

CJ CGV CO., LTD.

Separate Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

Contents

	Page
Independent Auditors' Report	1
Separate Statements of Financial Position	3
Separate Statements of Comprehensive Income	5
Separate Statements of Changes in Equity	6
Separate Statements of Cash Flows	7
Notes to the Separate Financial Statements	9

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
CJ CGV Co., Ltd.:

We have audited the accompanying separate financial statements of CJ CGV Co., Ltd. (the "Company"), which comprise the separate statements of financial position as at December 31, 2014 and 2013, the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2014 and 2013 and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other Matter

The accompanying separate statement of financial position of the Company as of December 31, 2013, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea

The procedures and practices utilized in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 6, 2015

This report is effective as of March 6, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

CJ CGV CO., LTD.
 Separate Statements of Financial Position

As of December 31, 2014 and 2013

<i>(In won)</i>	<u>Note</u>	<u>2014</u>	<u>2013</u>
Assets			
Cash and cash equivalents	3,4,5	₩ 62,494,305,669	46,450,199,176
Trade receivables	3,4,6	75,326,331,022	63,099,255,119
Inventories	3,7	3,333,090,760	2,488,989,667
Other current financial assets	3,4,8,29	29,722,702,206	18,903,777,099
Other current assets	9	18,386,769,553	14,602,029,270
Current assets		<u>189,263,199,210</u>	<u>145,544,250,331</u>
Investments in equity method investees	3,10	382,402,607,242	290,239,211,042
Investment property	3,11	18,341,630,615	18,605,209,338
Property and equipment	3,12,14,29	411,787,872,334	399,331,264,164
Intangible assets	3,13,29	23,112,780,691	32,409,487,797
Other non-current financial assets	3,4,8,29	48,192,651,665	82,054,486,832
Other non-current assets	9	77,210,613,854	84,337,908,659
Non-current assets		<u>961,048,156,401</u>	<u>906,977,567,832</u>
Total assets		<u>₩ 1,150,311,355,611</u>	<u>1,052,521,818,163</u>

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.
 Separate Statements of Financial Position, Continued

As of December 31, 2014 and 2013

<i>(In won)</i>	<u>Note</u>	<u>2014</u>	<u>2013</u>
Liabilities			
Trade payables	3,4,29	₩ 72,307,716,334	57,929,325,213
Other payables	3,4,18,29	74,233,635,338	73,229,971,120
Short-term borrowings	3,4,16	-	10,553,000,000
Current portion of long-term borrowings and debentures	3,4,16	95,967,953,722	161,122,376,219
Current tax liabilities	27	10,175,206,802	1,615,466,579
Other current financial liabilities	3,4,14,29	9,349,665,088	3,654,512,167
Other current liabilities	15	88,272,290,018	63,420,958,470
Current liabilities		<u>350,306,467,302</u>	<u>371,525,609,768</u>
Long-term debentures	3,4,16	179,537,621,372	99,771,282,445
Long-term borrowings	3,4,16	74,933,354,216	45,958,460,324
Long-term other payables	3,4,18	32,765,287,043	46,782,188,417
Employee benefits	3,17	8,285,249,907	5,189,879,885
Deferred tax liabilities	3,27	9,995,316,995	9,957,687,372
Other non-current financial liabilities	3,4,14,29	1,633,910,745	7,303,893,791
Other non-current liabilities	15	20,030,162,980	16,269,544,925
Non-current liabilities		<u>327,180,903,258</u>	<u>231,232,937,159</u>
Total liabilities		<u>677,487,370,560</u>	<u>602,758,546,927</u>
Shareholders' equity			
Common stock	1,3,19	10,580,656,500	10,580,656,500
Capital surplus	20	89,157,245,168	89,157,245,168
Retained earnings	21	377,678,874,604	354,453,320,789
Other capital	22	(4,592,791,221)	(4,427,951,221)
Total shareholders' equity		<u>472,823,985,051</u>	<u>449,763,271,236</u>
Total liabilities and shareholders' equity	₩	<u><u>1,150,311,355,611</u></u>	<u><u>1,052,521,818,163</u></u>

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.
Separate Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

<i>(In won)</i>	<u>Note</u>	<u>2014</u>	<u>2013</u>
Revenue	3,29	₩ 864,501,521,411	773,009,383,320
Cost of sales	24,29	(423,972,682,338)	(369,928,344,580)
Gross profit		<u>440,528,839,073</u>	<u>403,081,038,740</u>
Selling, general and administrative expenses	23,24,29	(369,084,822,799)	(334,935,685,573)
Operating profit		<u>71,444,016,274</u>	<u>68,145,353,167</u>
Finance income	26,29	17,743,819,422	5,565,835,671
Finance costs	26	(27,711,503,134)	(22,712,302,881)
Other non-operating income	25	6,680,206,869	8,271,178,687
Other non-operating expenses	25	(16,532,588,092)	(13,559,143,879)
Income before income taxes		<u>51,623,951,339</u>	<u>45,710,920,765</u>
Income tax expense	3,27	(18,349,825,909)	(2,632,624,730)
Net income		<u>33,274,125,430</u>	<u>43,078,296,035</u>
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit plan	3,17	(3,485,635,970)	(1,088,828,689)
Taxes on items that will not be reclassified to profit or loss		843,523,905	263,496,543
Total items that will not be reclassified to profit or loss		<u>(2,642,112,065)</u>	<u>(825,332,146)</u>
Items that are or may be reclassified subsequently to profit or loss:			
Net changes in fair value of available-for-sale financial assets	8,26	-	(34,531,975)
Taxes on items that are or may be reclassified subsequently to profit or loss		-	8,356,738
Total items that are or may be reclassified subsequently to profit or loss:		<u>-</u>	<u>(26,175,237)</u>
Total comprehensive income		<u>₩ 30,632,013,365</u>	<u>42,226,788,652</u>
Earnings per share			
Basic earnings per share	3,28	₩ 1,572	2,081
Diluted earnings per share	3,28	1,572	2,081

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.

Separate Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

<i>(In won)</i>		<u>Common Stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Other capital</u>	<u>Total</u>
Balance at January 1, 2013	₩	10,308,729,000	67,150,745,209	318,734,906,774	(7,593,612,858)	388,600,768,125
Total comprehensive income (loss)						
Net income		-	-	43,078,296,035	-	43,078,296,035
Net changes in fair value of available-for-sale financial assets		-	-	-	(26,175,237)	(26,175,237)
Remeasurements of the defined benefit plan		-	-	(825,332,146)	-	(825,332,146)
Total		<u>-</u>	<u>-</u>	<u>42,252,963,889</u>	<u>(26,175,237)</u>	<u>42,226,788,652</u>
Transactions with owners of the Company, recognized directly in equity						
Increase(decrease) from merger		271,927,500	(271,927,500)	681,560,426	109,556,963	791,117,389
Dividends		-	-	(7,216,110,300)	-	(7,216,110,300)
Disposal of treasury stock		-	22,278,427,459	-	3,335,079,911	25,613,507,370
Exercise of stock options		-	-	-	(252,800,000)	(252,800,000)
Total		<u>271,927,500</u>	<u>22,006,499,959</u>	<u>(6,534,549,874)</u>	<u>3,191,836,874</u>	<u>18,935,714,459</u>
Balance at December 31, 2013	₩	<u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>354,453,320,789</u>	<u>(4,427,951,221)</u>	<u>449,763,271,236</u>
Balance at January 1, 2014	₩	10,580,656,500	89,157,245,168	354,453,320,789	(4,427,951,221)	449,763,271,236
Total comprehensive income (loss)						
Net income		-	-	33,274,125,430	-	33,274,125,430
Remeasurements of the defined benefit plan		-	-	(2,642,112,065)	-	(2,642,112,065)
Total		<u>-</u>	<u>-</u>	<u>30,632,013,365</u>	<u>-</u>	<u>30,632,013,365</u>
Transactions with owners of the Company, recognized directly in equity						
Dividends		-	-	(7,406,459,550)	-	(7,406,459,550)
Exercise of stock options		-	-	-	(164,840,000)	(164,840,000)
Total		<u>-</u>	<u>-</u>	<u>(7,406,459,550)</u>	<u>(164,840,000)</u>	<u>(7,571,299,550)</u>
Balance at December 31, 2014	₩	<u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>377,678,874,604</u>	<u>(4,592,791,221)</u>	<u>472,823,985,051</u>

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.
Separate Statements of Cash Flows

For the years ended December 31, 2014 and 2013

<i>(In won)</i>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Net income	₩ 33,274,125,430	43,078,296,035
Adjustments for:		
Income tax expense	18,349,825,909	2,632,624,730
Bad debt expenses	670,061,304	212,316,612
Other bad debt expenses	188,611,091	904,295,032
Expenses for employee	10,270,815,446	7,963,920,595
Depreciation	48,862,680,630	43,877,967,730
Amortization	12,724,840,419	7,496,093,546
Foreign currency translation loss	2,900,332,200	8,652,880
Interest expense	17,278,900,419	18,070,119,524
Loss on valuation of derivative financial assets	6,050,263,118	4,384,195,913
Loss on transaction of derivative financial assets	1,246,535,332	5,784,110
Loss on disposal of available-for-sale financial assets	4,013,814	235,349,965
Loss on disposal of other financial assets	866,119,688	1,182,790,199
Loss on disposal of property and equipment	2,891,056,745	2,819,805,132
Loss on disposal of intangible assets	4,652,188,766	11,065,663
Impairment losses on intangible assets	-	101,001,853
Other non-cash expenses	10,988,931,524	11,470,355,224
Interest income	(2,772,576,617)	(3,394,672,699)
Dividend income	(1,402,718,321)	(1,056,383,166)
Gain on valuation of derivative financial assets	(11,877,544,646)	-
Gain on transaction of derivative financial assets	-	(997,260)
Foreign currency translation gain	(29,191,255)	(989,637,487)
Gain on disposal of property and equipment	(603,311,776)	(28,447,509)
Other non-cash income	(64,135,930)	(106,247,035)
	<u>121,195,697,860</u>	<u>95,799,953,552</u>
Changes in assets and liabilities:		
Trade receivables	(12,897,441,207)	(14,848,525,621)
Other current financial assets	(4,963,640,476)	(1,632,112,232)
Other current assets	(2,472,618,268)	(1,378,645,614)
Inventories	(844,101,093)	(202,415,390)
Other non-current assets	1,839,505,703	(33,870,593)
Trade payables	14,378,391,121	(18,153,891,137)
Other payables	3,903,696,890	(11,803,799,093)
Long-term other payables	(2,958,894,157)	(1,312,336,890)
Other current financial liabilities	(441,906,140)	19,330,000
Other non-current financial liabilities	189,000,000	(106,000,000)
Other current liabilities	24,857,689,828	9,126,985,025
Other non-current liabilities	558,381,852	(1,095,957,038)
Payment of retirement and severance benefits	(2,228,238,768)	(1,296,654,504)
Severance benefits from affiliated companies	67,157,374	(37,106,284)
Employee benefit plan assets	(8,500,000,000)	(11,000,000,000)
	<u>₩ 10,486,982,659</u>	<u>(53,754,999,371)</u>

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.

Separate Statements of Cash Flows, Continued

For the years ended December 31, 2014 and 2013

<i>(In won)</i>	<u>2014</u>	<u>2013</u>
Cash generated from operating activities	₩ 164,956,805,949	85,123,250,216
Interest received	1,557,216,818	2,712,859,120
Dividends received	991,799,782	-
Interest paid	(12,522,530,075)	(13,362,454,686)
Income taxes paid	(8,908,932,158)	(12,276,565,350)
Net cash from operating activities	<u>146,074,360,316</u>	<u>62,197,089,300</u>
Cash flows from investing activities		
Inflow from merger	-	17,168,764,405
Proceeds from disposal of available-for-sale financial assets	98,956,474	294,567,406
Decrease of other financial assets	3,284,650,471	2,398,201,981
Proceeds from disposal of property and equipment	638,091,367	799,946,385
Acquisition of available-for-sale financial assets	(102,970,288)	(2,781,540,000)
Acquisition of investments in associates	(11,735,525,000)	-
Acquisition of investments in subsidiaries	(64,092,071,200)	(91,548,485,624)
Increase of other financial assets	(10,298,019,971)	(24,878,053,604)
Acquisition of property and equipment	(69,744,524,964)	(93,350,023,924)
Acquisition of intangible assets	(133,204,149)	(1,346,932,320)
Net cash used in investing activities	<u>(152,084,617,260)</u>	<u>(193,243,555,295)</u>
Cash flows from financing activities		
Proceeds from issue of debentures	149,559,200,000	29,878,474,852
Proceeds from short-term borrowings	40,000,000,000	40,603,000,000
Proceeds from long-term borrowings	52,103,000,000	30,558,460,324
Disposal of treasury stock	-	25,613,507,370
Repayment of debentures	(100,000,000,000)	(50,000,000,000)
Repayment of short-term borrowings	(50,553,000,000)	(30,000,000,000)
Repayment of current portion of long-term borrowings	(61,207,400,000)	-
Repayment of long-term borrowings	-	(10,600,000,000)
Dividends paid	(7,406,459,550)	(7,216,110,300)
Exercise of stock options	(164,840,000)	(252,800,000)
Others, net	(274,800,526)	(263,825,506)
Net cash from financing activities	<u>22,055,699,924</u>	<u>28,320,706,740</u>
Net increase (decrease) in cash and cash equivalents	16,045,442,980	(102,725,759,255)
Cash and cash equivalents at January 1	46,450,199,176	149,167,788,172
Effect of exchange rate fluctuations on cash held	(1,336,487)	8,170,259
Cash and cash equivalents at December 31	<u>₩ 62,494,305,669</u>	<u>46,450,199,176</u>

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity

CJ CGV Co., Ltd. (the “Company”) was established for the purpose of being engaged in operating multiplex cinemas and screening films and its head office is located in World Cup buk-ro, Mapo-gu, Seoul, Republic of Korea. On December 24, 2004, the Company was listed on the Korea Exchange.

