
FINANCIAL STATEMENTS

Non-Consolidated Financial Statements
Years ended December 31, 2009 and 2008
with independent auditors' report

058	INDEPENDENT AUDITORS' REPORT
060	NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
062	NON-CONSOLIDATED STATEMENTS OF INCOME
063	NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS
064	NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
066	NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
068	NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
128	INTERNAL CONTROL OVER FINANCIAL REPORTING REVIEW REPORT
129	REPORT ON THE OPERATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

INDEPENDENT AUDITORS' REPORT

FINANCIAL
STATEMENTS



ERNST & YOUNG HANYOUNG

Taeyoung Bldg., 10-2, Yeouido-dong,
Yeongdeungpo-gu, Seoul 150-777 Korea

Tel: +82 2 3787 6600 Fax: +82 2 783 5890
www.ey.com/kr

The Board of Directors and Stockholders GS Engineering & Construction Corporation

We have audited the accompanying non-consolidated statements of financial position of GS Engineering & Construction Corporation (the "Company") as of December 31, 2009 and 2008, and the related non-consolidated statements of income, appropriations of retained earnings, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of GS Engineering & Construction Corporation as of December 31, 2009 and 2008, and the non-consolidated results of its operations, its changes in retained earnings and equity, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

February 18, 2010

Ernst & Young Han Young

This audit report is effective as of February 18, 2010, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying non-consolidated financial statements and may result in modifications to this report.

NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2009 and 2008

I Korean won in millions I

FINANCIAL
STATEMENTS

	2009		2008	
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 2 and 13)	₩	1,444,743	₩	759,669
Short-term financial instruments (Notes 2 and 4)		22,390		49,461
Trade accounts and notes receivable, less allowance for doubtful accounts of ₩106,538 in 2009 (₩104,079 in 2008) (Notes 13,16 and 22)		2,429,475		2,241,860
Short-term loans receivable, less allowance for doubtful accounts of ₩66,184 in 2009 (₩20,124 in 2008) (Note 13)		375,853		234,983
Prepaid construction costs		265,424		202,331
Other accounts receivable, less allowance for doubtful accounts of ₩5,542 in 2009 (₩4,671 in 2008) (Notes 13 and 16)		254,453		182,363
Inventories (Notes 2, 5 and 10)		428,986		457,218
Accrued income, less allowance for doubtful accounts of ₩12,188 in 2009 (₩5,070 in 2008)		25,313		11,569
Advance payments, less allowance for doubtful accounts of ₩6,100 in 2009 (₩11,002 in 2008)		186,965		188,338
Prepaid expenses		49,204		34,255
Derivative assets (Note 29)		107,051		134,506
Firm commitment assets (Note 29)		299,818		431,216
Current portion of deferred income tax assets (Note 23)		4,513		-
Total current assets		5,894,188		4,927,769
Non-current assets:				
Long-term financial instruments (Notes 2 and 4)		26		298
Long-term investment securities (Note 6)		600,528		540,107
Equity method investments (Notes 2 and 7)		604,647		747,953
Real estate investments		48,699		97,424
Long-term loans receivable, less allowance for doubtful accounts of ₩118,421 in 2009 (₩95,912 in 2008) (Notes 13 and 30)		251,730		353,937
Long-term guarantee deposits (Note 16)		121,903		99,286
Deferred income tax assets (Note 23)		-		-
Property, plant and equipment, net (Notes 8, 9, 10, 27 and 33)		1,421,696		1,412,320
Intangible assets, net (Notes 11 and 33)		2,838		3,168
Total non-current assets		3,052,067		3,254,493
Total assets	₩	8,946,255	₩	8,182,262

(Continued)
See accompanying notes.

	2009		2008	
LIABILITIES AND EQUITY				
Current liabilities:				
Trade accounts and notes payable (Notes 13, 16 and 22)	₩	3,102,733	₩	2,561,524
Short-term borrowings (Notes 12 and 13)		200,240		260,000
Other accounts payable (Notes 13 and 16)		70,233		134,599
Other advances received		192,934		6,091
Withholdings (Note 13)		124,116		103,448
Guarantee deposits received		7,132		11,954
Accrued expenses		29,489		38,791
Income taxes payable (Note 23)		59,804		185,841
Dividends payable		18		22
Current portion of debentures, less discount of ₩95 in 2009 (nil in 2008) (Note 12)		149,905		-
Current portion of deferred income tax liabilities (Note 23)		-		14,855
Derivative liabilities (Note 29)		211,926		465,318
Firm commitment liabilities (Note 29)		40,212		4,886
Unearned revenue		5,398		1,461
Total current liabilities		4,194,140		3,788,790
Non-current liabilities:				
Debentures, less discount of ₩1,619 in 2009 (₩1,722 in 2008) (Notes 12 and 13)		610,361		499,803
Long-term borrowings (Note 12)		11,940		11,940
Severance and retirement benefits		46,013		63,325
Leasehold guarantee deposits received (Note 16)		135,410		125,799
Membership guarantee deposits received (Note 16)		339,792		336,158
Provision for construction losses (Notes 2 and 22)		15,822		6,363
Provision for construction warranty (Note 2)		62,018		70,637
Deferred income tax liabilities (Note 23)		104,679		143,266
Other provisions (Note 14)		126,826		100,542
Other non-current liabilities		243		641
Total non-current liabilities		1,453,104		1,358,474
Total liabilities		5,647,244		5,147,264
Equity:				
Capital stock (Note 17)		255,000		255,000
Capital surplus (Note 19)		239,268		236,767
Capital adjustments (Notes 18 and 19)		(86,233)		(81,881)
Accumulated other comprehensive income (Notes 9, 21, 23, 29 and 36)		750,226		842,423
Retained earnings (Note 20)		2,140,750		1,782,689
Total equity		3,299,011		3,034,998
Total liabilities and equity	₩	8,946,255	₩	8,182,262
See accompanying notes.				

NON-CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2009 and 2008

I Korean won in millions, except per share amounts I

FINANCIAL
STATEMENTS

	2009		2008	
Sales (Notes 16, 22 and 33)				
Construction operations	₩	7,061,206	₩	6,535,180
Housing construction and sales operations		256,797		262,603
Other operations		58,922		68,065
		7,376,925		6,865,848
Cost of sales (Notes 16 and 22)				
Construction operations		6,128,699		5,708,156
Housing construction and sales operations		221,539		165,192
Other operations		71,742		79,536
		6,421,980		5,952,884
Gross profit		954,945		912,964
Selling and administrative expenses		387,019		434,641
Operating income (Note 33)		567,926		478,323
Other income (expenses):				
Interest income		71,671		60,078
Interest expense		(56,862)		(29,570)
Dividend income		873		2,320
Gain (loss) on foreign currency transactions, net		(61,846)		130,390
Gain (loss) on foreign currency translation, net		(7,773)		(23,814)
Equity in earnings of equity method investments, net (Note 7)		21,925		431
Gain on disposal of equity method investments, net		10,291		-
Gain on disposal of long-term investment securities		55,257		5,032
Loss on disposal of long-term investment securities		(2,319)		(5,714)
Gain (loss) on disposal of property, plant and equipment, net		(9,711)		6,002
Gain (loss) on settlement of derivative instruments, net		27,314		(41,063)
Gain (loss) on valuation of derivative instruments, net		13,329		(323,288)
Gain (loss) on valuation of firm commitment, net		(51,822)		423,520
Donations (Note 30)		(5,230)		(4,259)
Others, net		(64,822)		(129,748)
		(59,725)		70,317
Income before income taxes		508,201		548,640
Provision for income taxes (Note 23)		125,400		167,086
Net income	₩	382,801	₩	381,554
Basic earnings per share (Notes 2 and 24)	₩	7,737	₩	7,689

See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

For the years ended December 31, 2009 and 2008

I Korean won in millions I

62

63

	2009		2008	
Retained earnings before appropriations:				
Unappropriated retained earnings (undisposed accumulated deficit)carried forward from the prior year	₩	1,275	₩	(11,803)
Net income		382,801		381,554
		384,076		369,751
Transfer from other reserves:				
Research and human resources development reserve (Note 20)		3,333		5,000
Reserves for losses on sale of treasury stock		-		1,263
		3,333		6,263
Appropriations (2009-proposed):				
Legal reserve (Note 20)		5,000		3,000
Business rationalization reserve (Note 20)		90,000		90,000
Financial structure improvement reserve (Note 20)		65,000		65,000
Research and human resources development reserve (Note 20)		90,000		90,000
Other reserves (Note 20)		87,000		102,000
Cash dividends (Note 25)		49,479		24,739
		386,479		374,739
Unappropriated retained earnings to be carried forward to the next year	₩	930	₩	1,275

See accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2009 and 2008

I Korean won in millions I

FINANCIAL
STATEMENTS

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2008	₩ 255,000	₩ 238,225	₩ 11,940	₩ 156,749	₩1,483,507	₩2,145,421
Dividends	-	-	-	-	(82,372)	(82,372)
Acquisition of treasury stock	-	-	(67,750)	-	-	(67,750)
Disposal of treasury stock	-	(3,422)	12,423	-	-	9,001
Changes in capital surplus in equity method	-	1,964	-	-	-	1,964
Share-based compensation expense	-	-	(38,344)	-	-	(38,344)
Changes in capital adjustments in equity method	-	-	(150)	-	-	(150)
Gain on valuation of available-for-sale securities	-	-	-	215,714	-	215,714
Loss on valuation of available-for-sale securities	-	-	-	(1,173)	-	(1,173)
Exchange differences on translation of foreign operations	-	-	-	(12,037)	-	(12,037)
Gain on valuation of derivatives instruments	-	-	-	(13,274)	-	(13,274)
Loss on valuation of derivatives instruments	-	-	-	(21,387)	-	(21,387)
"Credit equity adjustment arising from equity method investments"	-	-	-	279,704	-	279,704
"Debit equity adjustment arising from equity method investments"	-	-	-	38	-	38
Asset revaluation surplus	-	-	-	238,089	-	238,089
Net income	-	-	-	-	381,554	381,554
As of December 31, 2008	₩ 255,000	₩ 236,767	₩ (81,881)	₩ 842,423	₩1,782,689	₩3,034,998

See accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2009 and 2008

I Korean won in millions I

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2009	₩ 255,000	₩ 236,767	₩ (81,881)	₩ 842,423	₩1,782,689	₩ 3,034,998
Dividends	-	-	-	-	(24,739)	(24,739)
Acquisition of treasury stock	-	-	(3,297)	-	-	(3,297)
Disposal of treasury stock	-	2,501	-	-	-	2,501
Changes in capital adjustments in equity method	-	-	(1,055)	-	-	(1,055)
Gain on valuation of available-for-sale securities	-	-	-	743	-	743
Loss on valuation of available-for-sale securities	-	-	-	1,171	-	1,171
Exchange differences on translation of foreign operations	-	-	-	1,317	-	1,317
Gain on valuation of derivatives instruments	-	-	-	(770)	-	(770)
Loss on valuation of derivatives instruments	-	-	-	(12,484)	-	(12,484)
"Credit equity adjustment arising from equity method investments"	-	-	-	(81,704)	-	(81,704)
Transfer of asset revaluation surplus due to disposal of land	-	-	-	(470)	-	(470)
Net income	-	-	-	-	382,800	382,800
As of December 31, 2009	₩ 255,000	₩ 239,268	₩ (86,233)	₩ 750,226	₩2,140,750	₩ 3,299,011

See accompanying notes.

64

65

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2009 and 2008

I Korean won in millions I

FINANCIAL
STATEMENTS

	2009		2008	
Cash flows from operating activities:				
Net income	₩	382,801	₩	381,554
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Provision for severance and retirement benefits		41,769		44,069
Depreciation of property, plant and equipment		27,682		29,782
Bad debt expense		2,338		60,235
Provision for construction warranty		8,540		23,871
Reversal for construction warranty		(2,710)		(1,521)
Provision for construction losses		19,247		11,024
Reversal for construction losses		(9,788)		(28,798)
Amortization of intangible assets		330		348
Loss (gain) on disposal of long-term investment securities, net		(51,501)		682
Loss (gain) on disposal of property, plant and equipment, net		9,711		(6,002)
Loss on foreign currency translation, net		320		30,042
Equity in earnings of equity method investments, net		(21,924)		(431)
Gain on disposal of equity method investments, net		(10,291)		-
Loss (gain) on valuation of derivative instruments, net		(13,329)		323,288
Loss (gain) on valuation of firm commitment, net		51,822		(423,520)
Amortization of foreign currency translation adjustments, net		2,679		-
Others, net		108,705		186,604
Changes in operating assets and liabilities:				
Trade accounts and notes receivable		(331,660)		(305,473)
Prepaid construction costs		(64,975)		(71,479)
Other accounts receivable		(82,040)		42,380
Accrued income		(20,861)		(3,262)
Inventories		28,828		(60,610)
Advance payments		(23,287)		(51,179)
Prepaid expenses		(15,129)		5,136
Current portion of deferred income tax assets		-		(168)
Derivative assets		98,511		16,638
Derivative liabilities		(328,113)		(17,853)
Trade accounts and notes payable		555,326		367,634
Accrued expenses		(9,303)		(33,252)
Income taxes payable		(138,655)		186,941
Payment of severance and retirement benefits		(48,698)		(44,198)
Provision for construction warranty		(14,417)		(24,908)
Others, net		398,725		(18,151)
Total adjustments		167,852		237,869
Net cash provided by (used in) operating activities	₩	550,653	₩	619,423

(Continued)
See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2009 and 2008

I Korean won in millions I

66

67

	2009		2008	
Cash flows from investing activities:				
Decrease (increase) in short-term financial instruments, net	₩	27,344	₩	(43,300)
Proceeds from disposal of short-term investment securities		-		8,354
Proceeds from disposal of long-term investment securities		82,486		48,371
Proceeds from disposal of equity method investments		58,559		4,252
Decrease (increase) in short-term loans receivable, net		(54,828)		(104,514)
Increase in long-term loans receivable, net		(120,509)		(84,083)
Payment of long-term guarantee deposits		(69,489)		(50,841)
Proceeds from guarantee deposits		46,641		30,060
Acquisition of long-term investment securities		(69,106)		(59,623)
Acquisition of equity method investments		(8,943)		(32,218)
Proceeds from disposal of real estate investments		6,453		-
Proceeds from disposal of property, plant and equipment		8,411		18,258
Acquisition of property, plant and equipment		(18,085)		(36,191)
Net cash provided by (used in) investing activities		(111,066)		(301,475)
Cash flows from financing activities:				
Proceeds from issuance of debentures		299,790		352,552
Proceeds from re-issuance of treasury stock		-		7,474
Acquisition of treasury stock		-		(68,036)
Decrease (increase) in membership guarantee deposits received, net		3,634		(6,247)
Proceeds from short-term borrowings		754,368		2,121,026
Repayment of short-term borrowings		(774,008)		(2,262,326)
Redemption of current portion of debentures		(13,554)		-
Payment of dividends to stockholders		(24,743)		(82,371)
Net cash provided by (used in) financing activities		245,487		62,072
Net increase (decrease) in cash and cash equivalents		685,074		380,020
Cash and cash equivalents at the beginning of the year		759,669		379,649
Cash and cash equivalents at the end of the year	₩	1,444,743	₩	759,669

See accompanying notes.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

1. Corporate information

GS Engineering & Construction Corporation (the "Company") was incorporated on December 19, 1969 under the laws of the Republic of Korea to provide engineering and construction services, on-site building maintenance, as well as residential and industrial construction services within Korea and abroad. The Company merged with Lucky Foreign Construction Co., Ltd., on January 4, 1979, LG Engineering Co., Ltd., on August 1, 1999 and Baekyang Development Co., Ltd., on October 1, 2000. Subsequent to the mergers, the Company expanded its business activities to include overseas engineering construction, golf course development and other related construction services. In August 1981, the Company listed its shares on the Korea Exchange (KRX). The Company was formerly operating under the name of Lucky Development Co., Ltd. and changed its name to LG Engineering & Construction Co., Ltd. on February 24, 1995. The Company changed its name to GS Engineering & Construction Corporation from LG Engineering & Construction Corporation by virtue of a resolution of the common stockholders' meeting held on March 18, 2005. The Company then became an affiliate of the GS group of companies on April 4, 2005, subject to the Limitation on Mutual Investment Rule set forth by the Fair Trade Commission.

As of December 31, 2009, the Company maintains overseas business operations in China, Oman, United Arab Emirates and other countries.

As of December 31, 2009, the capital stock of the Company amounts to ₩255,000 million subsequent to several paid-in capital increase during the prior years including ₩91,954 million of common stock issued (11,789 thousand shares of common stock issued at ₩7,800 per share) on November 19, 1999.

The financial statements of the Company for the year ended December 31, 2009 are scheduled to be approved by the Board of Directors on February 18, 2010.

2. Summary of significant accounting policies

Basis of financial statement preparation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea ("Korean GAAP"). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the Republic of Korea, including Statements of Korea Accounting Standards ("SKAS") 1 to 23, and the summary of significant account policies used for the preparation of the financial statements are as follows:

Revenue recognition

Revenue for construction contracts is recognized using the percentage-of-completion method, under which revenue

is recognized as work progresses in the ratio of actual costs incurred to estimated total costs. Revenue, for which the Company constructs and sells residential or commercial properties, is recognized using the percentage-of-completion method starting after the sales contracts are made. The estimation of total construction costs is made by a systematic, reasonable and consistent method and the Company reflects information newly obtained during the course of its construction activities.

Cash equivalents

Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.

Financial instruments

Financial instruments, such as time deposits and restricted bank deposits, which are traded by financial institutions and are held for short-term cash management purposes or which will mature within one year, are accounted for as short-term financial instruments. Financial instruments other than cash equivalents and short-term financial instruments are recorded as long-term financial instruments.

Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts in consideration of the estimated losses that may arise from non-collection of its receivables. The estimate of losses, if any, is based on a review of the aging and current status of the outstanding receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the gross average method for raw materials and stored goods, and the specific identification method for other inventories. A perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed at the end of the year.

