
Liabilities for which fair values are disclosed:				
Trade payables	₩ -	₩ -	₩ 20,606,397	₩ 20,606,397
Other current liabilities	-	-	7,343,487	7,343,487
Other non-current liabilities	-	-	88,092	88,092
Long-term borrowing	-	-	2,155,399	2,155,399
	₩ -	₩ -	₩ 30,193,375	₩ 30,193,375

31. Cash flow information

Details of the cash flow from operating activities for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

		2020		2019
Profit (loss) for the year	₩	4,903,574	₩	(482,948)
Adjustments to reconcile profit (loss) for the year to net cash				
Provided by operating activities:				
Retirement allowance		1,111,805		287,469
Depreciation of property, plant and equipment		3,342,284		918,961
Sales warranty expenses		447,851		155,546
Loss on foreign currency translation		189,318		33,869
Loss on disposal of property, plant and equipment		3,325		3,938
Loss on retirement of inventory		34,265		167
Bad debt expenses (reversal of allowance for doubtful accounts)		(31,355)		30,085
Other Bad debt expenses (reversal of other allowance for doubtful accounts)		(32,011)		1,903
Interest expense		164,180		38,476
Income tax expense (profit)		1,322,480		(213,646)
Gain on foreign currency translation		(193,732)		(36,547)
Interest income		(277,975)		(63,597)
Changes in operating assets and liabilities:				
Decrease (Increase) in trade receivables		9,509,116		(3,835,646)
Decrease (Increase) in other receivables		3,930,382		(242,995)
Decrease (increase) in inventories		262,254		(185,975)
Decrease (Increase) in prepayments		795,607		(3,556,895)
Decrease (Increase) in prepaid expenses		28,424		(123,460)
Increase (decrease) in trade payables		(7,599,185)		4,095,975
Increase (decrease) in other payables		(687,790)		(4,210,195)
Increase (decrease) in advance receipts		(5,439,153)		7,593,540
Increase (decrease) in withholdings		575,417		(246,221)
Increase in accrued expenses		32,009		982,199
Payment of severance and retirement benefits		(362,413)		50,121
Increase in plan assets		(1,415,285)		-
Increase in other long-term payables		(88,092)		-
Decrease in provision for sales warranty		(383,429)		(160,365)
Net cash flows provided by operating activities	₩	10,141,871	₩	833,757

31. Cash flow information(cont'd)

Significant transactions not involving cash flows for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

	2020	2019
Transfer of construction-in-progress to tangible assets	₩ 2,000	₩ 71,755
Transfer of guarantee deposits to current portion of guarantee deposits	159,090	3,265
Transfer of other non-current financial assets to other current financial assets	8,165	-
Deferred tax effect of actuarial gain and loss	(125,242)	15
Actuarial gain and loss	(569,280)	68
Other payables for acquisition of property, plant and equipment	278,520	296,730

Changes in liabilities arising from financial activities flows for the year ended March 31, 2020 and the three months ended March 31, 2019 are as follows (Korean won in thousands):

	2020		
Division	April 1, 2019	Foreign currency translation	March 31, 2020
Long-term borrowings	₩ 2,155,399	₩ 184,867	₩ 2,340,266

	2019		
Division	January 1, 2019	Foreign currency translation	March 31, 2019
Long-term borrowings	₩ 2,122,222	₩ 33,177	₩ 2,155,399

32. Commitments and contingencies

As of March 31, 2020, the Company has payment guarantees provided by third parties for its obligations and indebtedness as follows (Korean won in thousands):

Provider	Description	Guarantee provided to	Guaranteed amount
Seoul Guarantee Insurance Co., Ltd.	Payment guarantee	SOMO Petroleum Co., Ltd.	₩ 3,000

Off-balance committments that the Company has entered with financial institutions as of March 31, 2020 are as follows (Korean won in thousands):

Description of commitment	Financial institution	Limit
Guarantee of payment against discounted note receivable	Koonmin Bank	₩ 7,000,000
Discounting notes	Hana Bank	₩ 5,000,000
Guarantee of payment against discounted note receivable	Hana Bank	₩ 10,000,000

33. Events after the reporting period

Many governments have introduced various measures to combat the recent developments of the COVID-19 outbreak including travel restrictions, and as a result, the global economy is widely affected.

Although the effects of COVID-19 and government measures may affect the Company's financial statements in future periods, but it could not reasonably to be expected to estimate the significant impact on the financial statements as of March 31, 2020, therefore the impact was not reflected in the Company's financial statements.

34. Approval of financial statements

The accompanying financial statements of the Company for the year ended March 31, 2020 were approved at the Board of Directors' meeting on June 26, 2020 and will be submitted to the Company's annual shareholders' meeting.