The Company merged with Primus Cinema Co., Ltd. on June 21, 2013. As of December 31, 2014, the Company’s major shareholders are as follows:

Shareholders	The number of shares	Ownership (%)
CJ Corp.	8,257,000	39.02
National pension service	2,830,537	13.38
Korea Investment Management Co., Ltd.	2,323,949	10.98
Others	7,749,827	36.62
	21,161,313	100.00

2. Basis of Preparation

(1) Statement of compliance

The separate financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”), as prescribed in *the Act on External Audits of Corporations in the Republic of Korea*.

These financial statements are separate financial statements prepared in accordance with K-IFRS No. 1027, ‘Separate Financial Statements’ presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost.

(2) Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value
- Liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(3) Functional and presentation currency

These separate financial statements are presented in Korean won, which is the Company’s functional currency and the currency of the primary economic environment in which the Company operates.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

2. Basis of Preparation, Continued

(4) Use of estimates and judgments

The preparation of the separate financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the separate financial statements is included in the following note:

Note 11 – classification of investment property

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 13 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of goodwill;

Note 15 and 18 – provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources;

Note 17 – measurement of defined benefit obligations: key actuarial assumptions; and

Note 27 – recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used.

(5) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

2. Basis of Preparation, Continued

- (5) Measurement of fair values, continued

Further information about the assumptions made in measuring fair values is included in the following note:

Note 4 –risk management

- (6) Certain accounts of the prior year's separate statements of financial position have been reclassified to conform to the current year's presentation. These reclassifications have not resulted in any change to reported net income or shareholders' equity.
- (7) Changes in accounting policies

Except for the following new standards and amendments to standards with a date of initial application of January 1, 2014, the Company has consistently applied the accounting policies to all periods presented in these separate financial statements.

- 1) Offsetting Financial Assets and Financial Liabilities (Amendments to K-IFRS No. 1032)

The amendments to K-IFRS No. 1032, 'Offsetting Financial Assets and Financial Liabilities' require that a financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- (i) currently has a legally enforceable right to set off the recognised amounts; and
(ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

According to the amendments, the right to set off should not be contingent on a future event, and legally enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendments also state that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

The Company retrospectively applied the amendments in accordance with the transitional requirements of K-IFRS No. 1032, and there has been no impact on the separate financial statements of the Company.

- 2) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to K-IFRS No. 1036)

The amendments to K-IFRS No. 1036 'Impairment of Assets' require the disclosure of information about the recoverable amount for an individual asset or a cash-generating unit, for which an impairment loss has been recognized or reversed during the period.

The Company retrospectively applied the amendments in accordance with the transitional requirements of K-IFRS No. 1036, and there has been no significant impact on the separate financial statements of the Company.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

2. Basis of Preparation, Continued

(7) Changes in accounting policies, continued

3) K-IFRS No. 2121, 'Levies'

K-IFRS No. 2121 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognized when that minimum activity threshold is reached. On the other hand, an entity shall recognize an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The interpretation clarifies that even if the Company has an opportunity to avoid substantive liability, it shall not recognize obligation to pay a levy until obligating event occurs.

The Company retrospectively applied the interpretation in accordance with the transitional requirements of K-IFRS No. 2121, and there has been no impact on the separate financial statements of the Company.

(8) Authorization date for issuance of the separate financial statements

The separate financial statements were authorized for issue by the Board of Directors on February 5, 2015, which will be submitted for approval to the shareholders' meeting to be held on March 20, 2015.

3. Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its separate financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements except for the changes in accounting policies as explained in Note 2 (7).

(1) Operating segments

The Company presents the disclosures related to operating segments in the consolidated financial statements in accordance with K-IFRS No. 1108, 'Operating Segments'. Therefore, the Company does not present them separately in these separate financial statements.

(2) Business combination under common control

A business combination involving entities or business under common control are accounted for by applying book value method, which accounted for assets and liabilities at carrying amounts recognized previously in the consolidated financial statements. The Company recognizes the difference between the consideration transferred in a business combination and net assets acquired as other surplus in other capital in equity.

(3) Subsidiaries and equity-accounted investees in the separate financial statements

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027, 'Separate Financial Statements'. The Company applied the cost method to investments in subsidiaries and associates in accordance with K-IFRS No. 1027. Dividends from a subsidiary or associate are recognized in profit or loss when the right to receive the dividend is established.

3. Significant Accounting Policies, Continued

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Also, short term commitments that are subject to an insignificant risk of changes in fair value that liquidity is very high, and readily converted to cash

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

amounts, are classified as cash and cash equivalents. Equity instruments are excluded from the cash assets, but redeemable preference shares considered substantially as cash equivalents having short period from the acquisition date to redemption date, are included as cash and cash equivalents.

(5) Inventories

The cost of inventories is based on the first-in first-out principle, and includes expenditures for acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories are measured at the lower of cost and net realizable value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(6) Non-derivative financial assets

The Company recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Company recognizes financial assets in the separate statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(i) Financial assets at fair value through profit or loss

A financial asset is classified as financial assets at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity investments

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Company has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(6) Non-derivative financial assets, continued

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

(v) De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

In the case that the Company neither transfers nor retains all the risks and rewards of ownership of the financial asset, the Company derecognize the financial asset if the Company has not retained control and the Company continues to recognize the financial asset to the extent of its continuing involvement in the financial assets if the Company has retained control.

If the Company retains substantially all the risks and rewards of ownership of the transferred financial assets, the Company continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(vi) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the separate statement of financial position only when the Company currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(7) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes in the fair value of derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

3. Significant Accounting Policies, Continued

(8) Impairment of financial assets

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

Objective evidences that a financial asset has been impaired are as follows:

- significant financial difficulty of the issuer
- breach of contract such as a delay or failure of principal repayment and interest payment
- inevitable relaxation of the initial borrowing conditions due to legal or economic related financial difficulties of the borrower
- borrower's bankruptcy or other financial restructuring are very likely
- disappearance of an active market for an asset due to financial difficulties, and
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since their initial recognition, although the decrease cannot yet be identified with the individual assets in the group

In addition, for an investment in available-for-sale financial assets, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses are measured and recognized as below.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Company can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(8) Impairment of financial assets, continued

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

(9) Property and equipment

Property and equipment are initially measured at cost. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Property and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

A component that is significant compared to the total cost of property and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

The estimated useful lives of the Company's property and equipment are as follows:

	<u>Useful lives (years)</u>
Buildings	40
Structures	10~20
Tools and equipment	4
Vehicles	4

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(10) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which certain intangible assets are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

	<u>Useful lives (years)</u>
Usage rights	12, 15
Other intangible assets	1~10

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(11) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Investment property, except for land, are depreciated on a straight-line basis over 40 years as estimated useful lives.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

3. Significant Accounting Policies, Continued

(12) Impairment of non-financial assets

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

The carrying amounts of the Company's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Company estimates the recoverable amount of cash-generating unit ("CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) Leases

The Company classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(i) Finance leases

At the commencement of the lease term, the Company recognizes as finance lease assets and finance lease liabilities in its separate statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(13) Leases, continued

(i) Finance leases, continued

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Company reviews to determine whether the leased asset may be impaired.

(ii) Operating leases

Payments made under operating leases (net of incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease. Incentives received under operating leases are recognized over period of the lease by being deducted from payment made under operating leases.

(iii) Determining whether an arrangement contains a lease

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

At inception or reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a financial lease that it is impracticable to separate the payments reliably, the Company recognizes an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently, the liability shall be reduced as payments are made and an imputed finance charge on the liability recognized using the purchaser's incremental borrowing rate of interest.

(14) Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the separate statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(14) Non-derivative financial liabilities, continued

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability from the separate statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(15) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Retirement benefits: defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of plan assets.

The calculation of defined benefit obligation is performed annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognizing immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(16) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation 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.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision shall be used only for expenditures for which the provision was originally recognized.

(17) Foreign currencies

Transactions in foreign currencies are translated to the functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation of monetary items are recognized in profit or loss, except for differences resulting from the settlement of foreign currency transactions and differences resulting from monetary items that form part of a net investment in a foreign operation. If foreign currency differences arising on non-monetary items are recognized in other comprehensive profit or loss, related foreign exchange rate change effect are recognized in other comprehensive profit or loss. If foreign currency differences arising on non-monetary items are recognized in profit or loss, related foreign exchange rate change effect are recognized in profit or loss.

(18) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Company repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Company acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

3. Significant Accounting Policies, Continued

(19) Share-based payment transactions

For equity-settled share-based payment transactions, if the Company cannot reliably estimate the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity,

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

indirectly, by reference to the fair value of the equity instruments granted. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period.

(20) Revenue

(i) Recognition of revenues

Revenue from film screening is recognized when the movies are screened, and revenue from sale of goods is recognized when the goods are sold, and revenue of advertisement is recognized when the advertising service is completed. Revenue from the sale of goods, rendering of services are measured at the fair value of the consideration received or receivable, and sales returns, trade discounts and volume rebates are deducted.

(ii) Customer loyalty program

For customer loyalty program, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits ("points") and the other components of the sale. The Company supplies all of the awards, in respect of rendering film screening services. The amount allocated to the points is estimated by reference to the fair value of the film screening service for which they could be redeemed. The fair value of the service is estimated taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the points are redeemed and the Company has fulfilled its obligations to supply the film screening service. The amount of revenue recognized in those circumstances is based on the number of points that have been redeemed in exchange for service, relative to the total number of points that is expected to be redeemed.

(iii) Rental income

Rental income from investment property, net of lease incentive granted, is recognized in profit or loss on a straight-line basis over the term of the lease.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(21) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, gains on foreign currency transactions, gains on foreign currency translation of monetary items, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, losses on foreign currency transactions, losses on foreign currency translation of monetary items, and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs are recognized in profit or loss using the effective interest method.

(22) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(22) Income taxes, continued

(ii) Deferred tax, continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis. The Company recognizes additional tax arising from dividends payment upon dividends payable is recognized.

(23) Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(24) New amendment not yet adopted

The following new amendments to existing standard have been published and are mandatory for the Company for annual periods beginning after January 1, 2014, and the Company has not early adopted them.

Management believes the impact of the amendments on the Company’s separate financial statements is not significant.

1) K-IFRS No. 1019 ‘Employee Benefits’ – Employee contributions

Amendments to K-IFRS No. 1019 introduced a practical expedient to accounting for defined benefit plan, when employees or third parties pay contributions if certain criteria are met. According to the amendments, the entity is permitted to recognize those contributions as a reduction of the service cost in the period in which the related service is rendered, instead of forecast future contributions from employees or third parties and attribute them to periods or service as negative benefits. This amendment is effective for annual periods beginning on or after July 1, 2014, with early adoption permitted.

2) K-IFRS No. 1027 ‘Separate Financial Statements’

Amendments to K-IFRS No. 1027 introduced equity accounting as a third option in the entity’s separate financial statements, in addition to the existing cost and fair value options. This amendment is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- ✓ credit risk
- ✓ liquidity risk
- ✓ market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these separate financial statements.

(1) Financial risk management

1) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Credit risk is not significant because the majority of Company's revenues are generated from individual customers. The Company limits credit risk by keeping most of cash and cash equivalents in banks with high credit ratings.

(i) Exposure to credit risk

The carrying amount of financial assets stands for the exposure to credit risk. Considering the definition of credit risk, cash in hand and equity investments are not included in the exposure to credit risk.

Details of the Company's maximum exposure to credit risk as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	₩ 60,836,319	44,815,845
Available-for-sale financial assets	-	32,248,145
Trade receivables	75,326,331	63,099,255
Other financial assets	68,516,532	65,906,128
Derivative financial assets	6,898,422	303,591
	<u>₩ 211,577,604</u>	<u>206,372,964</u>

4. Risk Management, Continued

(1) Financial risk management, continued

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

2) Credit risk, continued

(ii) Impairment losses

The aging and impairment losses of loans and receivables, except for cash and cash equivalents, as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>		2014		
		Not overdue	Overdue, but not impaired	Impaired
Not past due	₩	140,991,019	-	-
0-3 months		-	1,570,684	56,660
4-6 months		-	282,738	206,904
7-12 months		-	969,719	346,249
Over one year		-	28,703	4,412,948
	₩	<u>140,991,019</u>	<u>2,851,844</u>	<u>5,022,761</u>
<i>(In thousands of won)</i>		2013		
		Not overdue	Overdue, but not impaired	Impaired
Not past due	₩	124,248,146	-	-
0-3 months		-	2,592,051	-
4-6 months		-	1,861,387	-
7-12 months		-	199,249	-
Over one year		-	104,550	4,296,710
	₩	<u>124,248,146</u>	<u>4,757,237</u>	<u>4,296,710</u>

The Company records an allowance for impairment that represents its estimate of incurred losses in respect of loans and receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(iii) Guarantees

As described in note 29 (7), the Company provides financial guarantees to subsidiaries and others. As a result, the Company is exposed to credit risk to the extent of payment guarantee.