When a decline in the value of an inventory indicates that its cost exceeds net realizable value, a valuation loss will be recognized to write the inventory down to its net realizable value. The loss on valuation is recognized in cost of sales. When the circumstances that previously caused the inventories to be written down cease to exist or there is an increase in net realizable value, the amount of the write-down is reversed to the extent of the original write-down amount so that the new carrying amount is the lower of cost and the revised net realizable value.

Borrowing costs directly attributable to the acquisition, construction or production of inventories that necessarily takes more than a year to get ready for their intended use or sale are capitalized as part of the cost of the respective assets.

Investments in securities

Investments in securities within the scope of SKAS 8 Investments in Securities are classified as either trading, held-to-maturity and available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses, with cost being determined using the moving average method. The Company determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trad-

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL STATEMENTS

ing securities. Debt securities which carry fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Company has the positive intention and ability to hold to maturity. Securities that are not classified as either trading or held-to-maturity are classified as available-for-sale securities.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income. Likewise, trading securities are also measured at fair value after initial measurement, but with unrealized gains or losses reported as part of net income. Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the statement of financial position date. Non-marketable equity securities are measured at cost subsequent to initial measurement if their fair values cannot be reliably estimated. Non-marketable debt securities are carried at a value using the present value of future cash flows discounted using an appropriate interest rate which reflects the issuer's credit rating announced by a public independent credit rating agency. If the application of such measurement method is not feasible, estimates of fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting business in similar industries.

Trading securities are classified as current assets. Available-for-sale and held-to-maturity securities are classified as long-term investments, except that securities maturing within one year or that are certain to be disposed of within one year from the statement of financial position date are classified as short-term investments.

The Company recognizes an impairment loss on its investments in securities if there is objective evidence that the securities are impaired. The impairment loss is charged to the statement of income.

Equity method investments

Investments in entities over which the Company has control or significant influence are accounted for using the equity method of accounting.

Under the equity method of accounting, the Company's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Company's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Company on the statement of financial position. If the Company's share of losses of the investee equals or exceeds its interest in the investee, it suspends recognizing its share of further losses. However, if the Company has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests.

At the date of acquisition, the excess of the cost of the investment over the Company's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill which is amortized over its useful life of 5 years using the straight-line method. Conversely, negative goodwill represents the excess of the Company's share in the net fair value of the investee's identifiable assets and liabilities over the cost of the investment. Negative goodwill is recorded to the extent of the fair value of acquired non-monetary assets and recognized as income using the straight-line method over the remaining weighted-average useful life of those acquired non-monetary assets. The

amount of negative goodwill in excess of the fair value of acquired non-monetary assets is recognized as income immediately.

The Company's share in the investee's unrealized gains and losses resulting from transactions between the Company and its investee are eliminated to the extent of the interest in the investee.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except for certain assets that were revalued in accordance with the previous Korean Assets Revaluation Law and land and buildings that were revalued in accordance with the current revised SKAS 5 are stated at fair value less accumulated depreciation.

Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Depreciation of property, plant and equipment is provided, using the straight-line method for buildings and structures and the declining-balance method for all other assets, over the estimated useful life of the assets as follows:

	Years
Buildings	40
Structures	40
Machinery	4 to 6
Construction equipment	4 to 12
Vehicles	4
Other assets	4

Land and buildings that are revalued in accordance with the revised SKAS 5 are measured at fair value less accumulated depreciation on buildings and impairment losses recognized after the date of revaluation. Valuation is performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to other comprehensive income. However, the increase shall be recognized in the statement of income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in the statement of income. However, the decrease shall be debited directly to other comprehensive income to the extent of any credit balance existing in the revaluation surplus with respect to that asset.

The Company records an impairment loss on the carrying amount of an item of property, plant and equipment when there is an indication that the asset is impaired. Impairment is measured by comparing the carrying amount of the asset with its recoverable amount. An impairment loss is charged to the statement of income immediately.

Borrowing costs directly attributable to the construction of an item of qualifying property, plant and equipment that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets.

70

71

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

Intangible assets

Intangible assets of the Company consist of rights for lease operations and development costs, which are stated at cost less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of 5 years.

Capitalization of borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of inventories, property, plant and equipment, intangible assets and investments that necessarily takes more than a year to get ready for their intended use or sale are capitalized as part of the cost of the respective assets.

Impairment of assets

When the recoverable amount of an asset is less than its carrying amount due to obsolescence, physical damage or abrupt decline in the market value of the asset, the decline in value, if material, is deducted from the carrying amount and recognized as an asset impairment loss in the current year.

Discount on bonds

Discount on bonds is presented as a direct deduction from the nominal value of the bonds and is amortized using the effective-interest-rate method over the life of the bonds.

Severance and retirement benefits

In accordance with the Employee Retirement Benefit Security Act ("ERBSA") and the Company's employee benefits policy, employees terminating their employment with at least one year of service are entitled to severance and retirement benefits based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision is determined based on the amount that would be payable assuming all employees were to terminate their employment as of the reporting date.

The Company's severance and retirement benefits are partly funded through insurance plans with LIG Insurance Co., Ltd. and 5 other financial institutions. Up to March 1999, the Company had previously prepaid a portion of its severance and retirement benefits obligation to the National Pension Service ("NPS"). The insurance deposits and prepayments are presented as a deduction from the provision for severance and retirement benefits. Actual payments of severance and retirement benefits amounted to ₩48,698 million and ₩44,198 million during the years ended December 31, 2009 and 2008, respectively.

Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. If the effect of the time value of money is material, provisions are stated at present value.

A contingent liability is disclosed, but not recognized when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the statement of financial position. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Foreign currency translation

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made.

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the statement of financial position date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations.

Translation of foreign operation financial statements

Financial statements of foreign branches and foreign equity method investees (collectively “foreign operations”) are maintained in the currencies of the countries in which they conduct their operations. In translating the foreign operation financial statements into Korean won, assets and liabilities are translated at the year-end exchange rate at the date of the statement of financial position and income and expenses are translated at the average exchange rate during the year. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

Derivative financial instruments

Derivative financial instruments are presented as assets or liabilities valued principally at the fair value of the rights or obligations associated with the derivative contracts. The unrealized gain or loss from a derivative transaction with the purpose of hedging the exposure to changes in the fair value of a recognized asset or liability or unrecognized firm commitment is recognized in net income. For a derivative instrument with the purpose of hedging the exposure to the variability of cash flows of a recognized asset or liability or a forecasted transaction, the hedge-effective portion of the derivative instrument’s gain or loss is deferred as other comprehensive income in equity. The ineffective portion of the gain or loss is charged or credited to net income. Derivative instruments that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting are measured at fair value with unrealized gains or losses reported in net income.

Pre-contract costs

The Company capitalizes costs incurred in connection with securing a construction order as pre-contract costs when such costs can be identified and measured reliably, and that the Company is reasonably certain that the contract will be awarded. The prepaid construction costs are expensed as part of construction costs upon the commencement of the related construction contract.

72

73

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

Provision for construction losses

From the commencement of the construction contract, the Company records the estimated construction losses expected to be incurred as a provision for construction losses and reflects such estimated losses in current construction costs immediately.

Provision for construction warranty

The Company records a provision for the estimated warranty costs relating to construction defects during the warranty period. Estimated warranty costs are charged to current operations at the time of completion of projects and are included in the statement of financial position as provision for construction warranty. The provision for construction warranty made will be offset against the actual amount of rectification expense incurred on the defects in subsequent period. The actual rectification expense incurred in excess of the provision made is accounted for as an expense in the current period.

Per share amounts

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing net income by the weighted-average number of common shares outstanding during the year plus the weighted-average number of common shares that would have been outstanding assuming the conversion of all dilutive potential common shares.

3. Impact of adoption of Korea International Financial Reporting Standards (“K-IFRS”)

Preparation plan and status for adoption of K-IFRS

The Company is required to adopt K-IFRS in preparation of its financial statements for the financial period beginning January 1, 2011. Accordingly, the Company has established a task force team (“TFT”) in August 2008, commissioned an external advisory service provider and has completed the identification and analysis of the major differences between K-IFRS and the current Korean GAAP. In addition, the Company has established a plan for the reconfiguration of its accounting information system based on K-IFRS.

Details of key areas identified and their related differences between Korean GAAP and K-IFRS that are expected to give rise to significant impact on the Company’s financial statements are as follows:

	Current Accounting Standards	K-IFRS
Primary financial statements	-Non-consolidated financial statements	-Consolidated financial statements
Presentation of financial statements	-Statement of financial position, statements of income, statements of appropriations of retained earnings, statements of changes in equity, statements of cash flows and notes	-Statements of financial position, statements of comprehensive income, statements of cash flows, statements of changes in equity and notes.
Scope of consolidated subsidiaries	-In accordance with Law on external audit for joint stock company, a subsidiary is excluded from being consolidated if the subsidiary's total assets are less than ₩10 billion at the end of the preceding year	-Consolidate all the subsidiaries to which the Company exercises control regardless of their size.
Revenue recognition of housing construction and sales operations	-Revenue recognition by percentage-of-completion method	-Revenue recognition by delivery basis
Retirement benefits liability	-Employees with at least one year of service are entitled to retirement benefits. The provision for retirement benefits is measured based on the assumption that all employees will leave as of the reporting date.	-Present value of forecasted retirement benefits liability to be calculated by actuarial technique and discounted in accordance with concept of projected unit credit method (defined benefit obligation)
Accumulated paid absences and bonuses	-Recognized as expense when obligation of cash payment is determined.	-Recognized as expense when employees' services are rendered

4. Restricted deposits

Restricted deposits as of December 31, 2009 and 2008 consist of the following (Korean won in millions):

	Counterparty	2009	2008	Description
Short-term financial instruments	Shinhan Bank and others	₩ 22,390	₩ 49,461	Collateral
Long-term financial instruments	Shinhan Bank and others	26	298	Bank overdraft facilities
		₩ 22,416	₩ 49,759	

5. Inventories

Inventories as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009	2008
Uncompleted apartments and commercial industrial buildings	₩ 245,259	₩ 318,930
Land held for development	80,209	80,333
Raw materials and supplies	96,577	50,211
Materials-in-transit	47	2,815
Other	6,894	4,929
	₩ 428,986	₩ 457,218

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

6. Long-term investments securities

Details of long-term investments securities as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		2008	
Available-for-sale equity securities	₩	580,280	₩	532,690
Available-for-sale debt securities		20,247		7,417
	₩	600,527	₩	540,107

Available-for-sale equity securities as of December 31, 2009 and 2008 consist of the following (Korean won in millions):

	2009							Impairment loss	
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Up to 2008	2009	
< Non-marketable securities >									
The Korea Economic Daily	646	0.00%	₩ 14	(*)	₩ 14	₩ -	₩ -	₩ -	-
Pusan Travel & Development Co., Ltd.	80,000	2.67%	400	(#)	-	-	(400)	-	-
Seoul Highway Co., Ltd. (**) (***)	24,840,000	27.00%	124,200	(*)	400,719	276,519	-	-	-
Uijeongbu LRT Inc. (**)	5,449,275	42.00%	27,246	(*)	27,246	-	-	-	-
Kangnam Inter Circular Road Co., Ltd. (**)	414,000	2.84%	2,070	(*)	2,070	-	-	-	-
Y-S highway Co., Ltd.	51,000	10.00%	255	(*)	255	-	-	-	-
Manwolsan Tunnel Co., Ltd. (**)	1,005,000	15.00%	5,025	(*)	5,025	-	-	-	-
GS Retail Co., Ltd.	270,106	1.75%	15,420	(*)	11,362	(19)	(4,039)	-	-
Public Development Co., Ltd.	394,655	17.09%	3,947	(*)	3,947	-	-	-	-
Potato Co., Ltd.	60,000	10.00%	300	(*)	300	-	-	-	-
International Convention Center Jeju	100,000	0.30%	500	(*)	500	-	-	-	-
Junju Drain Co., Ltd. (**)	207,060	7.90%	1,035	(*)	1,035	-	-	-	-
Nonsan Drain Co., Ltd. (**)	91,868	11.90%	459	(*)	459	-	-	-	-
Masan Drain Co., Ltd. (**)	107,010	8.14%	535	(*)	535	-	-	-	-
Youngduk&Bio Co., Ltd. (**)	41,270	5.00%	206	(*)	206	-	-	-	-
M-Ciety Development Co., Ltd.	448,800	4.40%	2,244	(*)	2,244	-	-	-	-
M-Cieta Co., Ltd.	2,640	4.40%	13	(*)	13	-	-	-	-
Corona Development Co., Ltd.	653,600	7.60%	3,268	(*)	3,268	-	-	-	-
Metro Corona Co., Ltd.	5,952	9.92%	30	(*)	30	-	-	-	-
Lippo Incheon Development Co., Ltd. (**)	1,809,760	12.60%	9,049	(*)	9,049	-	-	-	-
Jei Youngdong Highway Co., Ltd.	809,600	16.00%	4,048	(*)	4,048	-	-	-	-
Eumseong Sewage Pipe Co., Ltd. (**)	67,210	6.48%	336	(*)	336	-	-	-	-
Kangreung Sewage Pipe Co., Ltd. (**)	50,682	3.30%	253	(*)	253	-	-	-	-
Gaya Railway Co., Ltd. (**)	305,490	12.10%	1,527	(*)	1,527	-	-	-	-
Ulsan green Co., Ltd. (**)	701,368	39.47%	3,507	(*)	3,507	-	-	-	-
MILESEUM Co., Ltd.	64,172	1.25%	321	(*)	321	-	-	-	-
Dream Hub Project Financial Investment Co., Ltd. (**)	4,000,000	2.00%	20,000	(*)	20,000	-	-	-	-
Alpha Dome City Co., Ltd.	2,360,000	4.00%	11,800	(*)	11,800	-	-	-	-

	2009							
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Impairment loss	
							Up to 2008	2009
Alpha Dome City Asset Management Co., Ltd.	4,000	4.00%	20	(*)	20	-	-	-
Seoul Northern Highway Co., Ltd.	45,056	14.08%	225	(*)	225	-	-	-
Seoul-Munsan Highway Co., Ltd.	159,632	45.50%	798	(*)	798	-	-	-
Daejeon Sewage Pipe Co., Ltd. (**)	108,456	4.00%	830	(*)	830	-	-	-
Bichaenoori Development Co., Ltd.	657,800	11.50%	3,289	(*)	3,289	-	-	-
Bichaenoori Co., Ltd.	11,500	11.50%	58	(*)	58	-	-	-
Alpharos PFV Co., Ltd.	1,341,200	9.58%	6,706	(*)	6,706	-	-	-
Alpharos Mixed-use Development Co., Ltd.	9,580	9.58%	48	(*)	48	-	-	-
Mugung Hwa Trust Co., Ltd.	190,000	8.97%	950	(*)	950	-	-	-
Clean Gimpo Co., Ltd (**)	365,597	21.42%	1,828	(*)	1,828	-	-	-
Oksan Ochang Highway Corporation	5,000	50.00%	25	(*)	25	-	-	-
Eun Pyung New Road Corp.	54,400	54.40%	272	(*)	272	-	-	-
FN New Housing CR-REIT 2	879,874	19.47%	28,195	(*)	28,195	-	-	-
Gyeonggi Highway Co., Ltd.	1,130	11.30%	6	(*)	6	-	-	-
Green Energy Development Co., Ltd.	81,000	27.00%	405	(*)	405	-	-	-
Engineering Construction Financial Cooperative	1,449	0.30%	180	(*)	180	-	-	-
Korea Electric Engineers Association	200	0.16%	20	(*)	20	-	-	-
Electric Construction Financial Cooperative	600	0.02%	98	(*)	98	-	-	-
Construction Guarantee	12,801	0.34%	12,092	(*)	12,092	-	-	-
Information & Communication Financial Cooperative	440	0.06%	61	(*)	61	-	-	-
Korea Housing Guarantee Co., Ltd.	1,038,490	0.16%	21,532	(#)	-	-	(21,532)	-
Type stock fund			13,000	(*)	14,090	1,090	-	-
Treasury Stock Fund			1,500	(*)	7,335	-	-	-
Less: treasury stock			-	(*)	(7,320)	-	-	-
Subtotal			1,500	(*)	15	12	-	-
Others			2,444	(#)	-	-	(2,444)	-
			₩ 332,590		₩ 580,280	₩ 277,602	₩ (28,415)	₩ -

(*) The fair value of these non-marketable securities could not be measured reliably and therefore, these securities were recorded at cost.

(**) These available-for-sale securities are pledged as collateral for borrowings or rights for commercial operations of tunnel or roads as of December 31, 2009 and 2008.

(#) The Company has recorded full impairment loss on these available-for-sale securities due to significant decline in net asset value of the investments.

(***) Seoul Highway Co., Ltd. are in the process of being sold by KB Co., Ltd. which is a corporate transaction advisory firm. The Company used the proposed sale consideration as fair value as of December 31, 2009.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

Although the Company's ownership of Seoul Highway Co., Ltd., Uijeongbu LRT Inc., Ulsan Green Co., Ltd., Seoul-Munsan Highway Co., Ltd, Clean Gimpo Co., Ltd., Oksan Ochang Highway Corporation, Eun Pyung New Road Corp. and Green Energy Development Co., Ltd. exceeds 20%, the Company classified these securities as available-for-sale securities as the Company is not able to exercise significant influence on the investees.