3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors cash flow requirements with the extended plans and short-term strategies. The Company ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk, continued

The contractual maturity of financial liabilities as of December 31, 2014 and 2013, including estimated interest payments and excluding the impact of netting agreements, are as follows:

<i>(In thousands of won)</i>	Book value	2014			
		Contractual cash outflow	Less than one year	One to five years	Over five years
Trade payables	₩ 72,307,716	72,307,716	72,307,716	-	-
Other payables	74,233,635	74,233,635	74,233,635	-	-
Debentures	249,505,575	266,885,750	76,607,500	190,278,250	-
Long-term borrowings	100,933,354	105,894,936	27,953,236	77,941,700	-
Long-term other payables(*)	31,505,896	57,673,999	-	24,403,321	33,270,678
Other current financial liabilities	9,349,665	9,371,503	9,371,503	-	-
Other non-current financial liabilities	1,633,911	1,755,577	-	1,755,577	-
	₩ 539,469,752	588,123,116	260,473,590	294,378,848	33,270,678

(*) Long-term other payables related to long-term officer compensation expense are not included.

The Company doesn't expect the above cash flows to be occurred in earlier period or to be materially different. As described in note 18 (3) and 29 (7), the Company provides subsidiaries and others with payment guarantee which is exposed to liquidity risk. The payment guarantee is not included in the book value or contractual cash outflow above.

<i>(In thousands of won)</i>	Book value	2013			
		Contractual cash outflow	Less than one year	One to five years	Over five years
Trade payables	₩ 57,929,325	57,929,325	57,929,325	-	-
Other payables(*)	71,246,971	71,246,971	71,246,971	-	-
Short-term borrowings	10,553,000	10,584,017	10,584,017	-	-
Debentures	199,686,259	210,462,750	106,894,250	103,568,500	-
Long-term borrowings	107,165,860	110,023,967	63,186,226	46,837,741	-
Long-term other payables(*)	45,904,637	72,437,011	-	40,459,916	31,977,095
Other current financial liabilities	3,654,512	3,696,267	3,696,267	-	-
Other non-current financial liabilities	7,303,894	7,484,992	-	7,484,992	-
	₩ 503,444,458	543,865,300	313,537,056	198,351,149	31,977,095

(*) Other payables related to long-term officer compensation expense and reserve for restoration are not included.

4. Risk Management, Continued

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

(1) Financial risk management, continued

4) Market risk

Market risk is the risk that changes in market prices will affect the value or future cash flow of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company limits the exposure to currency risk and interest rate risk by the currency swap/forward and interest swap contracts related to borrowings.

(i) Currency risk

The Company is exposed to currency risk on other receivables and borrowings that are denominated in a currency other than the functional currency of the Company. The currencies in which these transactions primarily are denominated are USD, RMB and others.

The amount of the Company's exposure to currency risk as of December 31, 2014 and 2013 are as follows:

		2014		2013	
		USD	RMB	USD	RMB
<i>(In thousands of won)</i>					
Cash and cash equivalents	₩	5,174	6,573	-	13,419
Other receivables		801,992	1,382,822	580,592	1,061,321
Finance lease liabilities		(436,425)	-	(670,604)	-
Borrowings		(54,960,000)	-	(71,760,400)	-
Total exposure		(54,589,259)	1,389,395	(71,850,412)	1,074,740
Currency swaps/forwards		54,960,000	-	61,207,400	-
Net exposure	₩	370,741	1,389,395	(10,643,012)	1,074,740

Significant exchange rates applied during the years are as follows:

		Average rate		Reporting date spot rate	
		2014	2013	2014	2013
<i>(In won)</i>					
USD	₩	1,053.22	1,095.04	1,099.20	1,055.30
RMB		169.92	178.10	176.81	174.09

Assuming that other variables such as interest rates do not change, the impact of changes in exchange rates of the won against foreign currencies on the profit or loss for the years ended December 31, 2014 and 2013 are as follows:

		2014		2013	
		10% strengthening	10% weakening	10% strengthening	10% weakening
<i>(In thousands of won)</i>					
USD	Total exposure	₩ (5,458,926)	5,458,926	(7,185,041)	7,185,041
	Currency swaps/forwards	5,496,000	(5,496,000)	6,120,740	(6,120,740)
	Net exposure	37,074	(37,074)	(1,064,301)	1,064,301
RMB		138,940	(138,940)	107,474	(107,474)

4. Risk Management, Continued

(1) Financial risk management, continued

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4) Market risk, continued

(ii) Interest rate risk

Carrying amount of interest-bearing financial instruments held by the Company as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Fixed rate instruments:		
Financial assets	₩ 100,000	300,000
Financial liabilities	(318,634,393)	(277,218,428)
	<u>₩ (318,534,393)</u>	<u>(276,918,428)</u>
Variable rate instruments:		
Financial assets	₩ 59,827,319	43,622,869
Financial liabilities	(72,960,000)	(79,207,400)
	<u>₩ (13,132,681)</u>	<u>(35,584,531)</u>

- Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (currency swaps) as hedging instruments under a fair value hedge accounting model. Therefore, the change in interest rates would not affect profit or loss.

- Fair value sensitivity analysis for variable rate instruments

Assuming that all other variables are constant, the impact of changes in interest rate on profit or loss as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>		<u>2013</u>	
	<u>0.5% Point increase</u>	<u>0.5% Point decrease</u>	<u>0.5% Point increase</u>	<u>0.5% Point decrease</u>
Variable rate instruments	₩ (65,663)	65,663	(177,923)	177,923
Interest rate swaps	40,000	(40,000)	346,037	(346,037)
Cash flow sensitivity, net	<u>₩ (25,663)</u>	<u>25,663</u>	<u>168,114</u>	<u>(168,114)</u>

(iii) Other market price risk

Market price risk arises from available-for-sale financial assets held. Major investments within the portfolio are managed separately and the approval of the board of directors is necessary for important acquisition or sales decision.

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair value

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

(i) The carrying amount and fair value of financial assets and liabilities as of December 31, 2014 and 2013 are as follows:

① December 31, 2014

(In thousands of won)

	Carrying amount					Fair value	
	Designated at fair value	Loans and receivables	Available-for-sale	Other	Total	Level 2	Level 3
Financial assets measured at fair value							
Derivative financial assets(*3)	₩ 6,898,422	-	-	-	6,898,422	6,898,422	-
Financial assets not measured at fair value(*1)							
Cash and cash equivalents	-	62,494,306	-	-	62,494,306	-	-
Trade receivables	-	75,326,331	-	-	75,326,331	-	-
Available-for-sale: equity investments(*2)	-	-	2,500,400	-	2,500,400	-	-
Other financial assets	-	68,516,532	-	-	68,516,532	-	-
Subtotal	-	206,337,169	2,500,400	-	208,837,569	-	-
Total	₩ 6,898,422	206,337,169	2,500,400	-	215,735,991	6,898,422	-
Financial liabilities measured at fair value							
Derivative financial liabilities(*3)	₩ 6,048,127	-	-	-	6,048,127	6,048,127	-
Financial liabilities not measured at fair value(*1)							
Trade payables	-	-	-	72,307,716	72,307,716	-	-
Other payables	-	-	-	74,233,635	74,233,635	-	-
Borrowings and debentures	-	-	-	350,438,929	350,438,929	-	-
Long-term other payables	-	-	-	31,505,896	31,505,896	-	-
Other financial liabilities	-	-	-	4,935,449	4,935,449	-	-
Subtotal	-	-	-	533,421,625	533,421,625	-	-
Total	₩ 6,048,127	-	-	533,421,625	539,469,752	6,048,127	-

(*1) As the carrying amounts of financial assets and liabilities are approximate values of fair value, their fair values are not disclosed.

(*2) As equity investments do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are measured at cost.

(*3) Fair value of derivative financial assets and liabilities are measured at discounted present value using the forward rate at the reporting date.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair value, continued

② December 31, 2013

(In thousands of won)

	Carrying amount					Fair value	
	Designated at fair value	Loans and receivables	Available-for-sale	Other	Total	Level 2	Level 3
Financial assets measured at fair value							
Derivative financial assets(*3)	₩ 303,591	-	-	-	303,591	2,136	301,455
Financial assets not measured at fair value(*1)							
Cash and cash equivalents	-	46,450,199	-	-	46,450,199	-	-
Trade receivables	-	63,099,255	-	-	63,099,255	-	-
Available-for-sale: equity investments(*2)	-	-	2,500,400	-	2,500,400	-	-
Available-for-sale: debt investments	-	-	32,248,145	-	32,248,145	-	-
Other financial assets	-	65,906,128	-	-	65,906,128	-	-
Subtotal	-	175,455,582	34,748,545	-	210,204,127	-	-
Total	₩ 303,591	175,455,582	34,748,545	-	210,507,718	2,136	301,455
Financial liabilities measured at fair value							
Derivative financial liabilities(*3)	₩ 5,732,960	-	-	-	5,732,960	5,732,960	-
Financial liabilities not measured at fair value(*1)							
Trade payables	-	-	-	57,929,325	57,929,325	-	-
Other payables	-	-	-	71,246,971	71,246,971	-	-
Borrowings and debentures	-	-	-	317,405,119	317,405,119	-	-
Long-term other payables	-	-	-	45,904,637	45,904,637	-	-
Other financial liabilities	-	-	-	5,225,446	5,225,446	-	-
Subtotal	-	-	-	497,711,498	497,711,498	-	-
Total	₩ 5,732,960	-	-	497,711,498	503,444,458	5,732,960	-

(*1) As the carrying amounts of financial assets and liabilities are approximate values of fair value, their fair values are not disclosed.

(*2) As equity investments do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are measured at cost.

(*3) Fair value of derivative financial assets and liabilities are measured at discounted present value using the forward rate at the reporting date.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Risk Management, Continued

(1) Financial risk management, continued

6) Transfers of financial asset

Repurchasing amount of the leasehold deposits derecognized entirely is the fair value at the time of repurchase. The maturity analysis and undiscounted cash outflows of transferred leasehold deposits are as follows:

(In thousands of won)

<u>Type of Continuing involvement</u>		<u>Maturity of continuing involvement</u>
		<u>Less than 1 year</u>
Put-option	₩	160,094,086

(2) Capital Management

The Company's policy is to maintain sustainability of going concern and the objective of the Company's capital management is to maximize the shareholder's profit by minimizing the cost of capital financing. The capital structure of the Company consists of net liabilities (total borrowings and debentures less cash and cash equivalents) and total equity. The company's management is periodically reviewing the capital structure.

The Company's net liabilities to equity ratios at the end of the reporting period are as follows:

(In thousands of won, except ratio)

		<u>2014</u>	<u>2013</u>
Total liabilities	₩	677,487,371	602,758,547
Total equity		472,823,985	449,763,271
Cash and cash equivalents		62,494,306	46,450,199
Borrowings and debentures		350,438,929	317,405,119
Borrowings and debentures, net		287,944,623	270,954,920
Liabilities to equity ratio		143%	134%
Net debt to equity ratio		61%	60%

5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

		<u>2014</u>	<u>2013</u>
Cash on hand	₩	1,657,987	1,634,354
Demand deposits		59,827,319	43,622,869
Other cash equivalents		1,009,000	1,192,976
	₩	<u>62,494,306</u>	<u>46,450,199</u>

The amount of cash and cash equivalents that are restricted to withdrawal is ₩3,497 million as of December 31, 2014.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

6. Trade Receivables

- (1) Trade receivables are presented on a net basis after deducting related allowance. As of December 31, 2014 and 2013, trade receivables and allowance for doubtful accounts are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Trade receivables	₩ 76,219,726	63,454,001
Allowance for doubtful accounts	(893,395)	(354,746)
	<u>₩ 75,326,331</u>	<u>63,099,255</u>

- (2) Changes in allowance for doubtful accounts for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Balance at the beginning	₩ 354,746	111,111
Business combination	-	266,819
Increase in allowance	670,061	212,317
Write-off	(131,412)	(235,501)
Balance at the end	<u>₩ 893,395</u>	<u>354,746</u>

Trade receivables are short-term account receivables and the difference between the carrying amount and fair value is immaterial.

7. Inventories

The Company has not recognized any loss on valuation or reversal of loss on valuation of inventories for the years ended December 31, 2014 and 2013. Inventories as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Merchandise	₩ 712,507	500,565
Raw materials	2,620,584	1,988,425
	<u>₩ 3,333,091</u>	<u>2,488,990</u>

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

8. Other Financial Assets

(1) Other financial assets as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014		2013	
	Current	Non-current	Current	Non-current
Other receivables	₩ 21,453,661	-	16,274,970	-
Accrued revenues	74,008	-	90,134	-
Loans	-	100,000	-	300,000
Leasehold deposits	2,885,466	53,347,446	2,645,951	58,373,964
Present value discount	(8,857)	(9,346,192)	(107,278)	(11,682,613)
Derivative financial assets	5,318,424	1,579,998	-	303,591
Deposits for opening checking accounts	-	11,000	-	11,000
Available-for-sale financial assets	-	2,500,400	-	34,748,545
	₩ <u>29,722,702</u>	<u>48,192,652</u>	<u>18,903,777</u>	<u>82,054,487</u>

(2) Other financial assets are presented on a net basis after deducting related allowance. As of December 31, 2014 and 2013, other financial assets and allowance for doubtful accounts are as follows:

<i>(In thousands of won)</i>	2014		2013	
	Current	Non-current	Current	Non-current
Other financial assets	₩ 32,919,629	49,125,091	21,936,564	82,963,664
Allowance for doubtful accounts :				
Other receivables	(3,179,393)	-	(3,015,253)	-
Accrued revenues	(17,534)	-	(17,534)	-
Loans	-	(932,439)	-	(909,177)
Subtotal of allowance for doubtful accounts	<u>(3,196,927)</u>	<u>(932,439)</u>	<u>(3,032,787)</u>	<u>(909,177)</u>
Other financial assets, net	₩ <u>29,722,702</u>	<u>48,192,652</u>	<u>18,903,777</u>	<u>82,054,487</u>

(3) Changes in allowance for doubtful accounts for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014		2013	
	Current	Non-current	Current	Non-current
Balance at the beginning	₩ 3,032,787	909,177	4,484,268	1,116,291
Business combination	-	-	1,156,869	1,881,329
Increase in (reversal of) allowance	165,350	23,262	1,261,409	(357,114)
Write-off	(1,210)	-	(3,869,759)	(1,731,329)
Balance at the end	₩ <u>3,196,927</u>	<u>932,439</u>	<u>3,032,787</u>	<u>909,177</u>

(4) Leasehold deposits measured at present value as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	Effective interest rate (%)	Nominal values	Discounted present value	Present value discount
December 31, 2014	2.2~6.8	₩ 56,232,912	46,877,863	(9,355,049)
December 31, 2013	2.5~8.0	61,019,915	49,230,024	(11,789,891)

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

8. Other Financial Assets, Continued

(5) Available-for-sale financial assets

① Available-for-sale financial assets as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

	2014		2013	
	Acquisition cost	Book value	Acquisition cost	Book value
Equity securities	₩ 2,500,400	2,500,400	2,500,400	2,500,400
Debt securities	-	-	32,248,145	32,248,145
	₩ <u>2,500,400</u>	<u>2,500,400</u>	<u>34,748,545</u>	<u>34,748,545</u>

② Changes in available-for-sale financial assets for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)

	2014	2013
Balance at the beginning	₩ 34,748,545	19,703,078
Acquisitions	102,970	18,995,340
Disposals	(16,316,770)	(309,530)
Loss on valuation of available-for-sale financial assets	-	(254,919)
Others(*)	(16,034,345)	(3,385,424)
Balance at the end	₩ <u>2,500,400</u>	<u>34,748,545</u>

(*) During 2012, the Company agreed with a private investment company (the "Investor") to invest in PT Graha Layer Prima Tbk. (the "PT GLP") which is a theater operator in Indonesia and invested USD 15,250,000 in the convertible loans of PT GLP. During 2014, as PT GLP was listed on the Indonesia Exchange, the Company exercised the conversion right and obtained ownership of 14.75% and reclassified the carrying amounts of available-for-sale financial assets to investments in associates.

During 2013, the Company acquired 325,070 common shares and 33,160 preferred shares of Simuline Inc. As a result, the Company obtained the control over Simuline Inc. and reclassified existing carrying amounts of available-for-sale financial assets to investments in subsidiaries.

9. Other Current Assets and Other Non-current Assets

Other current assets and other non-current assets as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

	2014		2013	
	Current	Non-current	Current	Non-current
Advance payments	₩ 7,680,515	1,000,000	3,557,279	1,800,000
Allowance for doubtful accounts	(66,004)	-	(66,004)	-
Prepaid expenses	10,772,259	76,210,614	11,110,754	82,537,909
	₩ <u>18,386,770</u>	<u>77,210,614</u>	<u>14,602,029</u>	<u>84,337,909</u>

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

10. Investment in Equity

Investments in equity as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

Company	Location	Primary business	2014		2013	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Subsidiaries:						
CJ 4DPlex Co., Ltd.(*1)	Korea	Retail of equipment	93.66	₩ 51,193,486	93.03	₩ 50,864,636
Simuline Inc.(*2)	Korea	Equipment manufacturing	70.35	19,293,576	64.89	18,012,662
CGI Holdings Ltd.(*3)	Hong Kong	Theater operation	100.00	164,782,969	100.00	111,297,906
Envoy Media Partners Ltd.	British Virgin Islands	Theater operation	100.00	89,138,767	100.00	89,138,767
CJ CGV America, Inc. (formerly, CJ Theater LA Holdings Inc.)	USA	Theater operation	100.00	6,002,360	100.00	6,002,360
Cross Junction Investment Co., Pte. Ltd. (*4)	Singapore	Foreign Investment	100.00	7,326,721	-	-
Crown Jade Company Pte . Ltd. (*5)	Singapore	Foreign Investment	100.00	1,670,523	-	-
Associates:						
SSV Contents Investment Association	Korea	Investment fund	35.52	10,300,000	35.52	10,300,000
PT Graha Layar Prima Tbk. (*6)	Indonesia	Theater operation	14.75	16,335,800	-	-
Maritime Tower Co., Ltd. (*7)	Vietnam	Real estate investment	25.00	11,735,525	-	-
Joint ventures:						
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	China	Theater operation	49.00	1,820,123	49.00	1,820,123
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	China	Theater operation	49.00	1,601,700	49.00	1,601,700
D-Cinema Korea Co., Ltd.	Korea	Leasing Service	50.00	-	50.00	-
Shanghai Shangying CGV Cinema Co., Ltd.	China	Theater operation	50.00	1,191,990	50.00	1,191,990
CGV EMPIRE SDN. BHD	Malaysia	Theater operation	25.00	9,067	25.00	9,067
				₩ 382,402,607		₩ 290,239,211

(*1) During 2014, the Company additionally obtained ₩329 million. As a result, the Company's interest in CJ 4DPlex Co., Ltd. increased from 93.03% to 93.66%.

(*2) During 2014, the Company additionally obtained ₩1,281 million. As a result, the Company's interest in Simuline Inc. increased from 64.89% to 70.35%.

(*3) During 2014, the Company additionally invested ₩53,485 million.

(*4) During 2014, the Company newly acquired 100% of the equity interest in Cross Junction Investment Co., Pte. Ltd. for ₩7,327 million.

(*5) During 2014, the Company newly acquired 100% of the equity interest in Crown Jade Company Pte. Ltd. for ₩1,671 million.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

10. Investment in Equity, Continued

(*6) Although the Company owns less than 20%, the Company determined that it has significant influence over it through the board of directors. Therefore, the Company classified the interest in PT Graha Layar Prima Tbk. as investments in associates.

(*7) During 2014, the Company newly acquired 25% of the equity interest in Maritime Tower Co., Ltd. for ₩11,736 million.

11. Investment Property

(1) Investment property as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

	2014			2013		
	Acquisition costs	Accumulated depreciation	Carrying amounts	Acquisition costs	Accumulated depreciation	Carrying amounts
Land	₩ 3,695,706	-	3,695,706	3,695,706	-	3,695,706
Buildings	16,586,202	(1,940,277)	14,645,925	16,433,132	(1,523,629)	14,909,503
	₩ <u>20,281,908</u>	<u>(1,940,277)</u>	<u>18,341,631</u>	<u>20,128,838</u>	<u>(1,523,629)</u>	<u>18,605,209</u>

(2) Changes in investment property for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)

	Land	Buildings	Total
Acquisition costs			
Balance at January 1, 2013	₩ 3,695,706	16,433,132	20,128,838
Balance at December 31, 2013	3,695,706	16,433,132	20,128,838
Others(*)	-	153,070	153,070
Balance at December 31, 2014	<u>3,695,706</u>	<u>16,586,202</u>	<u>20,281,908</u>
Accumulated depreciation			
Balance at January 1, 2013	-	(1,109,476)	(1,109,476)
Depreciation	-	(414,153)	(414,153)
Balance at December 31, 2013	-	(1,523,629)	(1,523,629)
Depreciation	-	(416,648)	(416,648)
Balance at December 31, 2014	-	<u>(1,940,277)</u>	<u>(1,940,277)</u>
Carrying amounts			
Balance at January 1, 2013	₩ 3,695,706	15,323,656	19,019,362
Balance at December 31, 2013	₩ 3,695,706	14,909,503	18,605,209
Balance at December 31, 2014	₩ <u>3,695,706</u>	<u>14,645,925</u>	<u>18,341,631</u>

(*) Capitalized expenditure of ₩153 million was transferred from construction-in-progress.

(3) Profit and loss related to investment property for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)

	2014	2013
Rental income	₩ 747,432	747,432
Rental cost (depreciation)	(416,648)	(414,153)

12. Property and Equipment

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

Changes in property and equipment for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)

		<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Vehicles</u>	<u>Tools</u>	<u>Construction -in-progress</u>	<u>Total</u>
Acquisition costs:								
Balance at January 1, 2013	₩	83,689,667	65,870,200	221,037,317	82,496	195,872,758	5,711,153	572,263,591
Acquisitions		1,709,608	6,838,433	2,089,396	-	29,247,560	46,698,899	86,583,896
Disposals		-	-	(4,196,960)	-	(1,887,163)	(169,540)	(6,253,663)
Others		1,980,000	7,920,000	30,129,060	-	3,105,074	(35,967,765)	7,166,369
Business Combination		-	-	28,709,533	-	10,497,473	111,600	39,318,606
Balance at								
December 31, 2013		87,379,275	80,628,633	277,768,346	82,496	236,835,702	16,384,347	699,078,799
Acquisitions		-	-	1,377,792	-	20,327,008	50,856,776	72,561,576
Disposals		-	-	(22,078,202)	(82,496)	(7,570,962)	-	(29,731,660)
Others		-	-	39,346,325	-	5,286,112	(53,376,158)	(8,743,721)
Balance at								
December 31, 2014		87,379,275	80,628,633	296,414,261	-	254,877,860	13,864,965	733,164,994
Accumulated depreciation:								
Balance at January 1, 2013		-	(10,811,961)	(64,528,106)	(82,495)	(146,999,031)	-	(222,421,593)
Depreciation		-	(1,676,181)	(18,248,834)	-	(23,598,800)	-	(43,523,815)
Disposals		-	-	1,507,521	-	1,112,855	-	2,620,376
Business Combination		-	-	(23,495,133)	-	(10,421,767)	-	(33,916,900)
Balance at								
December 31, 2013		-	(12,488,142)	(104,764,552)	(82,495)	(179,906,743)	-	(297,241,932)
Depreciation		-	(2,014,395)	(21,184,354)	-	(25,307,283)	-	(48,506,032)
Disposals		-	-	19,401,350	82,495	7,330,611	-	26,814,456
Balance at								
December 31, 2014		-	(14,502,537)	(106,547,556)	-	(197,883,415)	-	(318,933,508)
Accumulated impairment:								
Balance at January 1, 2013		-	-	-	-	(1,718,691)	-	(1,718,691)
Disposals		-	-	-	-	43,088	-	43,088
Balance at								
December 31, 2013		-	-	-	-	(1,675,603)	-	(1,675,603)
Disposals		-	-	-	-	1,989	-	1,989
Balance at								
December 31, 2014		-	-	-	-	(1,673,614)	-	(1,673,614)
Contribution for construction:								
Balance at January 1, 2013		-	-	(890,000)	-	-	-	(890,000)
Depreciation		-	-	60,000	-	-	-	60,000
Balance at								
December 31, 2013		-	-	(830,000)	-	-	-	(830,000)
Depreciation		-	-	60,000	-	-	-	60,000
Balance at								
December 31, 2014		-	-	(770,000)	-	-	-	(770,000)
Carrying amounts:								
Balance at January 1, 2013	₩	83,689,667	55,058,239	155,619,211	1	47,155,036	5,711,153	347,233,307
Balance at								
December 31, 2013	₩	87,379,275	68,140,491	172,173,794	1	55,253,356	16,384,347	399,331,264
Balance at								
December 31, 2014	₩	87,379,275	66,126,096	189,096,705	-	55,320,831	13,864,965	411,787,872

13. Intangible Assets

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

(1) Changes in intangible assets for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)

		Goodwill	Trademark right	Membership	Usage rights	Others	Total
Acquisition costs:							
Balance at January 1, 2013	₩	6,597,180	10,963	5,636,021	12,278,033	27,925,999	52,448,196
Acquisitions		-	-	-	14,400	1,332,532	1,346,932
Disposals		-	-	-	-	(45,077)	(45,077)
Others		-	3,836	-	222,320	2,395,877	2,622,033
Business Combination		2,870,644	22,208	590,000	-	1,066,176	4,549,028
Balance at December 31, 2013		9,467,824	37,007	6,226,021	12,514,753	32,675,507	60,921,112
Acquisitions		-	-	-	-	133,204	133,204
Disposals		-	-	-	(1,172,090)	-	(1,172,090)
Others(*)		(4,647,205)	205,762	-	48,000	7,693,355	3,299,912
Balance at December 31, 2014		4,820,619	242,769	6,226,021	11,390,663	40,502,066	63,182,138
Accumulated depreciation:							
Balance at January 1, 2013		-	-	-	(7,070,140)	(11,862,849)	(18,932,989)
Amortization		-	-	-	(1,088,823)	(6,407,271)	(7,496,094)
Disposals		-	-	-	-	34,011	34,011
Business Combination		-	-	-	-	(920,452)	(920,452)
Balance at December 31, 2013		-	-	-	(8,158,963)	(19,156,561)	(27,315,524)
Amortization		-	-	-	(1,057,752)	(11,667,088)	(12,724,840)
Disposals		-	-	-	1,167,107	-	1,167,107
Balance at December 31, 2014		-	-	-	(8,049,608)	(30,823,649)	(38,873,257)
Accumulated impairment:							
Balance at January 1, 2013		-	-	(689,215)	-	(405,883)	(1,095,098)
Impairment		-	-	(101,002)	-	-	(101,002)
Balance at December 31, 2013		-	-	(790,217)	-	(405,883)	(1,196,100)
Balance at December 31, 2014		-	-	(790,217)	-	(405,883)	(1,196,100)
Carrying amounts:							
Balance at January 1, 2013	₩	6,597,180	10,963	4,946,806	5,207,893	15,657,267	32,420,109
Balance at December 31, 2013	₩	9,467,824	37,007	5,435,804	4,355,790	13,113,063	32,409,488
Balance at December 31, 2014	₩	4,820,619	242,769	5,435,804	3,341,055	9,272,534	23,112,781

(*) During 2014, as the Company had to end business at the CGV Gimpo airport site due to the lessor's demand. As a result, the Company derecognized the goodwill which had been acquired in a business combination with CGV CINEMA Co., Ltd., who had operated the CGV Gimpo airport site at the time of acquisition, and recognized loss on disposal of intangible assets.