	2008							
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Impairment loss	
							Up to 2008	2008
< Non-marketable securities >								
Pusan Travel & Development Co., Ltd.	80,000	2.67%	₩ 400	(#)	₩ -	₩ -	₩ (400)	₩ -
Seoul Highway Co., Ltd. (**)	24,840,000	27.00%	124,200	400,719	400,719	276,519	-	-
Uijeongbu LRT Inc. (**)	4,874,800	47.54%	24,374	(*)	24,374	-	-	-
Kangnam Inter Circular Road Co., Ltd. (**)	414,000	8.63%	2,070	(*)	2,070	-	-	-
Manwolsan Tunnel Co., Ltd. (**)	1,005,000	15.00%	5,025	(*)	5,025	-	-	-
GS Retail Co., Ltd.	270,106	1.75%	15,420	(*)	11,362	(19)	(4,039)	-
LG CNS Co., Ltd.	2,603,800	2.99%	1,043	(*)	1,051	8	-	-
Public Development Co., Ltd.	394,655	17.09%	3,946	(*)	3,946	-	-	-
Potato Co., Ltd.	60,000	10.00%	300	(*)	300	-	-	-
International Convention Center Jeju	100,000	0.30%	500	(*)	500	-	-	-
Junju Drain Co., Ltd (**)	207,060	7.90%	1,035	(*)	1,035	-	-	-
Nonsan Drain Co., Ltd. (**)	91,868	11.90%	459	(*)	459	-	-	-
Masan Drain Co., Ltd. (**)	53,562	8.14%	268	(*)	268	-	-	-
Youngduk & Bio Co., Ltd. (**)	41,270	5.00%	206	(*)	206	-	-	-
M-Ciety Development Co., Ltd.	448,800	4.40%	2,244	(*)	2,244	-	-	-
Corona Development Co., Ltd.	653,600	7.60%	3,268	(*)	3,268	-	-	-
Lippo Incheon Development Co., Ltd (**)	1,809,760	12.60%	9,049	(*)	9,049	-	-	-
Jeju Youngdong Highway Co., Ltd	585,600	16.00%	2,928	(*)	2,928	-	-	-
Gaya Railway Co., Ltd (**)	305,490	23.00%	1,527	(*)	1,527	-	-	-
Mileseum Co., Ltd.	64,172	1.25%	321	(*)	321	-	-	-
Dream Hub Project Financial Investment Co., Ltd. (**)	4,000,000	2.00%	20,000	(*)	20,000	-	-	-
Alpha Dome City Co., Ltd.	2,360,000	4.00%	11,800	(*)	11,800	-	-	-
Seoul Northern Highway Co., Ltd.	45,056	14.08%	₩ 225	(*)	₩ 225	₩ -	₩ -	₩ -
Seoul-Munsan Highway Co., Ltd.	59,530	45.50%	298	(*)	298	-	-	-
Bichaenoori Development Co., Ltd.	105,000	10.50%	525	(*)	525	-	-	-
Eunpyoung Newtown centered commercial area PF	1,341,200	9.58%	6,706	(*)	6,706	-	-	-
Korea Construction Financial Cooperative	12,801	0.34%	12,092	(*)	12,092	-	-	-
Korea Housing Guarantee Co., Ltd.	1,038,490	0.16%	21,532	(#)	-	-	(21,532)	-
Other companies			1,651	(*)	1,651	-	-	-
Type stock fund			10,000		8,498	(1,502)		
Treasury Stock Fund			1,500	(*)	4,266	-	-	-
Less: treasury stock			-	(*)	(4,023)	-	-	-
Subtotal			1,500	(*)	243	252	-	-
Others			2,444	(#)	-	-	(2,444)	-
			₩ 287,356		₩ 532,690	₩ 275,258	₩ (28,415)	₩ -

Available-for-sales debt securities as of December 31, 2009 and 2008 are as follows (Korean won in millions):

Maturity	2009			2008		
	Acquisition cost	Recoverable value	Book value	Acquisition cost	Recoverable value	Book value
Later than 1 year but no later than 5 years (Government bonds)	₩ 12,460	₩ 12,460	₩ 12,460	₩ 2,217	₩ 2,217	₩ 2,217
Later than 5 year but no later than 10 years (Government bonds)	2,587	2,587	2,587	-	-	-
No maturity (Others)	5,200	5,200	5,200	5,200	5,200	5,200
	₩ 20,247	₩ 20,247	₩ 20,247	₩ 7,417	₩ 7,417	₩ 7,417

Interest income earned from long-term investment securities amounted to ₩245 million and ₩79 million for the years ended December 31, 2009 and 2008, respectively.

78

79

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

7. Equity method investments

Investments in equity securities accounted for using the equity method as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009				
	Number of shares	Ownership (%)	Proportionate acquisition cost	Net asset value	Book value
Parnas Hotel Co., Ltd.(**)	6,654,675	67.56%	₩ 85,862	₩ 502,334	₩ 473,451
EzVille Inc.	1,560,000	78.00%	9,385	11,883	12,130
XI Service Co., Ltd.	96,000	100.00%	480	588	588
Estech Estimate Corp.	20,000	100.00%	100	137	137
Sacheon Resort Co., Ltd.	290,000	29.00%	1,450	51	52
GLS Service Co., Ltd.	60,000	100.00%	300	305	305
GS E&C Nanjing	1	100.00%	8,880	20,152	20,152
GS-HP Corp.	1	30.00%	2,196	1,864	1,864
GS E&C Italy S.R.L.	300,000	100.00%	430	(172)	-
LG Properties (S'pore) Pte. Ltd.	25,944,630	30.00%	18,466	(*)	-
GS E&C Thai Co., Ltd.	19,600	49.00%	50	1,734	1,734
GS E&C Poland SP.ZO.O	100	100.00%	17	2,000	2,000
GS E&C India Private Ltd.	19,376,228	100.00%	4,243	1,510	1,510
GS Construction (Arabia), Ltd.	15,680	98.00%	3,195	912	917
GS Cu Chi Development One-member LLC	1	100.00%	12,402	12,799	12,304
GS Nha Be Development One-member LLC	1	100.00%	38,836	36,519	36,519
GS Saigon Development One-member LLC	1	100.00%	40,762	21,919	20,243
GS PP Development Co., Ltd.	490	49.00%	2	(44,067)	-
GS Cambodia Development Co., Ltd	1,000	100.00%	987	(7,806)	-
GS Global bio Co., Ltd.	5,000	100.00%	1,319	(1,343)	-
GS O&M Co., Ltd.	100,000	100.00%	500	795	795
GCS Plus Co., Ltd.	60,000	100.00%	300	2,263	2,263
Major Development Co., Ltd.	600,000	40.00%	6,000	(21,080)	-
BSM Co., Ltd.	20,000	100.00%	100	134	134
Metro PFV Co., Ltd.	469,000	46.90%	12,194	10,961	16,877
Sanglak Food Co., Ltd.	37,500	96.15%	394	616	672
			₩ 248,850	₩ 555,008	₩ 604,647

(*) This investee has been suspended from being accounted for using the equity method. The Company has not been able to obtain the net asset value of the investee as of December 31, 2009, due to unavailability of its financial statements.

(**) As of July 1, 2009, Hanmoo Development Co., Ltd. changed its name to Parnas Hotel Co., Ltd.

	2008				
	Number of shares	Ownership (%)	Proportionate acquisition cost	Net asset value	Book value
Parnas Hotel Co., Ltd.	6,654,675	67.56%	₩ 85,862	₩ 561,228	₩ 531,048
EzVille Inc.	1,560,000	78.00%	9,385	10,125	10,618
XI Service Co., Ltd.	96,000	100.00%	480	541	541
Estech Estimate Corp.	20,000	100.00%	100	122	122
Sacheon Resort Co., Ltd.	290,000	29.00%	1,450	482	485
GLS Service Co., Ltd.	60,000	100.00%	300	298	298
LG Holdings (HK), Ltd.	51,000,000	25.00%	54,824	51,979	50,969
GS E&C Nanjing	1	100.00%	5,330	16,717	16,717
GS-HP Corp.	1	30.00%	2,196	1,732	1,732
GS E&C Italy S.R.L.	300,000	100.00%	430	395	395
LG Properties (S'pore) Pte. Ltd.	25,944,630	30.00%	18,466	(*)	-
GS E&C Thai Co., Ltd.	19,600	49.00%	50	838	838
GS E&C Poland SP.ZO.O	100	100.00%	17	36,753	36,753
GS E&C India Private Ltd.	19,376,228	100.00%	4,243	2,274	2,274
GS Construction (Arabia), Ltd.	8,160	51.00%	1,893	255	262
GS Cu Chi Development One-member LLC	1	100.00%	12,402	14,410	14,411
GS Nha Be Development One-member LLC	1	100.00%	31,590	34,929	34,929
GS Saigon Development One-member LLC	1	100.00%	40,762	32,785	32,785
GS PP Development Co., Ltd.	490	49.00%	2	(4,365)	-
GS Cambodia Development Co., Ltd.	1,000	100.00%	987	(223)	-
GS Global Bio Co., Ltd.	5,000	100.00%	1,319	1,010	1,010
GS O&M Co., Ltd.	100,000	100.00%	500	218	218
GCS Plus Co., Ltd	60,000	100.00%	300	1,457	1,457
Major Development Co., Ltd.	600,000	40.00%	6,000	(13,194)	-
BSM Co., Ltd.	20,000	100.00%	100	116	116
Metro PFV Co., Ltd.	469,000	46.9%	12,194	2,088	9,975
			₩ 291,182	₩ 752,970	₩ 747,953

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

The summary of financial position of the investees as of December 31, 2009, and the results of their operations for the year then ended, is presented as follows (Korean won in millions):

	2009 (*)			
	Assets	Liabilities	Sales	Net income (loss)
Parnas Hotel Co., Ltd.	₩ 1,150,714	₩ 407,129	₩ 191,528	₩ 18,651
EzVille Inc.	24,599	9,364	61,454	4,069
XI Service Co., Ltd.	2,069	1,481	12,455	49
Estech Estimate Corp.	910	773	4,849	15
Sacheon Resort Co., Ltd.	33,548	33,373	-	(1,361)
GLS Service Co., Ltd.	668	363	1,538	12
GS E&C Nanjing	32,002	11,850	56,135	8,270
GS-HP Corp.	11,425	5,212	4,641	1,283
GS E&C Italy S.R.L.	284	456	6	(715)
GS E&C Thai Co., Ltd.	9,399	5,860	34,079	2,651
GS E&C Poland SP.ZO.O	3,906	1,906	3	3,514
GS E&C India Private Ltd.	3,074	1,564	9,105	(701)
GS Construction (Arabia), Ltd.	15,708	14,778	13,724	532
GS Cu Chi Development One-member LLC	45,855	33,056	-	(14)
GS Nha Be Development One-member LLC	55,873	19,354	-	(501)
GS Saigon Development One-member LLC	248,771	226,852	-	(7,803)
GS PP Development Co., Ltd.	146,029	235,961	-	(8,616)
GS Cambodia Development Co., Ltd.	49,710	57,516	-	(2,485)
GS Global Bio Co., Ltd.	89	1,432	-	(2,455)
GS O&M Co., Ltd.	2,612	1,817	16,784	586
GCS Plus Co., Ltd	7,008	4,745	39,239	789
Major Development Co., Ltd.	407,886	460,586	99,349	(13,594)
BSM Co., Ltd.	645	511	8,691	19
Metro PFV Co., Ltd.	24,241	869	191,300	18,920
Sanglak Food Co., Ltd.	4,970	4,329	31,131	308

(*) LG Properties (S'pore) Pte. Ltd. has been suspended from being accounted for using the equity method. The Company has not been able to disclose the financial information of this investee in the above table for the year ended December 31, 2009, due to unavailability of their financial statements.

	2008 (*)			
	Assets	Liabilities	Sales	Net income (loss)
Parnas Hotel Co., Ltd.	₩ 1,171,390	₩ 340,656	₩ 199,745	₩ 22,056
EzVille Inc.	39,521	26,540	55,771	3,154
XI Service Co., Ltd.	1,928	1,387	10,011	39
Estech Estimate Corp.	690	568	5,029	17
Sacheon Resort Co., Ltd.	31,732	30,069	-	(983)
GLS Service Co., Ltd.	519	221	1,478	1
LG Holdings (HK), Ltd.	254,986	8	-	24
GS E&C Nanjing	25,772	9,055	49,913	6,664
GS-HP Corp.	11,392	5,619	3,388	5,357
GS E&C Italy S.R.L.	8,823	8,428	3,370	61
GS E&C Thai Co., Ltd.	13,031	11,320	55,616	(885)
GS E&C Poland SP.ZO.O	53,196	16,443	10,076	3,231
GS E&C India Private Ltd.	3,719	1,445	6,296	(749)
GS Construction (Arabia), Ltd.	2,082	1,582	80	(1,516)
GS Cu Chi Development One-member LLC	50,015	35,605	-	(142)
GS Nha Be Development One-member LLC	47,297	12,368	-	(360)
GS Saigon Development One-member LLC	187,609	154,824	-	(6,496)
GS PP Development Co., Ltd.	236,650	245,558	-	(4,728)
GS Cambodia Development Co., Ltd.	63,099	63,322	-	(1,298)
GS Global Bio Co., Ltd.	2,125	1,115	-	(217)
GS O&M Co., Ltd.	1,717	1,499	1,220	(282)
GCS Plus Co., Ltd	6,284	4,827	41,508	701
Major Development Co., Ltd.	418,717	451,702	36,483	(14,777)
BSM Co., Ltd.	822	707	7,468	16
Metro PFV Co., Ltd.	157,747	153,294	-	(526)

Details of adjusted net asset value of the investee to account for the differences in accounting policies compared to those of the Company are as follows (Korean won in millions):

	2008			
	Net asset value before adjustment	Adjustment	Net asset value after adjustment	Proportionate ownership
LG Holdings (HK), Ltd.	₩ 254,978	₩ (47,060)	₩ 207,918	₩ 51,979

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

The changes in carrying amount of goodwill and (negative goodwill) for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009			
	Jan.1, 2009	Additions	Amortization	Dec.31, 2009
Parnas Hotel Co., Ltd.	₩ (9,780)	₩ -	₩ 575	₩ (9,205)
EzVille Inc.	493	-	(247)	246
Sacheon Resort Co., Ltd.	3	-	(1)	2
Metro PFV Co., Ltd.	7,887	-	(1,972)	5,915
GS Construction (Arabia) Co., Ltd.	7	-	(2)	5
Sanglak Food Co., Ltd.	-	70	(14)	56
	₩ (1,390)	₩ 70	₩ (1,661)	₩ (2,981)

	2008			
	Jan.1, 2008	Additions	Amortization	Dec.31, 2008
Parnas Hotel Co., Ltd.	₩ (10,355)	₩ -	₩ 575	₩ (9,780)
EzVille Inc.	740	-	(247)	493
Sacheon Resort Co., Ltd.	7	-	(4)	3
Metro PFV Co., Ltd.	-	9,859	(1,972)	7,887
GS Construction (Arabia) Co., Ltd.	-	8	(1)	7
	₩ (9,608)	₩ 9,867	₩ (1,649)	₩ (1,390)

The elimination of unrealized gains or (losses) arising from inter-company transactions for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009			
	Jan.1, 2009	Additions	Realization	Dec.31, 2009
Parnas Hotel Co., Ltd.	₩ 20,400	₩ -	₩ (721)	₩ 19,679
GS Cu Chi Development One-member LLC	-	495	-	495
GS Saigon Development One-Member LLC	-	1,677	-	1,677
	₩ 20,400	₩ 2,172	₩ (721)	₩ 21,851

	2008			
	Jan.1, 2008	Additions	Realization	Dec.31, 2008
Parnas Hotel Co., Ltd.	₩ 21,121	₩ -	₩ (721)	₩ 20,400
LG Holdings (HK), Ltd.	1,036	-	(26)	1,010
	₩ 22,157	₩ -	₩ (747)	₩ 21,410

The details of changes in carrying amount of equity method investments for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009					
	Jan. 1, 2009	Acquisition (disposal / dividends)	Equity in earnings of investee	Share of changes in		Dec. 31, 2009
				Retained earnings	Other comprehen- sive income	
Parnas Hotel Co., Ltd.	₩ 531,048	₩ (1,331)	₩ 11,123	₩ -	₩ (67,389)	₩ 473,451
EzVille Inc.	10,618	-	1,512	-	-	12,130
XI Service Co., Ltd.	540	-	48	-	-	588
Estech Estimate Corp	122	-	15	-	-	137
Sacheon Resort Co., Ltd.	485	-	(433)	-	-	52
GLS Service Co., Ltd.	298	-	7	-	-	305
LG Holdings (HK), Ltd	50,969	(28,818)	-	-	(22,151)	-
GS E&C Nanjing	16,718	(3,366)	8,240	-	(1,440)	20,152
GS-HP Corp.	1,732	-	392	-	(260)	1,864
GS E&C Italy S.R.L.	395	-	(395)	-	-	-
GS E&C Thai Co., Ltd.	838	-	1,011	-	(115)	1,734
GS E&C Poland SP.ZO.O	36,753	(34,557)	3,210	-	(3,406)	2,000
GS E&C India Private Ltd.	2,273	-	(700)	-	(63)	1,510
GS Construction (Arabia) Ltd.	262	(50)	804	-	(99)	917
GS Cu Chi Development One-member LLC	14,411	-	(319)	-	(1,788)	12,304
GS Nha Be Development One-member LLC	34,929	7,246	(699)	-	(4,957)	36,519
GS Saigon Development One-Member LLC	32,786	-	(9,428)	-	(3,115)	20,243
GS Global Bio Co., Ltd.	1,010	-	(1,010)	-	-	-
GS O&M Co., Ltd.	218	-	577	-	-	795
GCS Plus Co., Ltd.	1,457	-	806	-	-	2,263
BSM Co., Ltd.	116	-	18	-	-	134
Metro PFV Co., Ltd.	9,976	-	6,901	-	-	16,877
Sanglak Food Co., Ltd.	-	394	244	-	34	672
	₩ 747,954	₩ (60,482)	₩ 21,924	₩ -	₩(104,749)	₩ 604,647

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

	2008					
	Jan. 1, 2008	Acquisition (disposal / dividends)	Equity in earnings of investee	Share of changes in		Dec. 31, 2008
				Retained earnings	Other comprehen- sive income	
Parnas Hotel Co., Ltd.	₩ 211,479	₩ (1,331)	₩ 16,283	₩ -	₩ 304,617	₩ 531,048
EzVille Inc.	8,438	-	2,180	-	-	10,618
XI Service Co., Ltd.	501	-	39	-	-	540
Estech Estimate Corp	105	-	17	-	-	122
Sacheon Resort Co., Ltd.	392	-	93	-	-	485
GLS Service Co., Ltd.	296	-	2	-	-	298
LG Holdings (HK), Ltd	36,155	-	(3,497)	-	18,310	50,968
GS E&C Nanjing	8,994	(2,921)	6,664	-	3,981	16,718
GS-HP Corp.	-	-	1,607	-	125	1,732
GS E&C Italy S.R.L.	224	-	60	-	111	395
GS E&C Thai Co., Ltd.	790	-	(162)	-	210	838
GS E&C Mexico, S.A.DEC.V.	27,807	-	5,205	-	3,741	36,753
GS E&C India Private Ltd.	845	1,889	(761)	-	300	2,273
GS Construction(Arabia) Ltd.	-	1,019	(939)	-	182	262
GS Cu Chi Development One-member LLC	9,281	3,121	(533)	-	2,542	14,411
GS Nha Be Development One-member LLC	18,700	12,890	(2,003)	-	5,342	34,929
GS Saigon Development One-member LLC	37,124	3,638	(15,291)	-	7,315	32,786
GS PP Development Co., Ltd.	2	-	(2)	-	-	-
GCS Plus Co., Ltd.	300	-	1,157	-	-	1,457
Major Development Co., Ltd.	6,000	-	(6,000)	-	-	-
BSM Co., Ltd.	-	100	16	-	-	116
Metro PFV Co., Ltd.	-	12,194	(2,218)	-	-	9,976
GS Cambodia development Co., Ltd.	-	987	(987)	-	-	-
GS Global Bio Co., Ltd.	-	1,319	(217)	-	(92)	1,010
GS O&M Co., Ltd.	-	500	(282)	-	-	218
	₩ 367,433	₩ 33,405	₩ 431	₩ -	₩ 346,684	₩ 747,953

(*) The Company applied the equity method by using unaudited financial statements because it could not obtain audited or reviewed financial statements of investees as of December 31, 2009 and 2008. The Company applied certain procedures on the unaudited or unreviewed financial statements of the investees signed by the investees' management to access the reliability of such financial statements.