13. Intangible Assets, Continued

(2) Impairment test

Goodwill and intangible assets that have indefinite useful lives are tested for impairment annually. The Company reviews the recoverable amount of CGU for those assets. The recoverable amount is determined on basis of value in use, which is discounted amount of future cash flow arising from continuous use of assets.

Primary assumptions used in calculation for value in use are determined by considering external and internal information (historical information), and reflect management assessment about future trend of related industry.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

The key assumptions used in the estimation of the recoverable amount are set out below.

<i>(In percent)</i>	<u>2014</u>	<u>2013</u>
Discount rate	3.69	3.87
Terminal value growth rate	-	-
Budgeted EBITDA growth rate (average of next five years)	5.43	5.07

The discount rate was a post-tax measure based on the rate of 3-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

The future cash flows were estimated based on the nature of industry in which the Company operates for five years after 2014. The future cash flows after five years were estimated based on 0% of terminal growth rate. The cash flow projections were estimated based on historical experience, actual operating results and the Company's business plan.

14. Other Financial Liabilities

(1) Other financial liabilities as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>		<u>2013</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Accrued expenses	₩ 1,545,506	-	1,412,894	-
Finance lease liabilities	263,561	172,864	251,606	418,998
Leasehold deposits received	1,556,789	1,490,000	1,998,695	1,301,000
Present value discount	(60)	(93,211)	(8,683)	(149,064)
Derivative financial liabilities	5,983,869	64,258	-	5,732,960
	<u>₩ 9,349,665</u>	<u>1,633,911</u>	<u>3,654,512</u>	<u>7,303,894</u>

(2) Leasehold deposits received which were measured at present value as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>Effective interest rate (%)</u>	<u>Nominal values</u>	<u>Discounted present value</u>	<u>Present value discount</u>
December 31, 2014	5.0~5.3	₩ 3,046,789	2,953,518	(93,271)
December 31, 2013	2.5~5.6	3,299,695	3,141,948	(157,747)

14. Other Financial Liabilities, Continued

(3) Finance lease

① Finance lease contract

As of December 31, 2014 and 2013, the Company leases tools under a finance lease contract with IMAX Corp., and the related assets and liabilities are recorded in the separate financial statements.

② The assets related to the finance lease contract as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Acquisition costs	₩ 12,787,864	11,284,505
Accumulated depreciation	<u>(8,641,994)</u>	<u>(7,051,207)</u>

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

Carrying amount ₩ 4,145,870 4,233,298

- ③ The present value and future minimum lease payments in accordance with the lease contract as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

	2014			2013		
	Future minimum lease payments	Interest	Present value	Future minimum lease payments	Interest	Present value
Less than one year	₩ 285,339	(21,778)	263,561	284,678	(33,072)	251,606
One to five years	201,319	(28,455)	172,864	451,032	(32,034)	418,998
	₩ <u>486,658</u>	<u>(50,233)</u>	<u>436,425</u>	<u>735,710</u>	<u>(65,106)</u>	<u>670,604</u>

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

15. Other Current Liabilities and Other Non-current Liabilities

(1) Other current liabilities and other non-current liabilities as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014		2013	
	Current	Non-current	Current	Non-current
Deposit received	₩ 16,605,716	-	5,901,344	-
Value added tax withheld	7,339,474	-	5,219,315	-
Advance received	49,780,572	-	38,351,818	-
Unearned revenue	66,255	44,296	243,649	102,578
Liabilities for short-term employee benefits	14,480,273	-	13,704,832	-
Deferred revenues	-	11,181,923	-	9,990,978
Provision for mileage points	-	943,591	-	1,575,989
Other provision	-	7,860,353	-	4,600,000
	<u>₩ 88,272,290</u>	<u>20,030,163</u>	<u>63,420,958</u>	<u>16,269,545</u>

(2) Deferred revenues

The Company adopts customer loyalty program for promotion of theater business. The award credits are provided when the customers purchase the theater service and the award credit provided can be utilized for the theater service.

The fair value of award credits not yet redeemed under the customer loyalty program as of December 31, 2014 and 2013 are ₩11,182 million and ₩9,991 million, respectively.

(3) Provision for mileage points

<i>(In thousands of won)</i>	2014	2013
Balance at the beginning of the year	₩ 1,575,989	670,600
Business combination	-	6,852
Increase	2,932,186	3,062,581
Decrease	(3,564,584)	(2,164,044)
Balance at the end of the year	<u>₩ 943,591</u>	<u>1,575,989</u>

A provision for mileage points is estimated reasonably by considering the source of accumulated points, the ratio of cost of sales and utilization.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

16. Debt

The contract information of interest bearing debt measured at amortized cost as of December 31, 2014 and 2013 are as follows. The detail information of interest, exchange rate and liquidity risk are described in note 4.

(1) Debt as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Current liabilities:		
Foreign currency short-term borrowings	₩ -	10,553,000
Debentures	69,967,954	99,914,976
Current portion of local currency long-term borrowings	26,000,000	-
Current portion of foreign currency long-term borrowings	-	61,207,400
	<u>95,967,954</u>	<u>171,675,376</u>
Non-current liabilities:		
Debentures	179,537,621	99,771,283
Local currency long-term borrowings	19,973,354	45,958,460
Foreign currency long-term borrowings	54,960,000	-
	<u>₩ 254,470,976</u>	<u>145,729,743</u>

(2) Short-term borrowings as of December 31, 2014 and 2013 are as follows:

(In thousands of won, except foreign currency)

<u>Lender</u>	<u>Purpose of borrowing</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>2014</u>	<u>2013</u>
Hana Bank	Foreign investment	2014.02.27	1.71	₩ -	10,553,000 (USD 10,000,000)

(3) Debentures as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

<u>Lender</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>2014</u>	<u>2013</u>
Shinhan Investment Corp.	2014.02.28	4.69	₩ -	50,000,000
Daewoo Securities Co., Ltd.	2014.11.24	4.12	-	50,000,000
Daewoo Securities Co., Ltd.	2015.04.09	5.40	40,000,000	40,000,000
Daewoo Securities Co., Ltd.	2015.06.22	3.75	30,000,000	30,000,000
Hanwha Investment & Securities Co., Ltd.	2016.10.25	3.21	30,000,000	30,000,000
Shinhan Investment Corp.	2017.02.18	3.19	50,000,000	-
Hanwha Investment & Securities Co., Ltd.	2017.11.07	2.31	50,000,000	-
Hanwha Investment & Securities Co., Ltd.	2019.11.07	2.51	50,000,000	-
			<u>250,000,000</u>	<u>200,000,000</u>
Less: discount			(494,425)	(313,741)
Less: current portion of long-term debentures			(69,967,954)	(99,914,976)
			<u>₩ 179,537,621</u>	<u>99,771,283</u>

16. Debt, Continued

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

(4) Long-term borrowings as of December 31, 2014 and 2013 are as follows:

① Local currency

(In thousands of won)

Lender	Maturity date	Interest rate (%)	2014	2013
Korea Development Bank	2015.11.19	3.90	₩ 5,000,000	5,000,000
Shinhan Bank	2015.11.09	3.77	10,000,000	10,000,000
Korea Exchange Bank(*)	2015.11.09	2.73	8,000,000	8,000,000
Kookmin Bank	2015.11.19	3.92	3,000,000	3,000,000
Hyundai Securities Co., Ltd.	2016.10.14	2.92	20,000,000	20,000,000
			<u>46,000,000</u>	<u>46,000,000</u>
Less: discount			(26,646)	(41,540)
Less: current portion of long-term borrowings			(26,000,000)	-
			<u>₩ 19,973,354</u>	<u>45,958,460</u>

(*) As of December 31, 2014, the Company has entered into an interest swap contract in order to control the risk being exposed to changes in interest rates on borrowings. As the interest swap contract is not classified as a hedging derivative instrument, the Company recognized loss on valuation of derivative financial instrument amounting to ₩46 million in profit or loss for the year ended December 31, 2014.

② Foreign currency

(In thousands of won, except foreign currency)

Lender	Maturity date	Interest rate (%)	2014	2013
Korea Exim Bank	2014.07.25	3M LIBOR +1.95	₩ -	61,207,400 (USD 58,000,000)
Korea Exim Bank	2019.01.10	3M LIBOR + 2.09	10,992,000 (USD 10,000,000)	-
Korea Development Bank	2019.04.09	3M LIBOR + 1.79	43,968,000 (USD 40,000,000)	-
			<u>54,960,000</u>	<u>61,207,400</u>
			(USD 50,000,000)	(USD 58,000,000)
Less: current portion of long-term borrowings			-	61,207,400 (USD 58,000,000)
			<u>₩ 54,960,000</u>	<u>-</u>
			(USD 50,000,000)	<u>-</u>

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

16. Debt, Continued

(4) Long-term borrowings as of December 31, 2014 and 2013 are as follows, continued:

② Foreign currency, continued

As of December 31, 2014, the Company has entered into currency forward contracts in accordance with the risk management policy, in order to control the risk being reflected by changes in exchange rate related to payment of foreign currency borrowings.

Details of currency forward contracts as of December 31, 2014 are as follows:

(In won, except foreign currency)

Lender	Contractor	Notional amount		Currency forward rate	Maturity date
Korea Exim Bank	Standard	Buy	USD 10,000,000	₩1,104.90	2019.01.10
Korea Development Bank	Chartered Bank	Buy	USD 40,000,000	₩1,078.15	2019.04.09

As the above currency forward contracts are not classified as a hedging derivative instrument, the Company recognized loss and gain on valuation of derivative financial instrument amounting to ₩701 and ₩64 million, respectively, in profit or loss for the year ended December 31, 2014.

17. Employee Benefits

(1) Employee benefits expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014	2013
Wages and salaries	₩ 116,346,929	105,485,830
Expenses related to post-employment defined plans	10,270,815	7,963,921
	<u>₩ 126,617,744</u>	<u>113,449,751</u>

(2) Total employee benefit liabilities as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014	2013
Present value of defined benefit obligations	₩ 41,052,140	31,137,767
Fair value of plan assets	(32,766,890)	(25,947,887)
Net defined benefit liability	<u>8,285,250</u>	<u>5,189,880</u>
Liabilities for short-term employee benefits	14,480,273	13,704,832
Liabilities for long-term officer compensation expense	1,259,391	2,502,402
Total employee benefit liabilities	<u>₩ 24,024,914</u>	<u>21,397,114</u>

The Company's defined benefit plans are administered by Woori Bank, Samsung Fire & Marine Insurance and others. The principal of its plan assets are guaranteed and the annual yield of its plan assets is 2.23% for 2014.

These defined benefit plans expose the Company to actuarial risk, such as interest rate risk and market (investment) risk. The calculation of defined benefit plans is performed annually by an independent actuary using the projected unit credit method.

17. Employee Benefits, Continued

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

(3) The following table shows reconciliation from the opening balances to the closing balances for net defined benefit liability and its components.

<i>(In thousands of won)</i>	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2014	2013	2014	2013	2014	2013
Balance at January 1	₩ 31,137,767	22,506,692	(25,947,887)	(14,608,460)	5,189,880	7,898,232
Included in profit or loss:						
Current service cost	9,874,118	7,511,805	-	-	9,874,118	7,511,805
Interest cost (income)	1,390,272	977,663	(993,575)	(525,547)	396,697	452,116
	<u>11,264,390</u>	<u>8,489,468</u>	<u>(993,575)</u>	<u>(525,547)</u>	<u>10,270,815</u>	<u>7,963,921</u>
Included in other comprehensive income (loss):						
Remeasurements loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	683,114	173,984	-	-	683,114	173,984
- financial assumptions	3,282,441	(339,371)	-	-	3,282,441	(339,371)
- experience adjustment	(818,529)	1,250,704	-	-	(818,529)	1,250,704
- Return on plan assets excluding interest income	-	-	338,610	3,512	338,610	3,512
	<u>3,147,026</u>	<u>1,085,317</u>	<u>338,610</u>	<u>3,512</u>	<u>3,485,636</u>	<u>1,088,829</u>
Other:						
Contribution paid by the employer	-	-	(8,500,000)	(11,000,000)	(8,500,000)	(11,000,000)
Benefits paid	(4,462,373)	(2,489,162)	2,234,135	1,192,508	(2,228,238)	(1,296,654)
Business combination	-	726,215	-	(153,556)	-	572,659
Transfer from (to) affiliated companies	(34,670)	819,237	101,827	(856,344)	67,157	(37,107)
	<u>(4,497,043)</u>	<u>(943,710)</u>	<u>(6,164,038)</u>	<u>(10,817,392)</u>	<u>(10,661,081)</u>	<u>(11,761,102)</u>
Balance at December 31	₩ <u>41,052,140</u>	<u>31,137,767</u>	<u>(32,766,890)</u>	<u>(25,947,887)</u>	<u>8,285,250</u>	<u>5,189,880</u>

(4) Details of plan assets as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014	2013
Deposit for severance benefit insurance	₩ 32,764,481	25,945,478
Transfer to National Pension Fund	2,409	2,409
	<u>₩ 32,766,890</u>	<u>25,947,887</u>

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

17. Employee Benefits, Continued

(5) Actuarial assumptions

① Principal actuarial assumptions as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Discount rate	3.25%	4.00%
Future salary growth	6.25%	5.50%

The Company determined the discount rate based on market returns of high-quality corporate bonds consistent with currencies and estimated payment terms of defined benefit obligations as of the reporting date.

At December 31, 2014, the weighted-average duration of the defined benefit obligation was 9.5 years.

② Reasonably possible changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

<i>(In thousands of won)</i>	<u>Movement</u>	<u>Defined benefit obligation</u>
Discount rate	1% increase	₩ (2,159,879)
	1% decrease	2,417,265
Future salary growth	1% increase	2,406,138
	1% decrease	(2,190,700)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

18. Commitments and Contingencies

(1) Facilities contracts with financial institutions as of December 31, 2014 are as follows:

(In thousands of won, except foreign currency)

	<u>Local Currency</u>				<u>Foreign Currency</u>
	<u>Overdraft</u>	<u>General</u>	<u>Bill discounting</u>	<u>Business purchase card</u>	<u>Overseas investment</u>
Korea Exchange Bank	₩ 2,000,000	-	8,000,000	-	-
Woori Bank	3,000,000	-	-	13,000,000	-
Shinhan Bank	-	15,000,000	-	10,000,000	-
Meritz Securities	-	-	30,000,000	-	-
Kookmin Bank	10,000,000	3,000,000	-	-	-
Korea Development Bank	-	5,000,000	-	-	USD 40,000,000
Hana Bank	-	-	-	3,000,000	-
Korea Exim Bank	-	-	-	-	USD 10,000,000
	<u>₩ 15,000,000</u>	<u>23,000,000</u>	<u>38,000,000</u>	<u>26,000,000</u>	<u>102,000,000</u>
					<u>USD 50,000,000</u>

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

18. Commitments and Contingencies, Continued

- (2) As of December 31, 2014, the Company is involved in 3 lawsuits as plaintiff for alleged damages of ₩1,084 million in aggregate, and 6 lawsuits as defendant for alleged damages of ₩10,655 million in aggregate. In terms of the lawsuit as defendant with Korean Film Producers Association, the Company partially lost the first trial (the amount of claim: ₩2,453 million), but won the case in the second trial which was held during January 2015. Currently, the third trial is in progress.

Except for the above-mentioned case, the Company believes that although the outcome of these legal actions is uncertain, they would not ultimately result in a material unfavorable effect on the Company's financial position, operating results or cash flows.

(3) Payment guarantee

- ① As of December 31, 2014, Kookmin Bank provides a payment guarantee of ₩377 million to the Company in relation to the Company's obligation to Korea Airports Corporation regarding restoration on the interior of the rental property.
- ② The Company is provided with payment guarantee of ₩3,747 million from Seoul Guarantee Insurance Company related to the performance of contracts.
- ③ During 2014, the Company has entered into a stock purchase agreement with THEA Partners LLC. (the "THEA") to purchase the shares owned by THEA for USD 11,355,000 on or before December 31, 2017. The Company has measured the fair value of the stock purchase agreement based on Black-Scholes model and recognized gain on valuation of derivative financial assets amounting to ₩879 million in the comprehensive income statement. Also, the Company provides a payment guarantee of up to USD 12,675,000 and ₩3,067 million in relation to borrowings of THEA.
- (4) The Company made a leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 1st and transferred ₩160,094 million of leasehold deposits during 2012. Fees to be paid in the future for the use of buildings of which leasehold deposits were transferred are recognized as other payables of ₩9,231 million and long-term other payables of ₩31,506 million, respectively, as of December 31, 2014.
- (5) The Company has an outstanding purchase commitment for the acquisition of the leasehold deposit, which was transferred according to the leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 1st during 2012, at fair value in August 28, 2015. The Company holds interest rate forwards to hedge the risk of changes in the fair value of leasehold deposit at the time of repurchase and has recognized gain on valuation of derivative financial assets amounting to ₩10,298 million as finance income in the comprehensive income statement.
- (6) During 2012, the Company agreed with a private investment company (the "Investor") to invest in PT Graha Layer Prima Tbk. (the "PT GLP") which is a theater operator in Indonesia. The Company invested USD 15,250,000 in the convertible loan of PT GLP during 2012 and the Investor invested USD 15,250,000 in the convertible loan of PT GLP during 2013. During 2014, the Company acquired the stock of PT GLP by exercising the conversion right and reclassified the convertible loan to investments in associates. Disclosing the detailed information on investment may cause adverse effect on the Company under the confidentiality agreement with the investor and PT GLP. As such, the Company does not disclose the specific information on investment details and plans.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

19. Shareholders' Equity

Share capital as of December 31, 2014 and 2013 are as follows:

<i>(In won, except share data)</i>	<u>2014</u>	<u>2013</u>
Number of shares authorized	100,000,000	100,000,000
Par value per share	₩ 500	500
Number of shares issued	<u>21,161,313</u>	<u>21,161,313</u>
Share capital	<u>₩ 10,580,656,500</u>	<u>10,580,656,500</u>

20. Capital Surplus

Capital surplus as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Additional paid-in capital	₩ 67,150,745	67,150,745
Gain on sales of treasury stock	<u>22,006,500</u>	<u>22,006,500</u>
	<u>₩ 89,157,245</u>	<u>89,157,245</u>

21. Retained Earnings

(1) Retained earnings as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Legal reserve	₩ 10,130,715	9,390,069
Voluntary reserve	8,410,000	8,410,000
Unappropriated retained earnings	<u>359,138,160</u>	<u>336,653,252</u>
	<u>₩ 377,678,875</u>	<u>354,453,321</u>

The Korean Commercial Code requires the Company to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve can only be used for conservation of deficit or for capital transference by the resolution of general meeting of shareholders. In addition, when the total amount of legal reserve and voluntary reserve exceeds more than 1.5 times of the common stock, the Company can reduce the legal reserve and the voluntary reserve within the scope of the amount that exceeds, by the resolution of general meeting of shareholders.

(2) Changes in retained earnings for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Beginning balance	₩ 354,453,321	318,734,907
Business combination	-	681,560
Net income	33,274,126	43,078,296
Dividends	(7,406,460)	(7,216,110)
Remeasurement loss of defined benefit plan	<u>(2,642,112)</u>	<u>(825,332)</u>
Ending balance	<u>₩ 377,678,875</u>	<u>354,453,321</u>

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

21. Retained Earnings, Continued

- (3) Separate statements of appropriation of retained earnings for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
I. Unappropriated retained earnings		
Balance at beginning of year	₩ 328,506,146	293,718,728
Business combination	-	681,560
Net income	33,274,126	43,078,296
Remeasurement loss of defined benefit plan	(2,642,112)	(825,332)
Balance at end of year before appropriation	<u>359,138,160</u>	<u>336,653,252</u>
II. Appropriation of retained earnings		
Legal reserve	(740,646)	(740,646)
Dividends:		
70% on par value at ₩350 per share in 2014 and 2013	<u>(7,406,460)</u>	<u>(7,406,460)</u>
III. Unappropriated retained earnings to be carried over to subsequent year	<u>₩ 350,991,054</u>	<u>328,506,146</u>

22. Other Capital

- (1) Other capital as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Other capital surplus	58,743	58,743
Capital adjustments	₩ (4,185,686)	(4,020,846)
Accumulated other comprehensive loss	<u>(465,848)</u>	<u>(465,848)</u>
	<u>₩ (4,592,791)</u>	<u>(4,427,951)</u>

- (2) Capital adjustments as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Stock option	₩ -	39,997
Other capital adjustments	<u>(4,185,686)</u>	<u>(4,060,843)</u>
	<u>₩ (4,185,686)</u>	<u>(4,020,846)</u>

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

22. Other Capital, Continued

(3) Share based payment

The Company can offer stock options to the employees who contributed to foundation, management and oversea operation by the approval of special meeting of shareholders or board of directors' meeting. The stock options have been offered twice and details are as follows:

① Terms and condition of stock options

(In won, except for shares)

<u>Date of grant</u>	<u>Method of grant</u>	<u>Total stock options granted</u>	<u>Compensation cost</u>	<u>Exercise price</u>	<u>Exercisable period</u>
2005.06.10	Equity-settled	31,800	₩ 146,852,400	₩ 27,300	2007.06.10~ 2014.06.09
2006.03.13	Equity-settled	5,530	₩ 39,799,410	₩ 25,700	2008.03.13~ 2015.03.12

② Changes in the number of stock option and weighted average exercise price for the year ended December 31, 2014 are as follows:

<i>(In won, except for shares)</i>	<u>Weighted average exercise price</u>	<u>The number of stock options</u>
Beginning of the year	₩ 27,075	8,030
Exercise	₩ 27,075	(8,030)
End of the year	₩ -	-

③ The fair value at grant date are measured on the basis of Black-Scholes model and the data used for calculating fair value at grant date are as follows:

	<u>Phase 1</u>	<u>Phase 2</u>
Valuation method	Fair value approach	Fair value approach
Date of grant	2005.06.10	2006.03.13
Risk-free interest rate	3.65%	4.94%
Exercisable period expected	3 years	3 years
Expected variation of stock price	0.2672	0.3940
Expected dividend yield ratio	3.50%	2.00%

(4) Accumulated other comprehensive losses as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Loss on valuation of available-for-sale financial assets	₩ (465,848)	(465,848)

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

23. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Salaries	₩ 96,415,278	88,955,362
Employee benefits	8,650,427	6,735,813
Other employee benefits	10,751,817	9,833,865
Supplies	7,605,271	4,254,229
Rent	77,194,127	65,219,670
Depreciation	3,605,079	3,381,580
Amortization	8,163,120	7,473,897
Advertising	4,148,343	5,270,222
Sales promotion	7,911,111	11,244,912
Maintenance expenses for buildings	56,307,372	49,500,455
Commission	68,412,095	61,385,062
Other expenses	19,920,783	21,680,619
	<u>₩ 369,084,823</u>	<u>334,935,686</u>

24. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Changes in inventories	₩ 43,267,814	29,743,495
Employee benefits	126,617,744	113,449,751
Depreciation	48,862,681	43,877,967
Amortization	12,724,840	7,496,094
Taxes and dues	2,297,481	2,094,522
Office supplies	7,605,271	4,254,229
Advertising	4,148,343	5,270,222
Commission	72,621,783	61,591,481
Rent	77,194,127	65,219,670
Maintenance expenses for buildings	56,307,372	49,500,455
Other expenses	341,410,049	322,366,144
Total(*)	<u>₩ 793,057,505</u>	<u>704,864,030</u>

(*) The amount is the sum of cost of sales and selling, general and administrative expenses in the comprehensive income statement.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

25. Other Non-operating Income and Expenses

(1) Details of other non-operating income for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Gain on disposal of property and equipment	₩ 603,312	28,448
Commission income	1,215,044	2,991,561
Rental income	76,983	128,621
Miscellaneous income	4,784,868	5,122,549
	₩ <u>6,680,207</u>	<u>8,271,179</u>

(2) Details of other non-operating expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Other bad debt expenses	₩ 188,611	904,295
Loss on disposal of property and equipment	2,891,057	2,819,805
Loss on disposal of intangible assets	4,652,189	11,066
Loss on disposal of other financial assets	866,120	1,182,790
Loss on impairment of intangible assets	-	101,002
Other provision	-	4,600,000
Miscellaneous loss	4,946,831	320,737
Donations	2,987,780	3,619,449
	₩ <u>16,532,588</u>	<u>13,559,144</u>

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

26. Financial Instruments Income and Costs by Categories

(1) Financial instruments income by categories for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Interest income:		
Cash and cash equivalents	₩ 1,539,527	2,256,664
Loans and receivables	1,233,050	1,138,009
Dividend income	1,402,718	1,056,383
Foreign currency transaction gain:		
Loans and receivables	19,547	-
Financial liabilities recognized at amortized cost	1,642,241	124,145
Foreign currency translation gain:		
Cash and cash equivalents	-	8,259
Loans and receivables	29,191	4,938
Financial liabilities recognized at amortized cost	-	976,440
Gain on valuation of derivative financial assets	11,877,545	-
Gain on transaction of derivative financial assets	-	997
	<u>₩ 17,743,819</u>	<u>5,565,835</u>

(2) Financial instruments costs by categories for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Interest expense:		
Financial liabilities recognized at amortized cost	₩ 17,278,901	18,070,120
Foreign currency transaction loss:		
Cash and cash equivalents	948	-
Loans and receivables	77,324	-
Financial liabilities recognized at amortized cost	153,186	8,200
Foreign currency translation loss:		
Cash and cash equivalents	1,336	89
Loans and receivables	24,566	8,564
Financial liabilities recognized at amortized cost	2,874,430	-
Loss on valuation of derivative financial assets	6,050,263	4,384,196
Loss on transaction of derivative financial assets	1,246,535	5,784
Loss on disposal of available-for-sale financial assets	4,014	235,350
	<u>₩ 27,711,503</u>	<u>22,712,303</u>
Other comprehensive cost:		
Loss on valuation of available-for-sale financial assets	₩ -	26,175