The details of changes in share of other comprehensive income adjustments of the investees for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009			2008		
	Jan.1, 2009	Net changes	Dec. 31, 2009	Jan.1, 2008	Net changes	Dec. 31, 2008
Parnas Hotel Co., Ltd..	₩ 465,319	₩ (67,389)	₩ 397,930	₩ 160,703	₩ 304,616	₩ 465,319
LG Holdings (HK), Ltd	22,151	(22,151)	-	3,841	18,310	22,151
GS E&C Nanjing	4,525	(1,440)	3,085	545	3,980	4,525
GS-HP Corp.	125	(260)	(135)	-	125	125
GS E&C Italy S.R.L.	58	-	58	(53)	111	58
LG Properties (S'PORE) Pte. Ltd.	295	-	295	295	-	295
GS E&C Poland SP.ZO.O	7,809	(3,406)	4,403	4,068	3,741	7,809
GS E&C Thai Co., Ltd.	241	(115)	126	30	211	241
GS E&C India Private Ltd.	480	(63)	417	179	301	480
GS Construction (Arabia) Ltd.	182	(99)	83	-	182	182
GS Cu Chi Development One-member LLC	2,542	(1,788)	754	-	2,542	2,542
GS Nha Be Development One-member LLC	5,342	(4,957)	385	-	5,342	5,342
GS Saigon Development One-member LLC	7,315	(3,115)	4,200	-	7,315	7,315
GS Global Bio Co., Ltd.	(92)	-	(92)	-	(92)	(92)
Sanglak Food Co., Ltd.	-	34	34	-	-	-
	516,292	(104,749)	411,543	169,608	346,684	516,292
Deferred income tax effect	(113,584)	23,044	(90,540)	(46,642)	(66,942)	(113,584)
	₩ 402,708	₩ (81,705)	₩ 321,003	₩ 122,966	₩ 279,742	₩ 402,708

The details of share of changes in capital surplus from equity method or capital adjustments from equity method of the investees for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009			2008		
	Jan.1, 2009	Net changes	Dec. 31, 2009	Jan.1, 2008	Net changes (*)	Dec. 31, 2008
Parnas Hotel Co., Ltd.	₩ 35,702	₩ -	₩ 35,702	₩ 35,702	₩ -	₩ 35,702
GS Construction Arabia Co. Ltd.	-	(1,353)	(1,353)	-	-	-
EzVille Inc.	(2,724)	-	(2,724)	(2,724)	-	(2,724)
	32,978	(1,353)	31,625	32,978	-	32,978
Deferred income tax effect	₩ (7,255)	₩ 297	₩ (6,958)	₩ (9,069)	₩ 1,814	₩ (7,255)
	25,723	(1,056)	24,667	23,909	1,814	25,723

(*) The Company adjusted deferred income tax due to the change in income tax rates.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

As of December 31, 2009 and 2008, the respective accumulated losses of the investees from which the application of the equity method of accounting has been suspended as their losses exceeded the Company's interest in the investees are as follows (Korean won in millions):

	2009		2008	
GS PP Development Co., Ltd.	₩	44,067	₩	4,368
Major Development Co., Ltd.		21,080		3,335
GS Cambodia development Co., Ltd.		7,806		223
GS E&C Italy S.R.L		172		-
GS Global Bio Co., Ltd.		1,343		-
LG Properties(S'pore) Pte. Ltd		(*)		(*)
	₩	74,468	₩	7,926

(*) LG Properties (S'pore) Pte. Ltd. was not accounted for using the equity method. The financial information of this investee is not disclosed in the above table for the years ended December 31, 2009 and 2008, due to unavailability of its financial statements.

8. Government posted value of land owned

The book value of the Company-owned land and the value of land officially announced by the Korean government for tax and land policy purposes as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	Book value		Publicly announced value	
	2009	2008	2009	2008
Land	₩ 694,569	₩ 688,878	₩ 473,766	₩ 476,441

9. Property, plant and equipment

Changes in the net book value of property, plant and equipment for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009							
	Jan.1, 2009	Additions	Disposals	Transfers from construction-in-progress	Transfers (*1)	Depreciation	Overseas business translation adjustment	Dec. 31, 2009
Land	₩ 688,878	₩ -	₩ (14,498)	₩ -	₩ 20,189	₩ -	₩ -	₩ 694,569
Golf course	171,486	-	-	4,209	72	-	-	175,767
Standing timber	29,265	18	-	-	-	-	-	29,283
Buildings	406,668	4,595	(3,304)	2,955	17,085	(11,914)	1	416,086
Structures	89,893	483	-	11	-	(2,588)	-	87,799
Machinery	1,236	14	-	-	-	(891)	(3)	356
Construction equipment	160	-	-	-	-	(102)	(1)	57
Vehicles	2,182	323	(99)	-	-	(1,265)	(64)	1,077
Others	21,385	4,159	(223)	-	(147)	(10,922)	(35)	14,217
Construction-in-progress	1,167	8,493	-	7,125	-	-	-	2,485
Total	₩1,412,320	₩ 18,085	₩ (18,124)	₩ -	₩ 37,199	₩ (27,682)	₩ (102)	₩1,421,696

(*1) Amount transferred from uncompleted apartments and commercial industrial buildings, advance payments and land held for development is included.

Land and part of buildings have been provided as collateral to Hana Bank Co., Ltd. to the extent of ₩36,124 million as of December 31, 2009 in connection with leasehold guarantee deposits received.

	2008								
	Jan.1, 2008	Additions	Revaluation	Loss on revaluation	Disposals	transfers	Depreciation	Overseas business translation adjustment	Dec. 31, 2008
Land	₩ 383,448	₩ 245	₩ 305,242	₩ (25,573)	₩ (12,123)	₩37,639(*1)	₩ -	₩ -	₩ 688,878
Golf course	171,486	-	-	-	-	-	-	-	171,486
Standing timber	29,000	-	-	-	-	265	-	-	29,265
Buildings	381,354	253	-	-	(158)	36,452(*2)	(11,233)	-	406,668
Structures	92,477	1	-	-	-	-	(2,585)	-	89,893
Machinery	2,364	783	-	-	-	-	(1,908)	(3)	1,236
Construction equipment	249	56	-	-	-	-	(142)	(3)	160
Vehicles	2,713	1,346	-	-	(89)	-	(2,054)	266	2,182
Others	17,262	13,060	-	-	(80)	2,924	(11,860)	79	21,385
Construction-in- progress	9,068	20,446	-	-	-	(28,347)	-	-	1,167
Total	₩1,089,421	₩ 36,190	₩ 305,242	₩ (25,573)	₩ 12,450	₩ 48,933	₩ (29,782)	₩ 339	₩1,412,320

(*1) Amount transferred from receivables on construction contracts, advance payments and land held for development is included.

(*2) Amount transferred from receivables on construction contracts and advance payments is included.

The Company adopted the revised SKAS 5 *Amendments - Property, Plant and Equipment* in the prior year and revalued its land at fair value. The Company engaged an accredited independent valuer to determine the fair value of its land. Fair value is determined by reference to market-based evidence. This means that valuation performed by the valuer is based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the valuation was December 31, 2008.

As the revaluation had resulted in a revaluation surplus amounting to ₩305,242 million, the Company recognized ₩238,089 million, after deducting income tax effect amounting to ₩67,153 million, in other comprehensive income after deducting, and reflected loss on revaluation amounting to ₩25,573 million in the prior year's statement of income. As of December 31, 2009, the amount of revaluation surplus recognized in accumulated other comprehensive income is ₩237,619 million due to disposal of some land during the current year.

If land was measured using the cost model, the carrying amounts would be as follows (Korean won in millions):

	2009	2008
Cost	₩ 415,502	₩ 409,209
Accumulated depreciation and impairment	-	-
Net carrying amount	₩ 415,502	₩ 409,209

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

The movements in the accumulated other comprehensive income are as follows (Korean won in millions):

	2009		2008	
As of January 1,	₩	238,089	₩	-
Revaluation surplus during the year		-		305,242
Related deferred income tax effect		-		(67,153)
Changes of accumulated other comprehensive income arising from disposal		(603)		-
Related deferred income tax effect of disposal		133		-
As of December 31,	₩	237,619	₩	238,089

10. Capitalized financing costs

The Company capitalized certain financing costs of ₩10,728 million and ₩16,721 million for the years ended December 31, 2009 and 2008, respectively, as part of the cost of the related property, plant and equipment and inventories. Such capitalized financing costs have the following effects on the Company's financial statements as of December 31, 2009 and 2008, and for the years then ended (Korean won in millions):

	2009		2008	
<Statements of financial position>				
Increase in inventories	₩	10,490	₩	16,710
Increase in property, plant and equipment		238		11
<Statements of income>				
Decrease in interest expense		10,728		16,721
Increase in net income	₩	8,132	₩	13,042

11. Intangible assets

Details of intangible assets as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		
	Cost	Accumulated amortization	Net book value
Rights for lease operations	₩ 6,550	₩ (3,712)	₩ 2,838
Development costs	30	(30)	-
	₩ 6,580	₩ (3,742)	₩ 2,838

	2008		
	Cost	Accumulated amortization	Net book value
Rights for lease operations	₩ 6,550	₩ (3,384)	₩ 3,166
Development costs	190	(188)	2
	₩ 6,740	₩ (3,572)	₩ 3,168

Changes in the net book value of intangible assets for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		
	Jan.1, 2009	Amortization	Dec. 31, 2009
Rights for lease operations	₩ 3,166	₩ (328)	₩ 2,838
Development costs	2	(2)	-
	₩ 3,168	₩ (330)	₩ 2,838

	2008		
	Jan.1, 2008	Amortization	Dec. 31, 2008
Rights for lease operations	₩ 3,493	₩ (327)	₩ 3,166
Development costs	23	(21)	2
	₩ 3,516	₩ (348)	₩ 3,168

Details of intangible assets as of December 31, 2009 are as follows (Korean won in millions):

	Book value	Remaining estimated useful life	Remarks
Rights for lease operations	₩ 2,838	9 years	Dormitory, Kyunghee University

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

12. Short-term & long-term borrowings

Short-term borrowings as of December 31, 2009 and 2008 consist of the following (Korean won in millions):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2009	2009	2008
Shinhan Bank	Commercial paper	7.08	₩ -	₩ 30,000
Woori Bank	General loans	7.38	-	100,000
Kookmin Bank	Usance	2.08~2.41	9,250	-
Hana Bank	Usance	2.24~3.80	5,705	-
ANZ	Usance	2.28~2.68	641	-
SK Securities Co., Ltd.	Commercial paper	7.35	-	80,000
HMC Investment Co., Ltd.	Commercial paper	8.23	-	20,000
Hi Securities Co., Ltd.	Commercial paper	8.23	-	30,000
	General loans			
Korea Eximbank	(Foreign currency)	LIBOR 3M	59,501	-
Korea Eximbank	General loans	5.25	₩ 125,143	₩ -
			200,240	260,000

Long-term borrowings of the Company as of December 31, 2009 and 2008 are as follows (Korean won in millions):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2009	2009 (*)	2008	Repayment term
Korea Housing Guarantee Co., Ltd.	Long-term borrowings in Korean won	1.0	₩ 11,940	₩ 11,940	Deferred for 10 years and repayment by 12 yearly equal installments

(*) The 12 yearly installments repayment will begin in 2012

The details of debentures issued as of December 31, 2009 and 2008 are as follows (Korean won in millions):

Series	Issuance date	Maturity date	Annual interest rate in 2009 (%)	2009	2008
118 th - non-guaranteed Debentures	July, 2007	July, 2010	5.6	₩ 50,000	₩ 50,000
119 th - non-guaranteed debentures (Issued in foreign currency)	January, 2008	January, 2011	LIBOR+1.1	350,280	389,825
08-1 th privately issued Debentures	December, 2008	December, 2011	8.22	61,700	61,700
120 th - non-guaranteed Debentures	February, 2009	February, 2010	8.5	100,000	-
121 th - non-guaranteed Debentures	April, 2009	April, 2011	7.6	100,000	-
122 th - non-guaranteed Debentures	October, 2009	October, 2012	5.7	100,000	-
Less present value discount				(1,714)	(1,722)
Less current portion				(149,905)	-
Long-term bonds				₩ 610,361	₩ 499,803

The entire principal amount of the above debentures will be redeemed at their respective maturity dates. 118th - non-guaranteed debentures, 08-1th privately issued debentures, 120th - non-guaranteed debentures, 121th - non-guaranteed debentures and 122th - non-guaranteed debentures' interests are due at the end of each quarter and 119th - non-guaranteed debentures' interest is due every 6 months. Amortization of discount is calculated over the term of the bonds using the effective interest rate method as part of interest expense.

The repayment schedules of long-term borrowings and debentures are as follows (Korean won in millions):

Year	Long-term borrowings	Debentures	Total
2010	₩ -	₩ 150,000	₩ 150,000
2011	-	511,980	511,980
2012	1,327	100,000	101,327
2013	1,327	-	1,327
2014 and thereafter	9,286	-	9,286
	₩ 11,940	₩ 761,980	₩ 773,920

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

13. Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies excluding those of overseas operations as of December 31, 2009 and 2008 are as follows:

Account	2009		2008		
	Foreign currency	Korean won equivalent (in millions)	Foreign currency	Korean won equivalent (in millions)	
Assets:					
Cash and cash equivalents	EUR	4,343,707	₩ 7,273	EUR 17,377,073	₩ 30,866
	THB	11,000	-	THB 11,000	-
	USD	316,878,962	369,988	USD 303,891,169	382,143
	JPY	697,359,718	8,806	JPY 2,052,482,450	28,609
	SGD	13,478,407	11,204	SGD -	-
Trade accounts receivable	EUR	5,195,793	₩ 8,699	EUR 369,290	656
	SAR	1,207,710	376	SAR 1,207,710	405
	JPY	-	-	JPY 173,625,250	2,420
	USD	98,878,687	115,451	USD 55,036,861	69,209
Short-term loans receivable	USD	182,073,367	212,589	USD 27,615,367	34,726
Other accounts receivable	USD	3,286,761	3,838	USD 3,878,666	4,877
	EUR	-	-	EUR 229,408	407
	CNY	844,320	144	CNY -	-
	THB	670,702	23	THB 25,913	1
Long-term loans receivable	USD	8,562,788	9,998	USD 169,592,478	213,263
Total		748,389			₩ 767,582
Liabilities:					
Trade accounts and notes payable	AED	30,805	10	AED -	₩ -
	EUR	3,753,700	6,285	EUR 15,969,356	28,365
	GBP	22,700	43	GBP 234,566	426
	JPY	38,997,720	492	JPY 2,741,669,523	38,216
	USD	38,561,427	45,024	USD 46,996,141	59,098
	CHF	78,240	88	CHF -	-
	BHD	-	-	BHD 24,978	83
	THB	4,506,310	158	THB 33,207,676	1,199
	Other accounts payable	EUR	41,385	69	EUR 11,111
Other accounts payable	JPY	38,000	1	JPY 1,043,762	15
	USD	399,275	466	USD 2,070,155	2,603
	GBP	-	-	GBP 520	1
	SGD	-	-	SGD 32,748	29
	THB	-	-	THB 740,976	27
	Withholdings	EGP	-	-	EGP 267,671
Withholdings	EUR	32,188	54	EUR 64,575	115
	IRR	-	-	IRR 7,971,658,417	1,036

Account	2009			2008		
	Foreign currency		Korean won equivalent (in millions)	Foreign currency		Korean won equivalent (in millions)
Withholdings	USD	7,691,548	₩ 8,981	USD	11,216,196	₩ 14,104
	JPY	215,050,000	2,716	JPY	176,000,000	2,453
	EUR	525,240	879	EUR	-	-
Short-term borrowings	USD	56,717,259	66,223	USD	-	-
	JPY	633,068,165	7,995	JPY	-	-
Debentures	USD	300,000,000	350,280	USD	310,000,000	389,825
Total			₩ 489,764			₩ 537,676

14. Other provisions

The details of changes in other provisions for liabilities for the year ended December 31, 2009 are as follows (Korean won in millions):

	2009		
	As of January 1	Increase (decrease)	As of December 31
Payment guarantee	₩ 98,557	₩ 27,593	₩ 126,150
Litigation and others	1,985	(1,309)	676
Total	₩ 100,542	₩ 26,284	₩ 126,826

15. Financial position of overseas operations

Summary of the Company's overseas operations financial position as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009	2008
Current assets	₩ 192,860	₩ 168,388
Non-current assets	4,957	4,783
Current liabilities	186,914	249,928
Non-current liabilities	410	441

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

16. Related party disclosures

The related parties of the Company and nature of their relationship with the Company are as follows:

Company name	Parent company	Relationship with the Company
Parnas Hotel Co., Ltd.	The Company	Subsidiary
EzVille Inc.	The Company	Subsidiary
XI Service Co., Ltd.	The Company	Subsidiary
Estech Estimate Corp	The Company	Subsidiary
GLS Service Co., Ltd.	The Company	Subsidiary
GS E&C Nanjing	The Company	Subsidiary
GS E&C Italy S.R.L.	The Company	Subsidiary
GS E&C Poland SP.ZO.O	The Company	Subsidiary
GS E&C India Private Ltd.	The Company	Subsidiary
GS Construction Arabia Co., Ltd.	The Company	Subsidiary
GS Cu Chi Development One-member LLC	The Company	Subsidiary
GS Nha Be Development One-member LLC	The Company	Subsidiary
GS Saigon Development One-Member LLC	The Company	Subsidiary
GS Cambodia Development Co., Ltd.	The Company	Subsidiary
GS Global Bio Co., Ltd.	The Company	Subsidiary
GS O&M Co., Ltd.	The Company	Subsidiary
GCS Plus Co., Ltd.	The Company	Subsidiary
BSM Co., Ltd.	The Company	Subsidiary
Sanglak Food Co., Ltd.	The Company	Subsidiary

Compensation for key management personnel for the years ended December 31, 2009 and 2008 is as follows (Korean won in millions):

	2009		2008	
Salaries	₩	19,821	₩	37,489
Severance and retirement benefits		21,055		4,492
	₩	40,876	₩	41,981

Key management personnel include standing directors and outside directors who have the authority and responsibilities for planning, operation and control of the business of the Company.