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

27. Income Tax Expense

(1) The component of income tax expense for the years ended December 31 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Current tax expense	₩ 12,657,927	6,050,553
Adjustment for prior years	4,810,745	736,660
Origination and reversal of temporary differences	37,630	(4,426,441)
Income tax recognized directly in equity	843,524	271,853
Total income tax expense	<u>₩ 18,349,826</u>	<u>2,632,625</u>

(2) Income taxes recognized directly in other comprehensive income for the years ended December 31, 2014 and 2013 are as follow:

<i>(In thousands of won)</i>	<u>2014</u>		<u>2013</u>	
	<u>Other comprehensive income</u>	<u>Deferred tax assets (liabilities)</u>	<u>Other comprehensive income</u>	<u>Deferred tax assets (liabilities)</u>
Gain on valuation of available-for-sale financial assets	₩ -	-	34,532	(8,357)
Remeasurement income of defined benefit plan	3,485,636	(843,524)	1,088,829	(263,496)
	<u>₩ 3,485,636</u>	<u>(843,524)</u>	<u>1,123,361</u>	<u>(271,853)</u>

(3) Reconciliation of effective tax rate for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Income before income taxes	₩ 51,623,951	45,710,921
Income tax using the Company's statutory tax rate	12,030,996	10,600,043
Adjustments:		
- Non-deductible expense	389,370	754,647
- Non-taxable income	(55,828)	(69,926)
- Tax credit	-	(23,178)
- Unrecognized deferred tax on temporary differences	1,077,833	(5,754,866)
- Adjustments for prior years	4,810,745	736,660
- Tax effect for merger reserve and succession of accumulated deficit	-	(2,002,932)
- Others	96,710	(1,607,823)
Income tax expenses	<u>₩ 18,349,826</u>	<u>2,632,625</u>
Average effective tax rate	35.55%	5.76%

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

27. Income Tax Expense, Continued

(4) Changes in deferred income tax assets (liabilities) for the year ended December 31, 2014 are as follows:

(In thousands of won)

		2014		
		Temporary differences	Deferred tax assets (liabilities)	
		Ending balance	Beginning balance	Ending balance
Allowance for doubtful accounts	₩	3,907,567	773,917	945,631
Accrued retirement and severance benefits		36,060,192	6,222,332	8,726,566
Provision for retirement and severance benefits		(35,552,671)	(6,222,332)	(8,603,746)
Depreciation		(1,993,757)	(482,083)	(482,489)
Amortization		(1,230,493)	(189,976)	(297,779)
Accrued income		(58,054)	(17,951)	(14,049)
Goodwill		(2,870,644)	(1,813,919)	(694,696)
Impairment loss on property and equipment		2	138	-
Impairment loss on intangible assets		796,035	195,875	192,640
Provisions		943,591	410,090	228,350
Deferred revenues		11,181,923	2,417,816	2,706,025
Lands		(52,828,873)	(12,784,587)	(12,784,587)
Equity method investments		1,500,000	363,000	363,000
Bad debt		9,526,605	2,305,438	2,305,438
Prepaid expenses		(71,197,526)	(17,884,118)	(17,229,801)
Present value discount		9,197,301	2,499,797	2,225,747
Unearned revenue		157,747	38,175	38,175
Other payables		40,487,360	9,573,163	9,797,941
Leasehold deposits		194,086	22,769	46,969
Profit (loss) on valuation of interest rate forward		(5,318,424)	1,204,947	(1,287,059)
Profit (loss) on valuation of interest rate swap		44,306	(516)	10,722
Profit (loss) on valuation of separable embedded derivatives		5,060,191	-	1,224,566
Profit (loss) on valuation of available-for-sale financial assets		614,577	148,728	148,728
Commission		690,266	352,988	167,044
Donation		-	2,904	-
Other provision		7,860,353	1,113,200	1,902,205
Taxes and dues		13,376	3,237	3,237
Tax loss carryforward		141,358	338,362	34,209
		(42,673,606)	(11,408,606)	(10,327,013)
Unrecognized deferred tax assets(*)			1,450,919	331,696
	₩		(9,957,687)	(9,995,317)

(*) Deferred tax assets of ₩332 million for temporary differences related to investments in subsidiaries and associates were not recognized, as it is not probable that the temporary differences will be reversed in the foreseeable future.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

27. Income Tax Expense, Continued

(5) Changes in deferred income tax assets (liabilities) for the year ended December 31, 2013 are as follows:

(In thousands of won)

		2013		
		Temporary differences	Deferred tax assets (liabilities)	
		Ending balance	Beginning balance	Ending balance
Allowance for doubtful accounts	₩	3,198,003	1,207,309	773,917
Accrued retirement and severance benefits		25,712,115	3,599,917	6,222,332
Provision for retirement and severance benefits		(25,712,115)	(3,599,916)	(6,222,332)
Depreciation		(1,992,081)	(622,741)	(482,083)
Amortization		(785,025)	(78,746)	(189,976)
Accrued income		(74,180)	(128,397)	(17,951)
Goodwill		(7,495,531)	(1,119,223)	(1,813,919)
Impairment loss on property and equipment		573	1,633	138
Impairment loss on intangible assets		809,399	203,422	195,875
Provisions		1,694,584	185,338	410,090
Deferred revenues		9,990,978	2,657,378	2,417,816
Lands		(52,828,873)	(12,784,587)	(12,784,587)
Equity method investments		1,500,000	5,673,994	363,000
Bad debt		9,526,605	1,924,392	2,305,438
Losses on valuation of available-for-sale financial assets		614,577	140,371	148,728
Prepaid expenses		(73,901,311)	(18,610,849)	(17,884,118)
Present value discount		10,329,742	1,275,400	2,499,797
Unearned revenue		157,747	48,140	38,175
Other payables		39,558,526	9,878,619	9,573,163
Leasehold deposits		94,086	22,769	22,769
Profit (loss) on valuation of interest rate forward		4,979,123	297,123	1,204,947
Profit (loss) on valuation of interest rate swap		(2,137)	(702)	(516)
Commission		1,458,630	-	352,988
Donation		12,000	-	2,904
Other provision		4,600,000	-	1,113,200
Taxes and dues		13,376	-	3,237
Tax loss carryforward		1,398,191	-	338,362
		(47,142,998)	(9,829,356)	(11,408,606)
Unrecognized deferred tax assets(*)			(4,554,772)	1,450,919
	₩		(14,384,128)	(9,957,687)

(*) Deferred tax assets of ₩1,451 million for temporary differences related to investments in subsidiaries and associates were not recognized, as it is not probable that the temporary differences will be reversed in the foreseeable future.

(6) As of December 31, 2014, tax effects of temporary differences are calculated by the expected tax rate of the fiscal period when the temporary differences are expected to reverse.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

27. Income Tax Expense, Continued

(7) The aggregate amounts of deferred tax assets and liabilities as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Deferred tax assets	₩ 30,704,194	27,623,877
Deferred tax liabilities	(40,699,511)	(37,581,564)
	<u>₩ (9,995,317)</u>	<u>(9,957,687)</u>

28. Earnings Per Share

(1) Basic earnings per share

① Basic earnings per share for the years ended December 31, 2014 and 2013 are calculated as follows:

<i>(In won, except share information)</i>	<u>2014</u>	<u>2013</u>
Net income attributable to ordinary shares	₩ 33,274,125,430	43,078,296,035
Weighted average number of ordinary shares	21,161,313	20,696,429
Basic earnings per share	<u>₩ 1,572</u>	<u>2,081</u>

② Weighted average number of ordinary shares for the years ended December 31, 2014 and 2013 are calculated as follows:

<i>(In share)</i>	<u>2014</u>	<u>2013</u>
Ordinary shares at January 1	21,161,313	20,617,458
Effect of shares issued related to business combination	-	289,063
Effect of treasury stock	-	(210,092)
Weighted average number of ordinary shares	<u>21,161,313</u>	<u>20,696,429</u>

(2) Diluted earnings per share

① Diluted earnings per share for the years ended December 31, 2014 and 2013 are calculated as follows:

<i>(In won, except share information)</i>	<u>2014</u>	<u>2013</u>
Adjusted net income attributable to ordinary shares	₩ 33,274,125,430	43,078,296,035
Diluted weighted average number of ordinary shares	21,162,962	20,701,152
Diluted earnings per share	<u>₩ 1,572</u>	<u>2,081</u>

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

28. Earnings Per Share, Continued

(2) Diluted earnings per share, continued

- ② Diluted weighted average number of ordinary shares for the years ended December 31, 2014 and 2013 are as follows:

<i>(In share)</i>	<u>2014</u>	<u>2013</u>
Weighted average number of ordinary shares	21,161,313	20,696,429
Effect of stock options	1,649	4,723
Diluted weighted average number of ordinary shares	<u>21,162,962</u>	<u>20,701,152</u>

The average market value of the Company's shares for the purpose of calculating the dilutive effect of stock options was based on the quoted market price at the end of the year.

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

29. Related Parties

(1) Parent company and subsidiaries

- ① The Company's ultimate controlling company is CJ Corp. and the Company's subsidiaries as of December 31, 2014 are as follows:

Location	Subsidiaries	
Korea	CJ 4DPlex Co., Ltd.	CJ 4DX (Beijing) Cinema Technology Co., Ltd. CJ 4DPLEX AMERICA, INC. CJ 4DPLEX AMERICAS, LLC.
	Simuline Inc.	SIMULINE(HONG KONG) LIMITED SIMULINE(CHINA) LIMITED
United States	CJ CGV America, Inc. (formerly, CJ Theater LA Holdings Inc.)	CJ CGV America LA LLC.
Hong Kong / China	CGI Holdings Ltd.	CJ CGV (Shanghai) Enterprise Management Co., Ltd. UVD Enterprise Ltd. Pan Jin CGV Cinema Co., Ltd. CJ CGV (Shang Hai) Film International Cineplex Co., Ltd. CJ CGV (Shen Yang) Film International Cineplex Co., Ltd. CJ CGV (Harbin) International Cinema Co., Ltd. Vietnam Cinema 1 Company Ltd. ShangHai C Media Co., Ltd. CGV (Changsha) Cinema Co., Ltd. YANTAI CGV CINEMA CO., LTD. CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD. ZIBO CGV CINEMA CO., LTD. CGV (TianJin) Cinema Co., Ltd. CGV (HuaiAn) Cinema Co., Ltd. Liaoning CGV Cinema Co., Ltd. CGV (Tangshan) Cinema Co., Ltd. CGV Orsun (WuHan) Cinema Co., Ltd. (formerly, CGV (Wuhan) Cinema Co., Ltd.) Wuhu CGV Cinema Co., Ltd. CGV (Chengdu) Cinema Co., Ltd. CGV (Chongqing) Cinema Co., Ltd. YuYao CGV Cinema Co., Ltd. CGV TianHe (WuHan) Cinema Co., Ltd. Jiangmen CGV Cinema Co., Ltd. Jiangsu CGV Cinema Investment Co., Ltd. CGV (Changzhou) Cinema Co., Ltd. Henan CGV Cinema Co., Ltd. CGV (Qingdao) Cinema Co., Ltd. NEIMENGGU CGV CINEMA CO., LTD. DaLian CGV Cinema Co.,Ltd. CJ CGV (Hubei) Cinema Co., Ltd. CJ CGV VIETNAM CO., LTD. (formerly, Megastar Media Company)
British Virgin Islands / Vietnam Singapore	Envoy Media Partners Ltd. Cross Junction Investment Co., Pte. Ltd. Crown Jade Company Pte. Ltd.	- -

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

29. Related Parties, Continued

(1) Parent company and subsidiaries, continued

② Related parties which have transactions or outstanding balances with the Company as of December 31, 2014 are as follows:

Relationship	Name
Associates	SSV Contents Investment Association PT Graha Layar Prima Tbk. Maritime Tower Co., Ltd.
Joint ventures	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd. Wuhan CJ XingXing Tiandi Cinema Co., Ltd. CJ XingXing (TJ) International Cinema Co., Ltd. Beijing CJ Xingxing Olympic International Cinema Co., Ltd. Ningbo Culture Plaza CJ Cinema Co., Ltd. D-Cinema Korea Co., Ltd. Shanghai Shangying CGV Cinema Co., Ltd. CJ Xingxing (Shanghai) Cinema Co., Ltd. CJ Xingxing (FSH) Cinema Co., Ltd. Zhongshan CJ Xingxing Cinema Co., Ltd. CGV EMPIRE SDN. BHD ChangSha CJ XingXing Cinema Co., Ltd. Myanmar Cineplex Co., Ltd.
Other related companies	CJ E&M Corp. CJ Cheiljedang Corp. CJ Freshway Corporation CJ Foodvill Co., Ltd. CJ Worldis Co., Ltd. CJ O Shopping Co., Ltd. CJ Hellovision Co., Ltd. CJ HelloVision Honam Broadcasting Co., Ltd. CJ Hellovision Daegu Suseong Broadcasting Co., Ltd. CJ Telenix Co., Ltd. CJ Powercast Inc. Art service Co., Ltd. CJ OliveNetworks Co., Ltd. CJ Construction Co., Ltd. CJ Sea Food Co., Ltd. Joy Rent a Car Co., Ltd. JS Communications Co., Ltd. CJ Korea Express Co., Ltd. CJ EDUCATIONS CORPORATION CJ HealthCare Corporation CJ Venture Investment CNI Leisure Co., Ltd. Cinema Service Co., Ltd.