Significant transactions with related parties for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	Relationship	Transactions	2009	2008
GS Co., Ltd.	Affiliate	Sales and other income	₩ 11	₩ 5
		Cost of sales and purchases	3,589	963
		Other expenses	18,299	11,338
GS Home Shopping Co., Ltd.	Affiliate	Sales and other income	76	-
		Cost of sales and purchases	20	-
		Other expenses	8	-
GS Sports Co., Ltd.	Affiliate	Cost of sales and purchases	4	-
		Other expenses	7,538	8,927
Daejeon Sewage Pipe Co., Ltd.	Affiliate	Sales and other income	13,104	-
Sanglak Food Co., Ltd.	Subsidiary	Sales and other income	970	-
		Cost of sales and purchases	41	-
Estech Estimate Corp.	Subsidiary	Sales and other income	239	239
		Cost of sales and purchases	3,719	4,621
		Other expenses	1,295	398
XI Service Co., Ltd.	Subsidiary	Sales and other income	8	-
		Cost of sales and purchases	11,978	9,693
		Other expenses	476	53
Junju Sewage Pipe Co., Ltd.	Affiliate	Sales and other income	15,639	-
		Cost of sales and purchases	215	-
GS Retail Co., Ltd.	Affiliate	Sales and other income	22,072	8,769
		Cost of sales and purchases	744	935
		Other expenses	2,502	1,016
GS Caltex Co., Ltd.	Affiliate	Sales and other income	718,006	421,911
		Cost of sales and purchases	1,070	691
		Other expenses	4,062	170
GS O&M Co., Ltd.	Subsidiary	Sales and other income	203	33
		Cost of sales and purchases	15,613	1,273
GS Neotek Co., Ltd.	Affiliate	Sales and other income	58	13
		Cost of sales and purchases	6,437	3,139
		Outsourcing costs	147,867	145,162
		Other expenses	1,095	1,392
GS EPS Co., Ltd.	Affiliate	Sales and other income	1	10,667
GS POWER Co., Ltd.	Affiliate	Sales and other income	2,549	1,429
		Cost of sales and purchases	190	-
Parnas Hotel Co., Ltd	Subsidiary	Sales and other income	8	-
		Cost of sales and purchases	297	-
		Other expenses	195	-

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

Related party disclosures (cont'd)

	Relationship	Transactions	2009	2008
GS Cambodia Development Co., Ltd.	Subsidiary	Sales and other income	₩ 173	₩ -
GS Construction Arabia Co., Ltd	Subsidiary	Sales and other income	893	-
		Cost of sales and purchases	851	-
GS Cu Chi Development One-member LLC	Subsidiary	Sales and other income	3,359	4,654
GS E&C India Private Ltd.	Subsidiary	Sales and other income	580	590
		Cost of sales and purchases	3,865	1,187
		Outsourcing costs	4,743	5,984
		Other expenses	-	1
GS E&C Italy S.R.L.	Subsidiary	Sales and other income	1	4
		Cost of sales and purchases	-	1,914
		Other expenses	-	1,131
GS E&C Nanjing	Subsidiary	Sales and other income	440	434
GS E&C Poland SP.ZO.O	Subsidiary	Sales and other income	739	6,008
		Cost of sales and purchases	-	524
		Other expenses	46	489
GS E&C Thai Co., Ltd.	Equity method investee	Sales and other income	194	-
		Cost of sales and purchases	5,579	-
GS Global Bio Co., Ltd.	Subsidiary	Sales and other income	46	-
GS Nha Be Development One-Member LLC	Subsidiary	Sales and other income	362	1,559
GS PP Development Co., Ltd.	Equity method investee	Sales and other income	5,053	14,129
GS Saigon Development One-member LLC	Subsidiary	Sales and other income	22,820	27,156
GS-HP Corp.	Equity method investee	Sales and other income	168	-
Uijeongbu LRT Inc.	Affiliate	Sales and other income	44,151	25,922
		Cost of sales and purchases	-	9,556
Major Development Co., Ltd.	Equity method investee	Sales and other income	610	18,268
Sacheon Resort Co., Ltd.	Equity method investee	Sales and other income	736	6,147
Seoul-Munsan Highway Co., Ltd.	Affiliate	Sales and other income	-	4,660
Gaya Railway Co., Ltd.	Affiliate	Sales and other income	18,070	4,261
Lidong Chemical Co., Ltd.	Affiliate	Sales and other income	-	2,294
Seoul Highway Co., Ltd.	Affiliate	Sales and other income	-	2,041
		Cost of sales and purchases	-	57

	Relationship	Transactions	2009	2008
Samyang International Co., Ltd.	Affiliate	Sales and other income	₩ 53	₩ 70
		Cost of sales and purchases	14,668	10,027
		Other expenses	2	2
Ulsan Green Co., Ltd.	Affiliate	Sales and other income	-	26
EzVille Inc.	Subsidiary	Sales and other income	1	-
		Cost of sales and purchases	25,750	27,964
		Outsourcing costs	17,020	13,604
		Other expenses	1,440	1,474
GCS Plus Co., Ltd.	Subsidiary	Sales and other income	-	1
		Cost of sales and purchases	38,229	-
		Other expenses	-	40,536
Cosmo Industry Co., Ltd.	Affiliate	Cost of sales and purchases	25,689	20,203
BSM Co., Ltd.	Subsidiary	Other expenses	8,621	7,468
GLS Service Co., Ltd.	Subsidiary	Cost of sales and purchases	-	1,465
		Other expenses	-	85
LG Properties (S'pore) Pte. Ltd.	Equity method investee	Sales and other income	687	-
Mileseum Co., Ltd.	Affiliate	Sales and other income	16,420	-
Youngduk&Bio Co., Ltd.	Affiliate	Sales and other income	2,370	-
Kangnam Inter Circular Road Co., Ltd.	Affiliate	Sales and other income	10,656	-
Others		Sales and other income	30,330	1,332
		Cost of sales and purchases	492	311
		Other expenses	346	611
Total		Sales and other income	₩ 931,856	₩ 562,622
		Cost of sales and purchases	₩ 159,040	₩ 94,523
		Outsourcing costs	₩ 169,630	₩ 164,750
		Other expenses	₩ 45,925	₩ 75,091

Outstanding balances of accounts and notes receivable with related parties as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	Relationship	Accounts	2009	2008
GS Co., Ltd.	Affiliate	Long-term guarantee deposits	₩ 10,720	₩ 4,943
GS Home Shopping Co., Ltd.	Affiliate	Other receivables	18	-
EzVille Inc.	Subsidiary	Long-term guarantee deposits	2	-
GS Sports Co., Ltd.	Affiliate	Other receivables	772	-
Mileseum Co., Ltd.	Affiliate	Trade accounts and notes receivable	734	-
Sanglak Food Co., Ltd.	Subsidiary	Other receivables	203	-
GS Retail Co., Ltd.	Affiliate	Trade accounts and notes receivable	4,400	1,407
		Other receivables	215	273
GS Caltex Co., Ltd.	Affiliate	Trade accounts and notes receivable	41,412	36,088
		Other receivables	5	5

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

	Relationship	Accounts	2009	2008
GS O&M Co., Ltd.	Subsidiary	Other receivables	₩ 1,010	₩ 1,009
GS Neotek Co., Ltd.	Affiliate	Other receivables	1,371	-
GS Power Co., Ltd	Affiliate	Trade accounts and notes receivable	1,588	3,431
Parnas Hotel Co., Ltd.	Subsidiary	Long-term guarantee deposits	62	-
GS Construction Arabia Co., Ltd	Subsidiary	Other receivables	2,504	-
GS Cu Chi Development One-member LLC	Subsidiary	Other receivables	160	63
GS E&C India Private Ltd.	Subsidiary	Other receivables	2,775	1,866
GS E&C Italy S.r.l	Subsidiary	Other receivables	3	-
GS E&C Nanjing	Subsidiary	Other receivables	221	-
GS E&C Poland SP.ZO.O	Subsidiary	Other receivables	170	600
GS E&C Thai Co., Ltd.	Equity method investee	Other receivables	3,658	8,371
GS Global Bio Co., Ltd.	Subsidiary	Other receivables	1,428	1,099
GS Nha Be Development One-member LLC	Subsidiary	Other receivables	4,683	12,666
GS PP Development Co., Ltd.	Equity method investee	Other receivables	194,139	200,261
GS Saigon Development One-member LLC	Subsidiary	Other receivables	7,150	7,170
GS-HP Corp.	Equity method investee	Other receivables	2,294	2,471
LG Properties (S'PORE) Pte. Ltd.	Equity method investee	Other receivables	19,662	20,139
Uijeongbu LRT Inc.	Affiliate	Other receivables	-	239
Sacheon Resort Co., Ltd.	Equity method investee	Trade accounts and notes receivable	5,817	6,197
Major Development Co., Ltd.	Equity method investee	Trade accounts and notes receivable	60,212	12,022
		Other receivables	6,361	6,658
SeungSan Co., Ltd.	Affiliate	Trade accounts and notes receivable	552	552
Seungsan Leisure Co., Ltd.	Affiliate	Long-term guarantee deposits	-	600
Others		Trade accounts and notes receivable	2,311	11,866
		Long-term guarantee deposits	-	64
		Other receivables	567	719
Total		Trade accounts and notes receivable	₩ 117,206	₩ 71,563
		Long-term guarantee deposits	₩ 10,784	₩ 5,607
		Other receivables	₩ 249,369	₩ 263,609
Provision for bad debts		Trade accounts and notes receivable	₩ 1,112	₩ 716
		Other receivables	₩ 68,104	₩ 2,834
Bad debt expense		Trade accounts and notes receivable	₩ 396	₩ (157)
(reversal of bad debt)		Other receivables	₩ 65,270	₩ 710

Outstanding balances of accounts and notes payable with related parties as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	Relationship	Accounts	2009	2008
GS Co., Ltd.	Affiliate	Membership guarantee deposits received	₩ 2,454	₩ 2,454
		Other payables	168	4,654
Major Development Co., Ltd.	Equity method investee	Other payables	3	-
GS Home Shopping Co., Ltd.	Affiliate	Membership guarantee deposits received	1,511	1,511
Sanglak Food Co., Ltd.	Subsidiary	Trade accounts and notes payable	35	-
Estech Estimate Corp.	Subsidiary	Other payables	1,149	-
XI Service Co., Ltd.	Subsidiary	Trade accounts and notes payable	2	-
		Advances from construction contracts	12	-
		Leasehold guarantee deposits received	60	-
		Other payables	35	-
GS Retail Co., Ltd.	Affiliate	Trade accounts and notes payable	1,132	1,394
		Advances from construction contracts	-	72
		Leasehold guarantee deposits received	76,400	76,400
		Membership guarantee deposits received	3,325	3,325
		Other payables	214	-
GS Caltex Co., Ltd.	Affiliate	Trade accounts and notes payable	84	85
		Advances from construction contracts	4,483	64,392
		Membership guarantee deposits received	6,675	6,675
		Other payables	77	3
GS O&M Co., Ltd.	Subsidiary	Trade accounts and notes payable	1,790	1,021
GS Neotek Co., Ltd.	Affiliate	Trade accounts and notes payable	18,773	54,593
		Membership guarantee deposits received	1,616	1,316
		Other payables	24,277	607
GS EPS Co., Ltd.	Affiliate	Membership guarantee deposits received	300	-
Parnas Hotel Co., Ltd.	Subsidiary	Trade accounts and notes payable	247	-
		Membership guarantee deposits received	400	-
		Other payables	6	-
GS E&C India Private Ltd.	Subsidiary	Trade accounts and notes payable	85	367
		Other payables	-	21
EzVille Inc.	Subsidiary	Trade accounts and notes payable	18,604	24,678
		Membership guarantee deposits received	31	31
		Other payables	-	44
Cosmo Industry Co., Ltd.	Affiliate	Trade accounts and notes payable	7,516	9,146

100

101

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

Related party disclosures (cont'd)

	Relationship	Accounts	2009	2008
Cosmo Chemical Co., Ltd.	Affiliate	Membership guarantee deposits received	₩ 66	₩ 66
		Other payables	1,494	1,500
BSM Co., Ltd.	Subsidiary	Trade accounts and notes payable	360	571
GS Saigon Development One-Member Limited	Subsidiary	Advances from construction contracts	12,854	5,704
GS Cu Chi Development One-Member LLC.	Subsidiary	Advances from construction contracts	1,337	1,716
GCS Plus Co., Ltd	Subsidiary	Other payables	4,968	2,469
Samyang International Co., Ltd.	Affiliate	Trade accounts and notes payable	9,280	5,458
		Membership guarantee deposits received	147	147
		Other payables	2	-
Others		Trade accounts and notes payable	87	-
		Advances from construction contracts	-	2
		Leasehold guarantee deposits received	48	-
		Membership guarantee deposits received	510	1,449
		Other payables	53	891
Total		Trade accounts and notes payable	₩ 57,995	₩ 97,313
		Advances from construction contracts	₩ 18,686	₩ 71,886
		Leasehold guarantee deposits received	₩ 76,508	₩ 76,400
		Membership guarantee deposits received	₩ 17,035	₩ 16,974
		Other payables	₩ 32,446	₩ 10,189

Details of guarantees provided by the Company on behalf of related parties as of December 31, 2009 are as follows (Korean won in millions):

Related party	Financial institutions	Description	Amount
GS E&C Italy S.R.L.	Servizi Assicurativi del Commercio Estero	Contract performance	USD 224,000,000
GS Construction Arabia Co., Ltd.	Saudi Arabian Oil Company	Contract performance	USD 228,000,000
	The Saudi British Bank	Credit guarantee	SAR 42,800,000
	Woori Bank Bahrain branch	Credit guarantee	USD 15,600,000
GS E&C Poland SP.ZO.O	LG Electronics Wroclaw SP Zo.o.	Contract performance	EUR 1,950,000
	LG Electronics Wroclaw SP Zo.o.	Contract performance	EUR 269,791.75
	LG Electronics Wroclaw SP Zo.o.	Contract performance	EUR 399,335.75
	LG CHEM Poland SP Zo.o.	Contract performance	PLN 2,258,000
	LG Display Poland Sp Zo.o	Contract performance	PLN 42,895,678
	Heesung Electronics Poland SP Z.O.O.	Contract performance	EUR 4,290,000
	Nordea Bank Ploska S.A.	Credit guarantee	PLN 1,067,000
GS Saigon Development One-Member LLC	Nordea Bank Ploska S.A.	Credit guarantee	PLN 1,026,000
	Australia and New Zealand Banking Group Limited	Overdraft facility	USD 90,000,000
	Ho Chi Minh Br. HSBC	Overdraft facility	USD 30,000,000
GS Cu Chi Development One-Member LLC	Korea Development Bank	Overdraft facility	USD 29,000,000

Related party	Financial institutions	Description	Amount
GS Cambodia Development Co., Ltd.	Australia and New Zealand Banking Group and Bank of Nova Scotia Asia Limited	Overdraft facility	USD 50,000,000
Seoul Highway Co., Ltd.	Industrial Bank of Korea and 13 other companies	Offering pledge	₩ 400,719
		Payment guarantee	₩ 257,014
Uijeongbu LRT Inc.	KB Co., Ltd. and 7 other companies	Offering pledge	₩ 27,246
		Payment guarantee	₩ 21,391
Gaya Railway Co., Ltd.	Kookmin pension and 5 other Companies	Offering pledge	₩ 1,527
Major Development Co., Ltd.	Dreamcity primary private company and 2 other companies	Payment guarantee	₩ 163,506
Sacheon Resort Co., Ltd.	DongYang Financial Complex Co., Ltd.	Payment guarantee	₩ 19,328
Ulsan green Co., Ltd.	Woori Bank and 5 other companies	Offering pledge	₩ 3,507
		Payment guarantee	₩ 11,250

The Company has provided promissory notes and checks to various financial institutions as security in connection with construction performance and other related performance guarantees for its related parties.

As of December 31, 2009, there are no guarantees and collateral provided to the Company by any subsidiaries or related parties.

In addition to the guarantees mentioned above, the Company has guaranteed the repayment of its employees' bank loans that were used to purchase the Company's shares.

17. Capital stock

There is no change in capital stock of the Company during the years ended December 31, 2009 and 2008. Details of capital stock of the Company as of December 31, 2009 and 2008 are as follows:

Number of shares authorized : 200,000,000 shares
Par value per share : ₩5,000
Number of common shares issued : 51,000,000 shares in 2009 and 2008

18. Treasury stock

As of December 31, 2009, the Company holds 1,521,151 shares of common stock with carrying amount of ₩83,053 million, which was repurchased by the Company to stabilize its stock price. The repurchased shares are recognized as capital adjustments.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

19. Capital surplus and capital adjustments

Details of capital surplus and capital adjustments of the Company as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		2008	
Capital surplus				
Paid-in capital in excess of par value	₩	109,735	₩	109,735
Other capital surplus:				
Asset revaluation surplus (*1)		75,192		75,192
Gain on merger (*2)		15,002		15,002
Gain on disposal of treasury stock		11,492		8,991
Capital surplus from equity method (*3)		27,847		27,847
	₩	239,268	₩	236,767
Capital adjustments				
Treasury stock	₩	(83,053)	₩	(79,756)
Other capital adjustments:				
Capital adjustment form equity method (*3)		(3,180)		(2,125)
	₩	(86,233)	₩	(81,881)

(*1) In accordance with the prior Korean Assets Revaluation Act, the Company revalued certain of its property and equipment as of July 1, 1998, resulting in a gain on revaluation of ₩34,287 million and ₩33,833 million being transferred to revaluation surplus, net of revaluation tax. The total balance of revaluation surplus amounting ₩75,192 million as of December 31, 2009 and 2008 includes revaluation surplus carried forward from revaluation carried out prior to 1998.

(*2) The Company merged with LG Engineering Co., Ltd. on August 1, 1999 and recognized this gain on merger as other capital surplus in accordance with KFAS Article 90 - *Merger and Acquisition*.

(*3) The Company recognized positive and negative investment difference between the additional costs of investments in subsidiaries and fair value of identifiable net assets acquired as capital surplus from equity method valuation and capital adjustment from equity method valuation, respectively.

20. Retained earnings

Retained earnings of the Company as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		2008	
Appropriated:				
Legal reserve	₩	63,339	₩	60,339
Financial structure improvement reserve		282,849		217,849
Business rationalization reserve		494,653		404,653
Research and human resources development reserve		393,333		308,333
Other reserves		522,500		421,762
		1,756,674		1,412,936
Unappropriated		384,076		369,751
	₩	2,140,750	₩	1,782,687

Legal reserve

In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of paid-in capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

Financial structure improvement reserve

The Korean Financial Control Regulation for listed companies requires that an amount equal to at least 10% of net income, plus a 50% of net gain, if any, on extraordinary disposal of property, plant and equipment (after related income taxes), be appropriated as reserve for improvement of financial position until the ratio of equity to total assets equals 30%. Effective from December 2008, such reserve is no longer required by the revised TILL.

Business rationalization reserve

Prior to December 2004, in accordance with the Korean Tax Incentives Limitation Law ("TILL"), the amounts of tax credits or exemptions taken under this law were appropriated as a reserve for business rationalization. Such reserve could not be utilized for cash dividends but could be used to offset an accumulated deficit, if any, or be transferred to paid-in capital. Effective from December 2004, such reserve is no longer required by the revised TILL.

Research and human resources development reserve

Pursuant to the TILL, the reserve for research and human development are provided in order to obtain tax benefits with respect to the year for which the appropriations are proposed. These reserves may be utilized for cash dividends after the expiration of specified grace period.

21. Accumulated other comprehensive income

Details of accumulated other comprehensive income, net of taxes, of the Company as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		2008	
Gain on valuation of available-for-sale securities	₩	216,545	₩	215,801
Loss on valuation of available-for-sale securities		(15)		(1,186)
Credit equity adjustment arising from equity method investments		321,003		402,708
Foreign currency translation adjustments		(3,187)		(4,504)
Gain on valuation of derivative instruments		27,326		28,096
Loss on valuation of derivative instruments		(49,065)		(36,581)
Asset revaluation surplus		237,619		238,089
	₩	750,226	₩	842,423

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

22. Construction contracts

Details of cumulative construction revenue, cost and profit of constructions in-progress as of December 31, 2009 are as follows (Korean won in millions):

		2009		
Activity	Work type	Cumulative construction revenue	Cumulative construction cost	Cumulative construction profit
Construction operations	Architectural operations	₩ 6,439,049	₩ (5,623,760)	₩ 815,289
	Civil operations	3,367,888	(2,973,729)	394,159
	Housing operations	6,780,370	(5,827,522)	952,848
	Plants operations	7,181,014	(6,435,988)	745,026
	Environment operations and power operations	1,132,849	(1,059,185)	73,664
Housing construction and sales operations		837,424	(631,068)	206,356
		₩ 25,738,594	₩(22,551,252)	₩ 3,187,342

Construction losses arising from construction in-progress that are probable to be incurred at the completion of construction as of December 31, 2009 amounting to ₩15,822 million were recorded as provision for construction losses.

		2008		
Activity	Work type	Cumulative construction revenue	Cumulative construction cost	Cumulative construction profit
Construction operations	Architectural operations	₩ 6,028,421	₩ (5,236,866)	₩ 791,555
	Civil operations	2,608,594	(2,277,972)	330,622
	Housing operations	5,202,861	(4,559,472)	643,389
	Plants operations	6,660,779	(6,005,845)	654,934
	Environment operations Power operations	585,442	(541,327)	44,115
		324,833	(280,948)	43,885
Housing construction and sales operations		580,562	(409,528)	171,034
		₩ 21,991,492	₩(19,311,958)	₩ 2,679,534

Changes in balances of major construction contracts backlog for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

Project name	2009			
	Jan.1, 2009	Contract change order	Realized revenue	Dec.31, 2009
Kyongbang K-Project	₩ 67,859	₩ 60,562	₩ (128,313)	₩ 108
Il san Xi complex 2	463,826	-	(222,541)	241,285
Uijeongbu LRT construction	101,985	4,129	(44,151)	61,963
Poil Joogong Apartment reconstructions	200,922	12,698	(186,782)	26,838
Green Diesel Project (*)	1,297,667	(76,693)	(336,536)	884,438
IFC	215,386	-	(30,918)	184,468
Yerevan CCPP (*)	247,070	(18,761)	(161,582)	66,727
Salalah Methanol Project (*)	414,493	(34,951)	(271,414)	108,128
Sohar Aromatics Project (*)	387,751	1,861	(322,344)	67,268
Ruwais 4th NGL Train Project	-	1,403,605	(16,214)	1,387,391
Ruwais Refinery Expansion Project (Package 2) (*)	-	3,594,797	(6,371)	3,588,426
Others	15,686,979	1,124,204	(5,334,040)	11,477,143
	₩ 19,083,938	₩ 6,071,451	₩ (7,061,206)	₩ 18,094,183

Project name	2008			
	Jan.1, 2008	Contract change order	Realized revenue	Dec.31, 2008
Kyongbang K-Project	₩ 183,412	₩ -	₩ (115,553)	₩ 67,859
The South-east Seoul Distribution Center	123,805	13,675	(122,375)	15,105
Banpo Xi	388,360	135,480	(395,103)	128,737
Uijeongbu LRT construction	150,227	-	(48,242)	101,985
Incheon 2nd complex construction	66,059	1,455	(51,491)	16,023
Poil Joogong Apartment reconstructions	382,079	(1,348)	(179,810)	200,921
LCD P8 Environmental facilities construction	46,822	18,826	(61,331)	4,317
ERC Refinery Project (*)	1,855,044	625,486	(74,129)	2,406,401
Salalah Methanol Project (*)	601,785	134,287	(321,579)	414,493
Sohar Aromatics Project (*)	730,177	124,974	(467,400)	387,751
Others	9,999,261	10,039,252	(4,698,167)	15,340,346
	₩ 14,527,031	₩ 11,092,087	₩ (6,535,180)	₩ 19,083,938

(*) Changes in value of contract are due to adjustments arising from changes in foreign currency exchange rates.

106

107

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

Balances of receivables from construction contracts and advance receipts from construction contracts for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

Project name	2009						
	Cumulative revenue realized	Cumulative billed amount	Cumulative collected amount	Accounts and notes receivable			Other advance receipts (*)
				Billed	Non-billed	Total (*)	
Kyongbang K-Project	₩ 359,654	₩ 316,735	₩ 316,735	₩ -	₩ 42,919	₩ 42,919	₩ -
Il san Xi complex 2	307,765	435,783	314,925	-	-	-	7,160
Uijeongbu LRT construction	97,167	64,266	64,266	-	32,901	32,901	-
Poil Joogong							
Apartment reconstructions	428,093	438,738	306,791	121,302	-	121,302	-
Green Diesel Project	466,533	537,812	571,345	28,935	-	28,935	133,747
IFC SEOUL	42,959	36,971	29,851	7,121	5,988	13,108	-
Yerevan CCPP	225,559	259,560	259,369	-	-	-	33,810
Salalah Methanol Project	665,889	750,321	745,580	-	-	-	79,691
Sohar Aromatics Project	1,191,681	1,256,021	1,249,864	-	-	-	58,183
Ruwais 4th NGL Train Project	16,214	-	-	-	-	-	148,277
Ruwais Refinery							
Expansion Project (Package 2)	6,371	-	-	-	-	-	529,047
Others	21,089,160	21,721,526	20,414,624	2,078,576	-	2,078,577	704,132
Total	₩ 24,897,045	₩ 25,817,733	₩ 24,273,350	₩ 2,235,934	₩ 81,808	₩ 2,317,742	₩ 1,694,047

Project name	2008						
	Cumulative revenue realized	Cumulative billed amount	Cumulative collected amount	Accounts and notes receivable			Other advance receipts (*)
				Billed	Non-billed	Total (*)	
Kyongbang K-Project	₩ 231,341	₩ 201,939	₩ 75,439	₩ 126,500	₩ 29,402	₩ 155,902	₩ -
The South-east Seoul Distribution Center	257,217	244,810	244,810	-	12,407	12,407	-
Banpo Xi	801,243	915,520	574,194	227,049	-	227,049	-
Uijeongbu LRT construction	53,015	25,922	25,922	-	27,093	27,093	-
Incheon 2nd complex constructor	62,702	64,698	53,014	9,688	-	9,688	-
Poil joogong apartment reconstructions	241,311	203,990	203,990	-	37,321	37,321	-
LCD P8 Environmental facilities construction	90,390	92,199	91,745	-	-	-	1,355
ERC Refinery Project	77,040	132,477	122,719	-	-	-	45,679
Salalah Methanol Project	394,475	524,997	471,020	-	-	-	76,545
Sohar Aromatics Project	869,337	1,137,705	1,117,323	-	-	-	247,986
Others	18,332,859	18,385,678	17,294,811	1,714,642	-	1,714,642	676,594
Total	₩ 21,410,930	₩ 21,929,935	₩ 20,274,987	₩ 2,077,879	₩ 106,223	₩ 2,184,102	₩ 1,048,159

(*) The amount of receivables and advance receipts are included in trade accounts receivable and trade accounts payable as of December 31, 2009 and 2008, respectively.

Total billed amount of construction contracts for the years ended December 31, 2009 and 2008 is ₩8,430,737 million and ₩7,914,864 million, respectively, and the total collected amount of construction contracts for the years ended December 31, 2009 and 2008 is ₩8,297,097 million and ₩6,765,211 million, respectively.

Details of jointly-managed construction contracts as of December 31, 2009 and 2008 are as follows (Korean won in millions):

Project name	2009				
	Period of construction	Customer	Share of contract size (amount)	Share of contract size (%)	Lead contractor
IFC Seoul construction	2008.01.17 ~ 2012.02.07	AIG Global Investment Group	₩ 227,427	40.00%	(*)
Uijeongbu LRT civil investment business construction	2006.12.01 ~ 2011.08.27	Uijeongbu LRT Co., Ltd.	159,129	52.55%	(*)
Buhang Multipurpose Dam	2006.09.30 ~ 2012.01.12	Korea Water Resources Corporation	149,431	60.00%	(*)
Shinwolsung Atomic Power Plant main Facility No.1 and 2	2003.07.01 ~ 2013.01.31	Korea Hydro & Nuclear Power Co., Ltd.	131,397	13.50%	(@)
Incheon Production Base 2nd Expansion	2004.07.27 ~ 2010.07.31	Korea Gas Corporation	127,323	40.00%	(*)
Incheon Grand Bridge	2005.06.16 ~ 2010.01.31	KODA Development Co., Ltd.	125,704	10.00%	(#)
Mokpo National Road	2004.11.01 ~ 2012.12.18	Public Procurement Service	119,796	42.00%	(*)
Jungrang Advanced Sewage Treatment Plant	2009.02.13 ~ 2014.01.18	Seoul Metropolitan Infrastructure	114,135	50.00%	(*)
Incheon Free Economic Zone Young Jong Sky City 3rd Stage	2007.12.27~ 2011.06.26	Korea Land Corporation	113,689	90.00%	(*)
Busan-Ulsan Electric Railway	2005.12.26 ~ 2010.09.30	Korea Rail Network Authority	112,921	40.00%	(^)
Incheon Free Economic Zone Young Jong Sky City 2nd Stage	2007.12.27~ 2011.06.26	Korea Land Corporation	111,968	90.00%	(*)
Honam High Speed Rail Section 5-3	2009.12.17 ~ 2014.01.23	Korea Rail Network Authority	96,661	60.00%	(*)
Seongmun National Industrial Complex Section No.1	2008.06.16 ~ 2011.10.15	Korea Land Corporation	95,364	90.00%	(*)
Taebaek line (Jecheon-Ssangyong) 1 st multiple line railway construction	2004.11.25~ 2012.10.31	Korea Rail Network Authority	92,945	35.00%	(*)
Section 3 of Samcheok Tonghae Expressway	2009.03.31 ~ 2016.03.31	Korea Expressway Corporation	92,275	90.00%	(*)
Gangnam Circular highway 6-1 Stage	2002.11.28~ 2013.09.30	Gangnam Circular Highway Co., Ltd.	91,794	11.50%	(**)
Kyungchun Double Track Railway Section7	1999.12.28 ~ 2010.01.31	Public Procurement Service	82,844	30.00%	(*)

108

109

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

Project name	2008				
	Period of construction	Customer	Share of contract size (amount)	Share of contract size (%)	Lead contractor
The South-east Seoul Distribution Center	2008.01.17 ~ 2012.02.07	SH Corporation	₩ 272,322	56.00%	(*)
IFC SEOUL construction	2006.12.01 ~ 2011.08.27	AIG Global Investment Group	227,427	40.00%	(*)
The City Seven Xi	2006.09.30 ~ 2012.01.12	Dosisaram Co., Ltd.	210,272	50.00%	(*)
Daegwallyeong Alpensia	2003.07.01 ~ 2013.01.31	Kang-won do Development Corporation	190,092	62.00%	(*)
Uijeongbu LRT civil investment business construction	2004.07.27 ~ 2010.07.31	Uijeongbu LRT Co., Ltd.	155,000	52.55%	(*)
Buhang Multipurpose Dam	2005.06.16 ~ 2010.01.31	Korea Water Resources Corporation	141,563	60.00%	(*)
Shinwolsung Atomic Power Plant main Facility No.1 and 2	2004.11.01 ~ 2012.12.18	Korea Hydro & Nuclear Power Co., Ltd.	126,672	13.50%	(@)
Incheon Production Base 2nd Expansion	2009.02.13 ~ 2014.01.18	Korea Gas Corporation	125,977	40.00%	(*)
Mokpo National Road	2007.12.27~ 2011.06.26	Public Procurement Service	111,406	42.00%	(*)
Incheon Grand Bridge	2005.12.26 ~ 2010.09.30	KODA Development Co., Ltd.	109,545	10.00%	(#)
Busan~Ulsan Electric Railway	2007.12.27~ 2011.06.26	Korea Rail Network Authority	108,990	40.00%	(^)
Incheon Free Economic Zone Young Jong Sky City 3rd Stage	2009.12.17 ~ 2014.01.23	Korea Land Corporation	108,468	90.00%	(*)
Incheon Free Economic Zone Young Jong Sky City 2nd Stage	2008.06.16 ~ 2011.10.15	Korea Land Corporation	107,243	90.00%	(*)
Song do 4 th Stage 1st complex apartment construction	2004.11.25~ 2012.10.31	Incheon Urban Development Corporation	95,767	63.00%	(*)
Gangnam Circular Highway 6-1 Stage	2009.03.31 ~ 2016.03.31	Gangnam Circular Highway Co., Ltd.	91,794	11.50%	(**)
Taebaek line (Jecheon - Ssangyong) 1 st multiple line railway construction	2002.11.28~ 2013.09.30	Korea Rail Network Authority	85,208	35.00%	(*)
Siltron Third Plant B-dong construction	1999.12.28 ~ 2010.01.31	LG Siltron Co., Ltd.	80,989	70.00%	(*)

The legends represent the following representative (project owner) companies:

(*) GS Engineering & Construction Co., Ltd.

(#) Samsung C & T Corporation

(@) Daewoo Engineering & Construction Co., Ltd.

(^) Hyundai Engineering & Construction Co., Ltd.

(**) Doosan Engineering & Construction Co., Ltd.

Details of housing construction and sales contracts as of December 31, 2009 and 2008 are as follows (Korean won in millions):

2009						
Project name	Contract amount	Cumulative revenue realized	Cumulative collected amount	Trade receivables	Advance receipts	
Heights Xi	₩ 307,328	₩ 295,198	₩ 303,952	₩ 34	₩ 8,788	
Susaek Xi	273,214	205,638	229,930	920	25,212	
Chungla Xi	523,644	336,588	337,964	6,949	8,325	

2008						
Project name	Contract amount	Cumulative revenue realized	Cumulative collected amount	Trade receivables	Advance receipts	
Heights Xi	₩ 307,982	₩ 299,089	₩ 290,927	₩ 8,162	₩ -	
Susaek Xi	230,918	121,188	89,154	32,034	-	
Chungla Xi	524,382	160,285	190,467	-	30,182	

The accounts receivable arising from construction contracts include certain amounts billed to project owners where payments are retained until all the conditions specified under the contracts are met and any construction related issues during course of construction, if any, are resolved. Retention sums on construction contracts as of December 31, 2009 and 2008 amounted to ₩32,901 million and ₩18,777 million, respectively.