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

29. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2014 are summarized as follows:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid	
Parent	CJ Corp.	₩ 45,786	-	-	-	9,246	-	3,534,711	2,889,950	
Subsidiaries	CJ 4DPlex Co., Ltd.	6,819	-	-	1,273,533	69,406	-	1,239,100	-	
	CGI Holdings Ltd.	-	158,982	-	-	-	-	-	-	
	Simuline Inc.	112,104	-	-	-	-	-	-	-	
	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	-	5,328	-	-	-	-	-	-	
	CJ CGV America, Inc. (formerly, CJ Theater LA Holdings Inc.)	-	4,975	-	-	-	-	-	-	
	CJ 4DPLEX AMERICA, INC.	-	86	-	-	-	-	-	-	
	CJ CGV VIETNAM CO., LTD. (formerly, Megastar Media Company)	-	4,753	-	-	-	-	-	-	
	Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	-	436,820	-
		Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	606,701	-	-	-	-	-
		Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	-	-	237,577	-	-	-	-	-
Shanghai Shangying CGV Cinemia Co., Ltd.		-	-	558,441	-	-	-	-	-	
CGV EMPIRE SDN. BHD		176,176	-	-	-	-	-	-	-	
Other related companies		CJ E&M Corp.	5,033,517	2,489,389	-	70,311,315	58,000	-	2,262,814	-
	CJ O Shopping Co., Ltd.	334,184	4,045,632	-	-	32,020	-	114,442	-	
	CJ OliveNetworks Co., Ltd.	189,807	2,355,071	-	613,614	4,360,898	104,791	23,118,083	-	
	CJ Worldis Co., Ltd.	-	4,526	-	-	-	-	2,400	-	

29. Related Parties, Continued

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2014 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	CJ Powercast Inc.	₩ 648,835	27,292	-	-	108,389	-	2,833,921	-
	CJ Foodvill Co., Ltd.	2,164,876	4,291,143	-	4,430,103	291,698	-	5,552,770	-
	CJ Freshway Corporation	12,664	351,256	-	27,782,197	-	-	94,540	-
	JS Communications Co., Ltd.	68,875,374	-	-	735,144	-	88,400	-	-
	CJ Construction Co., Ltd.	9,297	58,538	-	15,218	3,277,700	-	297,803	-
	CNI Leisure Co., Ltd.	1,626	-	-	502,423	-	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	234,136	-	-	-	-
	CJ Cheiljedang Corp.	158,484	817,993	-	89,318	-	-	5,372,643	-
	Art service Co., Ltd.	-	48,017	-	-	-	-	-	-
	CJ Telenix Co., Ltd.	2,386	31,411	-	19,561	-	-	1,894,987	-
	Cinema Service Co., Ltd.	-	492	-	-	-	-	-	-
	CJ Korea Express Co., Ltd.	53,419	660,647	-	-	523,500	-	36,005	-
	CJ EDUCATIONS CORPORATION	40,814	578	-	-	-	-	-	-
	CJ Hellovision Co., Ltd.	27,463	723,685	-	-	-	-	12,457	-
	CJ HelloVision Honam Broadcasting Co., Ltd.	471	-	-	-	-	-	-	-
	CJ Hellovision Daegu Suseong Broadcasting Co., Ltd.	739	-	-	-	-	-	-	-
	CJ Sea Food Co., Ltd.	344	-	-	-	-	-	-	-
CJ HealthCare Corporation	4,790	60,803	-	-	-	-	946	-	
CJ Venture Investment	80	-	-	-	-	-	-	-	
	₩	<u>77,900,055</u>	<u>16,140,597</u>	<u>1,402,719</u>	<u>106,006,562</u>	<u>8,730,857</u>	<u>193,191</u>	<u>46,804,442</u>	<u>2,889,950</u>

29. Related Parties, Continued

(3) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2013 are summarized as follows:

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Parent	CJ Corp.	₩ 32,887	728	-	-	-	-	3,085,783	2,889,950
Subsidiaries	Primus Cinema Co., Ltd.	390,338	885,715	-	22,336	-	-	-	-
	CJ 4DPlex Co., Ltd.	10,735	-	-	826,604	3,714,780	-	1,397,020	-
	CGI Holdings Ltd.	-	159,165	-	-	-	-	-	-
Joint ventures	Simuline Inc.	33,597	-	-	-	-	-	776	-
	D-Cinema Korea Co., Ltd.	-	-	-	-	-	36,440	35,570	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	472,424	-	-	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	583,959	-	-	-	-	-
Other related companies	CJ E&M Corp.	2,844,962	2,387,380	-	60,077,370	1,089,207	-	2,897,440	-
	CJ O Shopping Co., Ltd.	327,365	3,148,606	-	-	13,978	-	75,490	-
	CJ OliveNetworks Co., Ltd.	141,382	2,853,134	-	-	2,954,161	2,320,424	21,355,699	-
	CJ Worldis Co., Ltd.	-	1,635	-	-	-	-	1,025	-
	CJ N City Co., Ltd.	2,816	68,043	-	-	-	-	421,179	-
	CJ Powercast Inc.	742,100	8,614	-	20,843	727,412	-	2,433,175	-
	CJ Foodvill Co., Ltd.	1,207,127	3,399,617	-	3,136,234	280,350	-	5,220,643	-
	CJ Freshway Corporation	19,078	337,067	-	21,860,446	38,600	-	2,831,787	-
	JS Communications Co., Ltd.	64,646,016	-	-	906,134	-	-	-	-
	CJ Construction Co., Ltd.	17,516	57,301	-	8,080	13,283,288	-	224,364	-
CNI Leisure Co., Ltd.	-	-	-	475,108	-	-	-	-	
Joy Rent a Car Co., Ltd.	-	-	-	251,917	-	-	-	-	
CJ Mooter Inc.	-	-	-	71,000	-	-	-	-	

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

29. Related Parties, Continued

(3) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2013 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	CJ Cheiljedang Corp.	₩ 961,383	921,662	-	114,745	-	-	4,083,221	-
	Art service Co., Ltd.	-	-	-	-	-	-	4,194	-
	CJ Telenix Co., Ltd.	1,275	9,977	-	5,112	-	-	1,894,599	-
	Clip Service Co., Ltd.	1,500	-	-	-	-	-	-	-
	Orion Cinema Network Co., Ltd.	312,103	33,514	-	-	-	-	-	-
	Cinema Service Co., Ltd.	20,161	-	-	-	-	-	-	-
	CJ Korea Express Co., Ltd.	45,731	715,703	-	2,830	-	-	20,019	-
	ANI-PARK Co., Ltd.	-	5,878	-	-	-	-	-	-
	On Game Network Inc.	400	7,200	-	14,225	-	-	-	-
	CJ EDUCATIONS CORPORATION	552	1,678	-	-	-	-	97,713	-
	CJ Venture Investment	176	-	-	-	-	-	-	-
	CJ Hellovision Co., Ltd.	32,500	406,047	-	-	-	-	15,302	-
	MezzoMedia Inc.	-	-	-	13,000	-	-	-	-
		₩ 71,791,700	15,408,664	1,056,383	87,805,984	22,101,776	2,356,864	46,094,999	2,889,950

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

29. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2014 are summarized as follows:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities
Parent	CJ Corp.	₩ 2,988	-	4,159	-	-	367,010
Subsidiaries	CJ 4DPlex Co., Ltd.	473	-	-	543,249	-	106,218
	Simuline Inc.	9,315	-	-	-	-	-
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	79,893
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	594,067	-	-	-
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	-	-	241,942	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	546,813	-	-	-
	PT Graha Layar Prima Tbk.	-	-	812,961	-	-	-
	CGV EMPIRE SDN. BHD	175,872	-	3,405	-	-	-
	CJ E&M Corp.	615,119	-	683,039	7,911,379	613,120	599,430
Other related companies	CJ Cheiljedang Corp.	129,403	389,929	385,097	584	-	1,124,523
	CJ Freshway Corporation	1,498	-	98,059	10,034,921	-	11,515
	CJ Foodvill Co., Ltd.	308,911	110,000	973,344	1,415,079	1,124,960	1,066,118
	CJ O Shopping Co., Ltd.	90,727	-	1,175,973	-	329,995	1,593,269
	CJ Worldis Co., Ltd.	-	-	569	-	-	21,357
	CJ Hellovision Co., Ltd.	9,119	-	219,212	-	-	48,587
	CJ HelloVision Honam Broadcasting Co., Ltd.	139	-	40	-	-	-
	CJ Telenix Co., Ltd.	155	-	9,143	21,517	-	151,721
	CJ Powercast Inc.	212,960	-	7,944	-	-	351,171
	Art service Co., Ltd.	-	-	13,362	-	-	-
	CJ OliveNetworks Co., Ltd.	31,582,321	-	1,554,704	162,850	60,000	5,425,402
	CJ Construction Co., Ltd.	1,076	-	3,797,167	5,260	-	1,020,008
	CJ Sea Food Co., Ltd.	70	-	40	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	24,621
	JS Communications Co., Ltd.	20,276,165	-	-	-	-	278,511
	CJ Korea Express Co., Ltd.	6,421	-	185,491	-	-	316,027
CJ EDUCATIONS CORPORATION	113	-	1,158	-	-	-	
CJ HealthCare Corporation	999	-	22,539	-	-	49	
CJ Venture Investment	80	-	-	-	-	-	
		₩ 53,423,924	499,929	11,330,228	20,094,839	2,128,075	12,585,430

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

29. Related Parties, Continued

(5) Account balances with related companies as of December 31, 2013 are summarized as follows:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities
Parent	CJ Corp.	₩ 12,037	-	20,083	-	-	352,883
Subsidiaries	CJ 4DPlex Co., Ltd.	1,984	-	19,486	63,203	-	1,367,205
	Simuline Inc.	9,473	-	96	-	-	-
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	35,079
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	474,633	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	586,688	-	-	-
Other related companies	CJ E&M Corp.	1,521,671	-	1,651,463	3,677,497	613,120	1,017,594
	CJ Cheiljedang Corp.	79,495	389,929	401,523	5,336	-	792,351
	CJ Freshway Corporation	10,631	-	112,379	8,551,761	-	26,638
	CJ Foodvill Co., Ltd.	226,296	110,000	1,358,734	1,189,078	1,124,960	882,319
	CJ O Shopping Co., Ltd.	75,313	-	1,288,599	-	329,799	2,075,328
	CJ Worldis Co., Ltd.	-	-	401	-	-	11,647
	CJ Hellovision Co., Ltd.	120,103	-	275,062	80,379	-	59,658
	CJ Telenix Co., Ltd.	6,651	-	12,574	5,623	-	174,263
	CJ OliveNetworks Co., Ltd.	20,602,877	-	2,250,654	168,256	60,000	6,899,766
	CJ Powercast Inc.	311,900	-	9,475	7,365	-	619,448
	Art service Co., Ltd.	-	-	-	5,377	-	-
	CJ Construction Co., Ltd.	3,664	-	3,819,918	14,557	-	2,560,432
	CJ N City Co., Ltd.	2,161	-	1,056	-	-	64,942
	CJ Sea Food Co., Ltd.	7,064	-	872	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	23,100
	JS Communications Co., Ltd.	20,540,400	-	-	-	-	301,303
	CJ Mooter Inc.	-	-	-	-	-	13,200
	CNI Leisure Co., Ltd.	1,163	-	224	-	-	-
	CJ Korea Express Co., Ltd.	32,669	-	244,001	-	-	-
	CJ MD1 Corp.	2,888	-	872	-	-	-
	On Game Network Inc.	9,216	-	-	-	-	-
	CJ EDUCATIONS CORPORATION	531	-	1,768	-	-	212
	CJ Venture Investment	20	-	-	-	-	-
	MezzoMedia Inc.	-	-	-	14,300	-	-
		₩ 43,578,207	499,929	12,530,561	13,782,732	2,127,879	17,277,368

(6) Key management personnel compensation for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)

	2014	2013
Short-term employee benefits	₩ 1,236,716	2,438,963
Costs related to defined benefit plan	119,303	378,544
Long-term employee benefits	51,879	105,010
	₩ 1,407,898	2,922,517

The Company defines key management personnel as officers that perform key management roles in planning, operating, and controlling with significant rights and obligations in each business unit.

29. Related Parties, Continued

CJ CGV CO., LTD.
Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

(7) Details of guarantees which the Company has provided for related companies as of December 31, 2014 are as follows:

(In thousands of won, except USD, HKD, RMB, VND)

Related companies	Guarantee recipient	Guarantees	Guarantee type	Beneficiary
Subsidiaries	CGI Holdings Ltd.	USD 20,000,000	Credit line guarantee	Woori Bank Hong Kong KEB Hong Kong HSBC Hana Bank Hong Kong Korea Exim Bank Shinhan Bank Vietnam Standard Chartered Bank Vietnam
		HKD 91,650,000		
		RMB 132,000,000		
		USD 10,000,000		
		USD 50,000,000		
	CJ CGV VIETNAM CO., LTD. (formerly, Megastar Media Company)	VND 210,000,000,000		
	CJ CGV America, Inc. (formerly, CJ Theater LA Holdings Inc.)	USD 4,000,000		Hana Bank
	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	USD 3,000,000		Korea Development Bank
CJ 4DPLEX AMERICA, INC. CJ CGV America LA LLC.	USD 4,000,000		Shinhan Bank USA MADANG, LLC.	
Joint venture	D-Cinema Korea Co., Ltd.	-	Guarantee on lease contracts	
		-	Performance guarantee	20th Century Fox Film Corporation
Executives and staff members	Executives and staff members	₩ 96,855	Guarantee on loans of employees	Hana Bank
		3,669,604		Shinhan Bank