23. Income taxes

For the year ended December 31, 2009, the Company is subject to corporate income taxes, including resident sur-tax, at the aggregate rates of 12.1% (11% from 2012 and thereafter) on taxable income of up to ₩200,000 thousand and 24.2% (22% from 2012 and thereafter) on taxable income in excess of ₩200,000 thousand.

The major components of provision for income taxes for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009	2008
Current income taxes (*)	₩ 157,414	₩ 190,076
Deferred income taxes arising from tax effect of temporary differences	(57,983)	162,713
Tax effect of temporary differences recognized directly to equity	25,969	(185,455)
Current income taxes recognized directly to equity	-	(248)
Provision for income taxes	₩ 125,400	₩ 167,086

(*) The amount of current income taxes includes additional income taxes paid and tax refunds.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

A reconciliation of provision for income taxes applicable to income before income taxes at the Korea statutory tax rate to provision for income taxes at the effective income tax rate of the Company is as follows (Korean won in millions):

	2009		2008	
Income before income taxes	₩	508,200	₩	548,640
Tax at the statutory income tax rate	₩	122,960	₩	150,845
Adjustments :				
Income not subject to tax (2009: ₩576 million, 2008: ₩39,598 million)		(139)		(10,889)
Expenses not deductible for tax purposes (2009: ₩46,026 million, 2008: ₩24,011 million)		11,138		6,603
Tax credit(*)		(16,289)		(3,055)
Others (difference in tax rate, etc.)		7,730		23,582
Provision for income taxes	₩	125,400	₩	167,086
Effective tax rate		24.68%		30.45%

(*) Foreign tax credit and others

Deferred income taxes reflect the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax reporting purposes.

Significant changes in tax loss carryforwards, cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009				
	As of Jan. 1, 2009	Changes in tax filing	Net Changes	As of Dec. 31, 2009	Deferred income taxes
Deductible temporary differences:					
Buildings	₩ 14,529	₩ 859	₩ (2,434)	₩ 12,954	₩ 2,850
Provision for construction losses	6,363	-	11,280	17,643	3,881
Allowance for doubtful accounts	206,363	-	70,177	276,539	64,412
Bonus stock	414	-	(414)	-	-
Loss on foreign currency translation	131,395	-	6,891	138,286	31,378
Government grants	587	-	(102)	484	117
Equity method investments	96,211	-	(5,124)	91,088	20,039
Land	183	-	-	183	40
Derivative instruments	438,986	-	(106,229)	332,757	80,527
Severance and retirement benefits	104,342	(992)	2,636	105,985	23,317
Available-for-sale securities	24,376	-	-	24,376	5,363
Investments	1,247	-	-	1,247	274
Provision for construction warranty	70,568	-	(8,619)	61,950	13,629
Provision for other liabilities	100,542	-	26,375	126,918	27,922
Gain on valuation of property, plant and equipment	25,573	-	(24)	25,549	5,621
	₩ 1,221,679	₩ (133)	₩ (5,587)	₩ 1,215,959	₩ 279,370
Taxable temporary differences:					
Accumulated depreciation	₩ (1,274)	₩ -	₩ -	₩ (1,274)	₩ (280)
Appropriated retained earnings for technological development	(8,333)	-	(1,667)	(10,000)	(2,200)
Accrued income	(10,046)	-	(13,517)	(23,563)	(5,702)
Gain on foreign currency translation	(107,581)	-	66,397	(41,184)	(9,358)
Available-for-sale securities	(4,371)	-	-	(4,371)	(962)
Inventories	(46,997)	-	(241)	(47,239)	(11,432)
Deposits for severance and retirement benefits	(95,049)	-	(10,936)	(105,985)	(23,317)
Derivative instruments	(539,219)	-	103,071	(436,147)	(105,547)
	₩ (812,870)	₩ -	₩ 143,107	₩ (669,763)	₩ (158,798)
Deferred income taxes recognized :					
Deferred income tax assets, net	₩ 88,587	₩ (29)		₩ 120,572	
Deferred income tax liabilities recognized directly to equity, net	₩ (246,708)	₩ -		₩ (220,739)	
Deferred income tax liabilities recognized in statement of financial position, net	₩ (158,121)	₩ (29)		₩ (100,167)	

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

	2008				
	As of Jan. 1, 2008	Changes in tax filing	Net Changes	As of Dec. 31, 2008	Deferred income taxes
Deductible temporary differences:					
Buildings	₩ 14,999	₩ -	₩ (470)	₩ 14,529	₩ 3,196
Provision for construction losses	24,137	-	(17,774)	6,363	1,400
Allowance for doubtful accounts	64,264	-	142,099	206,363	47,938
Bonus stock	414	-	-	414	91
Loss on foreign currency translation	-	-	131,395	131,395	29,659
Government grants	104	-	483	587	142
Equity method investments	92,390	-	3,821	96,211	21,166
Land	183	-	-	183	40
Executive incentives	14,295	-	(14,295)	-	-
Derivative instruments	-	-	438,986	438,986	106,235
Severance and retirement benefits	101,600	-	2,742	104,342	22,955
Available-for-sale securities	24,376	-	-	24,376	5,363
Investments	1,247	-	-	1,247	274
Provision for construction warranty	72,985	-	(2,417)	70,568	15,525
Provision for other liabilities	1,414	-	99,128	100,542	22,119
Gain on valuation of property, plant and equipment	-	-	25,573	25,573	5,626
	₩ 412,408	₩ -	₩ 809,271	₩ 1,221,679	₩ 281,729
Taxable temporary differences:					
Accumulated depreciation	₩ (1,274)	₩ -	₩ -	₩ (1,274)	₩ (280)
Appropriated retained earnings for technological development	(13,333)	-	5,000	(8,333)	(1,833)
Accrued income	(9,011)	611	(1,646)	(10,046)	(2,431)
Gain on foreign currency translation	-	-	(107,581)	(107,581)	(24,861)
Available-for-sale securities	(4,371)	-	-	(4,371)	(962)
Appropriated retained earnings for loss on sale of treasury stock	(1,263)	-	1,263	-	-
Inventories	(39,209)	-	(7,788)	(46,997)	(11,373)
Deposits for severance and retirement benefits	(101,134)	-	6,085	(95,049)	(20,911)
Derivative instruments	(3,988)	-	(535,231)	(539,219)	(130,491)
	₩ (173,583)	₩ 611	₩ (639,898)	₩ (812,870)	₩ (193,142)
Deferred income taxes recognized :					
Deferred income tax assets, net	₩ 65,678	₩ 168		₩ 88,587	
Deferred income tax liabilities recognized directly to equity, net	₩ (61,254)	₩ -		₩ (246,708)	
Deferred income tax assets (liabilities) recognized in statement of financial position, net	₩ 4,424	₩ 168		₩ (158,121)	

The Company did not recognize the deferred income tax effect for temporary differences of ₩28,528 million arising from land revaluation surplus as the Company has no firm commitment to dispose of the land.

The Company recognized fully the deferred income tax assets for all the deductible temporary differences as the aggregate amount of the total of taxable temporary differences and the expected future taxable income before reflecting tax adjustment items exceed the total of all the deductible temporary differences.

Details of gross deferred income tax assets and liabilities as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009					
	Temporary differences		Reversal of temporary differences		Deferred income taxes	
	2009	2010	2011 and thereafter	Current	Non-current	
Deductible temporary differences:						
Allowance for doubtful accounts	₩ 276,539	₩ 162,439	₩ 114,101	₩ 39,310	₩ 25,102	
Derivative instruments	332,757	332,757	-	80,527	-	
Government grants	484	484	-	117	-	
Loss on foreign currency translation	138,286	43,418	94,868	10,507	20,871	
Provision for construction warranty	61,950	-	61,950	-	13,629	
Provision for other liabilities	126,918	-	126,918	-	27,922	
Provision for construction loss	17,643	-	17,643	-	3,881	
Severance and retirement benefits	105,985	-	105,985	-	23,317	
Equity method investments	91,088	-	91,088	-	20,039	
Available-for-sale securities	24,376	-	24,376	-	5,363	
Investments	1,247	-	1,247	-	274	
Impairment on property, plant and equipment	12,954	-	12,954	-	2,850	
Loss on valuation of property, plant and equipment	25,549	-	25,549	-	5,621	
Non deductible purchasing tax amount of land	183	-	183	-	40	
	₩ 1,215,959	₩ 539,098	₩ 676,862	₩ 130,461	₩ 148,909	
Taxable temporary differences						
Accrued interest on securities	(23,563)	(23,563)	-	(5,702)	-	
Derivative instruments	(436,147)	(436,147)	-	(105,547)	-	
Inventories	(47,239)	(47,239)	-	(11,432)	-	
Gain on foreign currency translation	(41,184)	(13,500)	(27,684)	(3,267)	(6,091)	
Available-for-sale securities	(4,371)	-	(4,371)	-	(962)	
Appropriated retained earnings for technological development	(10,000)	-	(10,000)	-	(2,200)	
Depreciation	(1,274)	-	(1,274)	-	(280)	
Deposits for severance and retirement benefits	(105,985)	-	(105,985)	-	(23,317)	
Deferred income taxes recognized directly to equity	(1,003,363)	-	(1,003,363)	-	(220,739)	
	₩(1,673,126)	₩ (520,449)	₩(1,152,677)	₩ (125,948)	₩ (253,589)	
Net	₩ (457,167)	₩ 18,649	₩ (475,816)	₩ 4,513	₩ (104,680)	
Applicable tax rate		24.20%	22.00%			

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

	2008					
	Temporary differences	Reversal of temporary differences			Deferred income taxes	
	2008	2009	2010 and thereafter	Current	Non-current	
Deductible temporary differences:						
Allowance for doubtful accounts	₩ 206,363	₩ 115,362	₩ 91,001	₩ 27,918	₩ 20,020	
Derivative instruments	438,986	438,986	-	106,235	-	
Government grants	586	586	-	142	-	
Loss on foreign currency translation	34,179	34,179	-	8,271	-	
Bonus Stock	414	-	414	-	91	
Loss on foreign currency translation (designated)	97,216	-	97,216	-	21,388	
Provision for construction warranty	70,568	-	70,568	-	15,525	
Provision for other liabilities	100,542	-	100,542	-	22,119	
Provision for construction loss	6,363	-	6,363	-	1,400	
Severance and retirement benefits	104,342	-	104,342	-	22,955	
Equity method investments	96,211	-	96,211	-	21,166	
Available-for-sale securities	24,376	-	24,376	-	5,363	
Investments	1,247	-	1,247	-	274	
Impairment on property, plant and equipment	14,528	-	14,528	-	3,196	
Loss on valuation of property, plant and equipment	25,573	-	25,573	-	5,626	
Non deductible purchasing tax amount of land	183	-	183	-	40	
	₩ 1,221,677	₩ 589,113	₩ 632,564	₩ 142,566	₩ 139,163	
Taxable temporary differences						
Accrued interest on securities	₩ (1,184)	₩ (1,184)	₩ -	₩ (287)	₩ -	
Loans	(8,862)	(8,862)	-	(2,145)	-	
Derivative instruments	(539,218)	(539,218)	-	(130,491)	-	
Inventories	(46,997)	(46,997)	-	(11,373)	-	
Gain on foreign currency translation	(54,235)	(54,235)	-	(13,125)	-	
Available-for-sale securities	(4,371)	-	(4,371)	-	(962)	
Appropriated retained earnings for technological development	(8,333)	-	(8,333)	-	(1,833)	
Gain on foreign currency translation (designated)	(53,346)	-	(53,346)	-	(11,736)	
Depreciation	(1,274)	-	(1,274)	-	(280)	
Deposits for severance indemnities and retirement benefits	(95,050)	-	(95,050)	-	(20,911)	
Deferred income taxes recognized directly to equity	(1,121,398)	-	(1,121,398)	-	(246,708)	
	(1,934,268)	₩ (650,496)	₩(1,283,772)	₩ (157,420)	₩ (282,430)	
Net	₩ (712,591)	₩ (61,383)	₩ (651,208)	₩ (14,854)	₩ (143,267)	
Applicable tax rate		24.2%	22.0%			

The tax effects relating to the components of other comprehensive income and other equity items recognized directly in equity for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009	
	Pretax amount	Tax effect
< Recognized in deferred income taxes >		
Loss on valuation of available-for-sales securities	₩ 19	₩ 4
Debit equity adjustment arising from equity method investments	4,077	897
Gain on valuation of available-for-sales securities	(277,621)	(61,077)
Credit equity adjustment arising from equity method investments	(411,543)	(90,539)
Gain on disposal of treasury stock	(5,823)	(1,281)
Capital surplus	(35,702)	(7,854)
Loss on valuation of derivative instruments	62,904	13,839
Gain on valuation of derivative instruments	(35,034)	(7,707)
Asset revaluation surplus	(304,640)	(67,021)
	₩ (1,003,363)	₩ (220,739)

	2008	
	Pretax amount	Tax effect
< Recognized in current income taxes >		
Gain on disposal of treasury stock	₩ 902	₩ 248
< Recognized in deferred income taxes >		
Loss on valuation of available-for-sales securities	₩ 1,521	₩ 335
Debit equity adjustment arising from equity method investments	2,724	599
Gain on valuation of available-for-sales securities	(276,668)	(60,867)
Credit equity adjustment arising from equity method investments	(516,292)	(113,584)
Gain on disposal of treasury stock	(2,617)	(576)
Capital surplus	(35,701)	(7,855)
Loss on valuation of derivative instruments	46,899	10,318
Gain on valuation of derivative instruments	(36,022)	(7,925)
Asset revaluation surplus	(305,242)	(67,153)
	₩ (1,121,398)	₩ (246,708)

24. Per share amounts

The Company's per share amounts for the years ended December 31, 2009 and 2008 are computed as follows:

Basic earnings per share	2009	2008
Net income	₩ 382,800,689,798	₩ 381,553,875,670
Weighted-average number of shares of common stock outstanding (*)	49,478,849 shares	49,623,865 shares
Basic earnings per share	₩ 7,737	₩ 7,689

(*) Weighted-average number of shares of common stock outstanding

116

117

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

	2009		
	Number of shares outstanding	Days	Accumulated number of shares outstanding
Number of issued shares	51,000,000	365	18,615,000,000
Purchased shares of treasury stock	(605,241)	365	(220,912,965)
Treasury stock trust agreement	(834,040)	56	(46,706,240)
Treasury stock	(834,040)	309	(257,718,360)
Treasury stock fund	(81,870)	365	(29,882,550)
			18,059,779,885
			÷ 365
Weighted-average number of shares outstanding			49,478,849

	2008		
	Number of shares outstanding	Days	Accumulated number of shares outstanding
Number of issued shares	51,000,000	366	18,666,000,000
Purchased shares of treasury stock	(161,646)	366	(59,162,436)
Additional purchase of treasury stock	(80,000)	314	(25,120,000)
Additional purchase of treasury stock	(80,000)	311	(24,880,000)
Additional purchase of treasury stock	(30,000)	310	(9,300,000)
Additional purchase of treasury stock	(9,739)	309	(3,009,351)
Additional purchase of treasury stock	(30,000)	308	(9,240,000)
Additional purchase of treasury stock	(20,261)	307	(6,220,127)
Shares granted to executives under share-based compensation	56,405	295	16,639,475
Additional purchase of treasury stock	(100,000)	195	(19,500,000)
Additional purchase of treasury stock	(50,000)	192	(9,600,000)
Additional purchase of treasury stock	(50,000)	191	(9,550,000)
Additional purchase of treasury stock	(50,000)	190	(9,500,000)
Shares on treasury stock fund	(915,910)	366	(335,223,060)
			18,162,334,501
			÷ 366
Weighted-average number of shares outstanding			49,623,865

25. Dividends

The 2008 dividends were approved by the stockholders at the ordinary stockholders' meeting held on March 20, 2009 and the 2009 dividends will be proposed for the stockholders' approval at the annual ordinary stockholders' meeting to be held on March 19, 2010.

Details of dividends declared for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Dividend per share (A)	₩ 1,000 (20%)	₩ 500 (10%)
Number of shares (B) (*)	49,478,849 shares	49,478,849 shares
Dividends (A x B)	₩ 49,478,849,000	₩ 24,739,424,500

(*) Treasury stocks (including treasury stock fund) as of December 31, 2009 and 2008 are deducted

The dividend payout ratio for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Dividends (A)	₩ 49,478,849,000	₩ 24,739,424,500
Net income (B)	382,800,689,798	381,553,875,670
Dividend payout ratio (A/B)	12.93%	6.48%

The dividend yield ratio for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Dividend per share (A)	₩ 1,000	₩ 500
Market value per share at statement of financial position date (B)	108,500	58,000
Dividend yield ratio (A/B)	0.92%	0.86%

26. Supplementary cash flow information

Significant transactions not involving cash flows for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009	2008
Transfer of long-term investments securities to current portion	₩ -	₩ 4,134
Transfer of debentures and long-term borrowings to current portion	50,000	1,327
Transfer of construction in-progress to other property, plant and equipment	7,174	28,347
Transfer of land held for development to land	49,086	95,606
Transfer of short-term loans and receivables from construction contracts to land held for development	43,178	-
Transfer of long-term loans to current portion	206,246	52,428
Transfer of receivables from construction contracts to real estate investments	92,071	116,176
Transfer of advance payments to land and loans	24	172,228
Repayment of borrowings with land (included in real estate investments)	49,086	-
Reclassification of equity method investments	35,023	-

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

27. Insured assets

Details of insured inventories and property, plant and equipment as of December 31, 2009 are as follows (Korean won in millions):

Description	Insured assets	Insurance company	Insurance amount
Fire insurance and others	Buildings and others	LIG Insurance Co., Ltd.	₩ 832,238

In addition, vehicles of the Company are insured with automobile third party liability insurance and comprehensive insurance by LIG Insurance Co., Ltd. and other insurance companies.

28. Commitments and contingencies

(1) As of December 31, 2009, Korea Construction Financial Corporation, other construction companies and others have provided guarantees amounting to ₩12,386,325 million on behalf of the Company, for its construction performance, housing construction and sales performance and construction warranty. Also, as of December 31, 2009, the Company has provided guarantees amounting to ₩6,538,999 million for other construction companies.

(2) As of December 31, 2009, the Company has provided guarantees for construction performance amounting to ₩726,176 million. Also, the Export-Import Bank of Korea and others have guaranteed the performance of the Company's overseas construction projects. As of December 31, 2009, the outstanding guarantees amounted to ₩3,672,638.

(3) In relation to housing loans and temporary relocation cost for future tenants during the construction period, the Company has provided guarantees amounting to ₩3,069,341 million to financial institutions as of December 31, 2009. In addition, in relation to reconstruction, the Company has provided reconstruction project cooperative with loans amounting to ₩385,845 million and payment guarantees amounting to ₩387,206 million as of December 31, 2009.

(4) As of December 31, 2009, the Company has provided payment guarantees amounting to ₩285,483 million for a company incorporated in accordance with the Private Investment Law for social overhead capital and the Company's investment securities amounting to ₩454,632 million in book value are pledged as collateral.

(5) As of December 31, 2009, the company has provided payment guarantees amounting to ₩3,091,348 million to financial institutions for project owners.

(6) In relation to the securitized borrowings, the Company has provided payment guarantees amounting to ₩109,800 million to Hana The Dream First Ltd. and other parties.

(7) As of December 31, 2009, the Company has pledged 23 blank notes and checks amounting to ₩705,299 million in face value and certain assets amounting to ₩61,700 million in book value to several banks and financial institutions as collateral for construction contract guarantees.

(8) The Company has been named as a defendant and a plaintiff in a number of legal claims in the normal course of business. As of December 31, 2009, the aggregate amount of these claims as a plaintiff and as a defendant amounted to ₩25,725 million (8 cases) and ₩74,427 million (64 cases), respectively. As of December 31, 2009, the ultimate outcome of these legal claims cannot be presently determined. In addition, the Company has made a provision for liability for claims that has met the criteria for provisioning where the Company has lost its first and second trials in the court that were ruled in favor of the defendants.

(9) Trade accounts receivable sold to financial institutions under factoring arrangements with recourse guarantee, which are still outstanding as of December 31, 2009, amounted to ₩210,368 million, and the Company is liable to the non-recoverability of these factored receivables after the reporting date.

29. Derivative financial instruments

Purpose, nature of risks and the Company's strategy

(1) Currency forward

The contract is entered into to hedge foreign exchange risk of the Company's construction revenue. The Company is exposed to foreign currency risk of construction accounts receivable and construction accounts payable denominated in foreign currency. The Company hedges the risk through currency forward contracts.

(2) Currency swap

The contract is entered into to hedge foreign exchange risk and interest rate risk of debentures with floating interest rate denominated in foreign currency. The Company is exposed to floating interest rate risk and foreign exchange risk of its debentures denominated in foreign currency. The Company hedges these risks through currency swap contracts.

(3) Foreign exchange risk insurance

The contract is entered into to hedge foreign exchange risk of the Company's construction revenue. The Company is exposed to foreign currency risk of construction accounts receivable denominated in foreign currency and the risk consequently causes fluctuations in cost ratio estimated for bidding. The Company hedges the risk through foreign exchange risk insurance.

Early termination and settlement

(1) Currency forward and currency swap

Early termination is allowed for currency forward and currency swap without early termination fees through early settlement with the counterparties using the interest rate or currency rate at the date of early settlement through net or gross settlement.

(2) Foreign exchange risk insurance

Early termination is allowed without early termination fees only if the causes of termination agree with the terms of contract with the counterparty settlement.

120

121

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

Measurement method and relevant accounting treatment

(1) Measurement method

Currency forwards, currency swaps, and foreign exchange risk insurance hedge instruments are measured using relevant interest rates and currency rates based on the Company's in-house derivative valuation system and process. Fair-value hedge and cash-flow hedge accounting are applied to currency forwards and foreign exchange risk insurance contracts.

(2) Relevant accounting treatment

The Company recognized ₩52,329 million and ₩25,015 million as gain and loss on derivatives transactions in statement of income, respectively, for the year ended December 31, 2009. The Company also recognized ₩72,044 million and ₩58,715 million as gain and loss on valuation of derivatives, respectively, for the year ended December 31, 2009 in the statement of income. The Company recognized ₩46,128 million and ₩97,950 million as gain and loss on valuation of firm commitments as of December 31, 2009, respectively.

The outstanding currency forward contracts as of December 31, 2009, are summarized as follows (Korean won in millions, foreign currencies in thousands):

Long position		Short position		Number of contracts	Forward rate
Currency unit	Amount	Currency unit	Amount		
EUR	137	SGD	285	1	2.0754
EUR	483,614	USD	697,490	37	1.3680~1.5010
GBP	1,133	USD	1,867	2	1.6363~1.6539
JPY	111,854	KRW	1,443	2	12.79~13.12
JPY	2,252,601	SGD	35,456	2	63.40~63.70
JPY	24,966,169	USD	271,655	36	86.94~104.36
KRW	12,454	JPY	1,044,083	2	11.21~13.06
KRW	48,579	SGD	56,900	4	834.50~865.24
KRW	2,298,596	USD	1,944,231	56	924.00~1,276.10
USD	8,085	EUR	5,603	35	1.3900~1.5020
USD	21,407	JPY	2,100,488	4	89.57~100.60
USD	263,161	KRW	316,677	14	1,158.80~1,338.02
VND	682,410,405	USD	36,841	28	17,972~19,894

The outstanding currency swap contracts as of December 31, 2009, are summarized as follows (foreign currencies in thousands):

Date of contract	Maturity date	Contract unit	Notional Amount	Contracted exchange rate	Receiving interest rate	Payment interest rate
January 31, 2008	January 31, 2011	USD	300,000	942.90	USD 6M LIBOR +1.10%	5.426%

The outstanding foreign exchange risk insurance contracts with Korea Export Insurance Corporation as of December 31, 2009 are as follows (U.S. dollars in thousands, except for exchange rate):

Counter party	Contract amount	Contracted exchange rate (KRW/foreign currency 1unit)	Date of contract	Maturity date
Korea Export Insurance Corporation	USD 2,325	922.90-922.65	2006-12-15	2010-03-31
Korea Export Insurance Corporation	USD 265,096	913.50-907.80	2007-08-14	2011-10-31
Korea Export Insurance Corporation	USD 170,800	917.30-917.60	2007-10-31	2011-07-31
Korea Export Insurance Corporation	USD 131,977	929.20-923.20	2007-08-31	2011-07-31
Korea Export Insurance Corporation	JPY 448,317	8.4620-8.5220	2007-08-06	2010-04-30
Total	USD 570,198			
	JPY 448,317			

Details of valuation of derivative instruments as of December 31, 2009 and 2008 are as follows (Korean won in millions):

		2009							
Hedge instrument		Fair value		Current year valuation gain and loss			Accumulated other comprehensive income (*)		
		Derivative assets	Derivative liabilities	Gain	Loss	Total	Gain	Loss	Total
Derivatives	Currency forward	₩ 45,768	₩ 67,718	₩ 35,967	₩ 31,348	₩ 4,619	₩ 35,034	₩ 53,132	₩ (18,098)
	Foreign exchange risk insurance	-	144,208	36,077	105	35,972	-	9,772	(9,772)
	Currency swap	61,283	-	-	27,262	(27,262)	-	-	-
	Total	₩ 107,051	₩ 211,926	₩ 72,044	₩ 58,715	₩ 13,329	₩ 35,034	₩ 62,904	₩ (27,870)
Firm commitment	Currency forward	₩ 155,610	₩ 40,213	₩ 41,226	₩ 52,839	₩ (11,613)	₩ -	₩ -	₩ -
	Foreign exchange risk insurance	144,208	-	4,902	45,111	(40,209)	-	-	-
	Total	₩ 299,818	₩ 40,213	₩ 46,128	₩ 97,950	₩ (51,822)	₩ -	₩ -	₩ -

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

		2008							
Hedge instrument		Fair value		Current gain and loss			Accumulated other comprehensive income (*)		
		Derivative assets	Derivative liabilities	Gain	Loss	Total	Gain	Loss	Total
Derivatives	Currency forward	₩ 51,928	₩ 172,563	₩ 10,937	₩ 143,898	₩(132,961)	₩ 36,021	₩ 27,900	₩ 8,121
	Foreign exchange risk insurance	-	292,755	-	290,446	(290,446)	-	-	-
	Currency option	-	-	140	1,598	(1,458)	-	-	-
	Currency swap	82,578	-	101,577	-	101,577	-	18,999	(18,999)
Firm commitment	Total	₩ 134,506	₩ 465,318	₩ 112,654	₩ 435,942	₩(323,288)	₩ 36,021	₩ 46,899	₩ (10,878)
	Currency forward	₩ 136,748	₩ 3,201	₩ 136,117	₩ 3,044	₩ 133,073	₩ -	₩ -	₩ -
	Foreign exchange risk insurance	294,468	1,685	290,446	-	290,446	-	-	-
	Total	₩ 431,216	₩ 4,886	₩ 426,563	₩ 3,044	₩ 423,519	₩ -	₩ -	₩ -

(*) Before deducting deferred income taxes

30. Employee welfare benefits and contributions to society

The Company lends housing-loans up to ₩40 million per employee subject to the individual employees' service periods as welfare benefits for the employees. The Company records those benefits as long-term loans and the amounts granted to employees as of December 31, 2009 and 2008 amounted to ₩11 million and ₩76 million, respectively.

Contributions to society made by the Company for the years ended December 31, 2009 and 2008 amounted to ₩5,230 million and ₩4,259 million, respectively.

31. Environmental consideration

The Company is committed to the strict observance of the law and maintenance of a cleaner environment. This is achieved by managing the environmental team and their programs at each site, which are dedicated to systematic and effective prohibition of pollution in the air, water and soil.

In an effort to eliminate various kinds of pollutants, the Company draws up certain goals to improve the environment. This includes continuously measuring and evaluating the effects of fuel usage by each process of its construction activities and the level of pollutant emission, noises and vibrations. For water management purposes, discharge of contaminated water within the public area or from wheel washers is kept under control below the industry standard. Other wastes are sorted out by common wastes, recyclable, inflammable, etc. before being processed by outsourced

waste management companies.

Expenditures relating to environmental matters during the years ended December 31, 2009 and 2008 amounted to ₩14,357 million and ₩12,774 million, respectively.

32. Human resource development

Expenditures incurred for the development of specialization in human resources during the years ended December 31, 2009 and 2008 amounted to ₩1,838 million and ₩4,926 million, respectively.

33. Segment information

The Company has six major reportable business segments - architectural work division, civil work division, housing work division, plant work division, environment work division and power work division - with each segment representing a strategic business unit that offers different services.

Division	Main products and services	Major customers
Architecture division	Office building, factory and others	LG Philips LCD Co., Ltd. , AIG Global investment and others
Civil division	Road, railway and others	Korea Water Corporation, Korea rail network authority and others
Housing division	Apartment, high-rise residential building and others	Korea Real Estate Investment Trust Co., Ltd., DSD Samho Co., Ltd. and others
Plant division	Oil refinery equipment and others	Aromatics Oman LLC, Takreer and others
Power division & environment sustainability division	Power plant, district heating and others	Yerevan Thermal Power, Seoul Metropolitan City and others
Others	Rental and others	Unspecified

The following table presents the financial information of the Company by business segments for the years ended December 31, 2009 and 2008 (Korean won in millions):

Division	2009			
	Sales	Operating income (loss)	Property, plant and equipment, and intangible assets	Depreciation and amortization
Architecture division	₩ 1,172,129	₩ 45,591	₩ 272,710	₩ 3,881
Civil division	827,005	12,781	18,492	1,269
Housing division	2,511,114	154,451	309,567	3,655
Plant division	2,325,628	261,959	45,723	6,266
Power division & environment sustainability division	491,332	(31,787)	7,988	1,245
Others	49,717	(11,368)	770,054	11,696
	₩ 7,376,925	₩ 567,925	₩ 1,424,534	₩ 28,012

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
STATEMENTS

Division	2008			
	Sales	Operating income (loss)	Property, plant and equipment, and intangible assets	Depreciation and amortization
Architecture division	₩ 1,264,942	₩ 42,944	₩ 275,954	₩ 4,227
Civil division	651,711	12,781	18,559	1,285
Housing division	2,423,396	154,451	287,758	3,424
Plant division	2,082,618	261,959	48,510	5,285
Power division & environment sustainability division	390,409	20,941	8,500	690
Others	52,772	(14,753)	776,207	15,219
	₩ 6,865,848	₩ 478,323	₩ 1,415,488	₩ 30,130

The following table presents the sales of the Company by geographical segments for the years ended December 31, 2009 and 2008 (Korean won in millions):

	2009	2008
Domestic sales	₩ 5,658,846	₩ 5,303,202
Central Asia	1,275,336	1,269,817
China	2,516	17,620
Others	440,227	275,209
	₩ 7,376,925	₩ 6,865,848

34. Value added information

In accordance with SKAS 21 Preparation and Presentation of Financial Statements, the "value added" items as defined by the standard, which are required to be disclosed by the Company for the years ended December 31, 2009 and 2008, are as follows (Korean won in millions):

	Construction costs		Selling and administrative expenses		Total	
	2009	2008	2009	2008	2009	2008
Labor costs	₩ 284,191	₩ 294,118	₩ 138,721	₩ 127,005	₩ 422,912	₩ 421,123
Severance and retirement benefits	28,287	30,790	13,482	13,279	41,769	44,069
Employee benefits	59,923	56,350	24,309	24,494	84,232	80,844
Rental expense	39,715	31,701	16,825	12,710	56,540	44,411
Depreciation	20,634	23,601	7,048	6,181	27,682	29,782
Amortization	29	-	301	348	330	348
Taxes and dues	35,773	48,274	10,837	7,863	46,610	56,137
	₩ 468,552	₩ 484,834	₩ 211,523	₩ 191,880	₩ 680,075	₩ 676,714

35. Operating results of the final interim period (unaudited)

Summary of operating results (unaudited) for the three months ended December 31, 2009 and 2008 are as follows (Korean won in millions, except per share amounts):

	Unaudited Three months ended December 31,	
	2009	2008
Sales	₩ 1,543,783	₩ 2,052,781
Cost of sales	1,330,258	1,797,414
Gross profit	213,525	255,367
Operating income	93,044	121,030
Net income (loss)	104,271	(21,186)
Earnings (loss) per share	₩ 2,107	₩ (428)

36. Comprehensive income

The details of comprehensive income for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009	2008
Net income	₩ 382,801	₩ 381,554
Other comprehensive income (loss):		
Gain on valuation of available-for-sale securities (Income tax effect : 2009 : ₩(209), 2008 : ₩(60,834))	744	215,714
Loss on valuation of available-for-sale securities (Income tax effect : 2009 : ₩(330), 2008 : ₩(329))	1,172	(1,173)
Credit equity adjustment arising from equity method investments (Income tax effect : 2009 : ₩23,045, 2008 : ₩(66,928))	(81,704)	279,704
Debit equity Capital adjustment arising from equity method investments (Income tax effect : 2009 : - , 2008 : ₩(764))	-	38
Gain (loss) on translation of foreign currency	1,317	(12,037)
Gain on valuation of derivative instruments (Income tax effect : 2009 : ₩218, 2008 : ₩(4,731))	(770)	(13,274)
Loss on valuation of derivative instruments (Income tax effect : 2009 : ₩3,521, 2008 : ₩(10,318))	(12,484)	(21,387)
Asset revaluation surplus (Income tax effect : 2009 : ₩132, 2008 : ₩(67,153))	(470)	238,089
	(92,195)	685,674
Comprehensive income	₩ 290,606	₩ 1,067,228

126

127

01

02

03

04

05

06

07

08

09

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

INTERNAL CONTROL OVER FINANCIAL REPORTING REVIEW REPORT

FINANCIAL
STATEMENTS



ERNST & YOUNG HANYOUNG

Taeyoung Bldg., 10-2, Yeouido-dong,
Yeongdeungpo-gu, Seoul 150-777 Korea

Tel: +82 2 3787 6600 Fax: +82 2 783 5890
www.ey.com/kr

The Chief Executive Officer GS Engineering & Construction Corporation

We have reviewed the accompanying management's report on the operations of the internal control over financial reporting ("ICFR") of GS Engineering & Construction Corporation (the "Company") as of December 31, 2009. The Company's management is responsible for the design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review management's ICFR report and issue a report based on our review. Management's report on the operations of the ICFR of the Company states that "Based on the assessment of the operations of the ICFR, the Company's ICFR has been effectively designed and has operated as of December 31, 2009, in all material respects, in accordance with the ICFR standard."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of management's report on the operations of the ICFR, nothing has come to our attention that causes us to believe that management's report referred to above is not presented fairly, in all material respects, in accordance with the ICFR standards.

We conducted our review of the ICFR in place as of December 31, 2009, and we did not review the ICFR subsequent to December 31, 2009. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

February 18, 2010

This report is annexed in relation to the audit of the financial statements as of December 31, 2009 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

REPORT ON THE OPERATIONS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING



ERNST & YOUNG HANYOUNG

Taeyoung Bldg., 10-2, Yeouido-dong,
Yeongdeungpo-gu, Seoul 150-777 Korea

Tel: +82 2 3787 6600 Fax: +82 2 783 5890
www.ey.com/kr

The Board of Directors and internal auditor (Audit Committee) of GS Engineering & Construction

I, as the internal control over financial reporting officer("ICFR Officer") of GS Engineering & Construction Corporation("the Company"), assessed the status of the design and operations of the Company's internal control over financial reporting("ICFR") for the year ended December 31, 2009.

The Company's management including the ICFR Officer is responsible for the design and operations of its ICFR, I, as the ICFR Officer, assessed whether the ICFR has been effectively designed and has operated to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes. I, as the ICFR Officer, applied the ICFR standards for the assessment of design and operations of the ICFR.

Based on the assessment of the operations of the ICFR, the Company's ICFR has been effectively designed and has operated as of December 31, 2009, in all material respects, in accordance with the ICFR standard(name of other standard, if used).

February 18, 2010

Myung-Soo Huh

Chief Executive Officer or President

Jae -Seung Doe

Internal Control over Financial Reporting Officer