

# FINANCIAL STATEMENTS

| Non-Consolidated Financial Statements

| Years ended December 31, 2010 and 2009 with independent auditors' report

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# Independent auditors' report



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### 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, 2010 and 2009, 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, 2010 and 2009, and the non-consolidated results of its financial performance, 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 financial performance, 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 22, 2011

A handwritten signature in black ink that reads 'Ernst &amp; Young Han Young'.

This audit report is effective as of February 22, 2011, 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

For the years ended December 31, 2010 and 2009

| Korean won in millions |

	2010		2009	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Notes 2 and 14)	₩	1,377,047	₩	1,444,743
Short-term financial instruments (Notes 2 and 4)		24,970		22,390
Trading securities (Note 5)		340,308		-
Trade accounts and notes receivable, less allowance for doubtful accounts of ₩137,953 in 2010 (₩106,538 in 2009) (Notes 14, 17 and 23)		2,963,209		2,429,475
Short-term loans receivable, less allowance for doubtful accounts of ₩96,145 in 2010 (₩66,184 in 2009) (Note 14)		371,906		375,853
Pre-contract costs		282,954		265,424
Other accounts receivable, less allowance for doubtful accounts of ₩7,529 in 2010 (₩5,542 in 2009) (Notes 14 and 17)		341,496		254,453
Inventories (Notes 2, 6 and 11)		290,019		428,986
Accrued income, less allowance for doubtful accounts of ₩12,581 in 2010 (₩12,188 in 2009)		26,958		25,313
Advance payments, less allowance for doubtful accounts of ₩6,649 in 2010 (₩6,100 in 2009)		257,271		186,965
Prepaid expenses		35,916		49,204
Derivative assets (Note 30)		70,208		107,051
Firm commitment assets (Note 30)		169,614		299,818
Deferred income tax assets (Note 24)		-		4,513
Total current assets		6,551,876		5,894,188
Non-current assets:				
Long-term financial instruments (Notes 2 and 4)		26		26
Long-term investment securities (Note 7)		203,400		600,528
Equity method investments (Notes 2 and 8)		654,109		604,647
Real estate investments		35,720		48,699
Long-term loans receivable, less allowance for doubtful accounts of ₩143,586 in 2010 (₩118,421 in 2009) (Note 14)		288,575		251,730
Long-term guarantee deposits, net (Note 17)		152,573		121,903
Property, plant and equipment, net (Notes 9, 10, 11, 28 and 34)		1,449,433		1,421,696
Intangible assets, net (Notes 12 and 34)		2,511		2,838
Total non-current assets		2,786,347		3,052,067
Total assets	₩	9,338,223	₩	8,946,255

(Continued)  
See accompanying notes.

I Korean won in millions I

	2010	2009
<b>Liabilities and equity</b>		
Current liabilities:		
Trade accounts and notes payable (Notes 14, 16 and 17)	₩ 3,082,072	₩ 3,102,733
Short-term borrowings (Notes 13 and 14)	493,897	200,240
Other accounts payable (Notes 14 and 17)	53,683	70,233
Other advances received	221,005	192,934
Withholdings (Note 14)	106,162	124,116
Guarantee deposits received	7,303	7,132
Accrued expenses	123,718	29,489
Income taxes payable (Note 24)	120,060	59,804
Dividends payable	17	18
Current portion of debentures, less discount of ₩445 in 2010 (₩95 in 2009) (Note 13)	161,255	149,905
Derivative liabilities (Note 30)	155,969	211,926
Firm commitment liabilities (Note 30)	27,670	40,212
Unearned revenue	5,160	5,398
Deferred income tax liabilities (Note 24)	29,530	-
Total current liabilities	4,587,501	4,194,140
Non-current liabilities:		
Debentures, less discount of ₩1,081 in 2010 (₩1,619 in 2009) (Notes 13 and 14)	298,919	610,361
Long-term borrowings (Note 13)	11,940	11,940
Severance and retirement benefits	45,519	46,013
Leasehold guarantee deposits received (Note 17)	134,693	135,410
Membership guarantee deposits received (Note 17)	305,731	339,792
Provision for construction losses (Notes 2 and 23)	94,656	15,822
Provision for construction warranty (Note 2)	96,211	62,018
Deferred income tax liabilities (Note 24)	25,904	104,679
Other deposits withholdings	1,777	243
Other provisions (Note 15)	149,587	126,826
Total non-current liabilities	1,164,937	1,453,104
Total liabilities	5,752,438	5,647,244
Equity:		
Capital stock (Note 18)	255,000	255,000
Capital surplus (Note 20)	239,635	239,268
Equity adjustments (Notes 19 and 20)	(87,026)	(86,233)
Accumulated other comprehensive income (Notes 7, 10, 22, 24, 30 and 37)	679,634	750,226
Retained earnings (Note 21)	2,498,542	2,140,750
Total equity	3,585,785	3,299,011
Total liabilities and equity	₩ 9,338,223	₩ 8,946,255

See accompanying notes.

# Non-consolidated statements of income

As of December 31, 2010 and 2009

I Korean won in millions, except per share amounts I

	2010		2009	
Revenues (Notes 17, 23 and 34)				
Construction operations	₩	7,574,152	₩	7,061,206
Housing construction and sales operations		236,555		256,797
Other operations		82,056		58,922
		7,892,763		7,376,925
Cost of sales (Notes 17 and 23)				
Construction operations		6,606,322		6,128,699
Housing construction and sales operations		196,315		221,539
Other operations		79,593		71,742
		6,882,230		6,421,980
Gross profit		1,010,533		954,945
Selling and administrative expenses		489,846		387,019
Operating income (Note 34)		520,687		567,926
Other income (expenses):				
Interest income		50,479		71,671
Interest expense (Note 11)		(60,425)		(56,862)
Dividend income		454		873
Gain (loss) on foreign currency transactions, net		23,452		(61,846)
Gain (loss) on foreign currency translation, net (Note 14)		4,907		(7,773)
Equity in earnings of equity method investments, net (Note 8)		29,095		21,925
Gain (loss) on disposal of equity method investments, net		(2,656)		10,291
Gain on disposal of long-term investment securities		9,128		51,501
Loss on disposal of long-term investment securities		(1,546)		-
Gain on disposal of real estate investments		16		-
Loss on disposal of real estate investments		(1,173)		(2,319)
Impairment loss on long-term investment securities		(13,700)		-
Reversal of impairment loss on long-term investment securities		13,040		3,756
Gain (loss) on disposal of property, plant and equipment, net		1,825		(9,711)
Gain on settlement of derivative instruments, net (Note 30)		11,964		27,314
Gain on valuation of derivative instruments, net (Note 30)		33,321		13,329
Loss on valuation of firm commitment, net (Note 30)		(60,820)		(51,822)
Donations (Note 31)		(3,240)		(5,230)
Others, net		(29,604)		(64,822)
		4,517		(59,725)
Income before income taxes		525,204		508,201
Provision for income taxes (Note 24)		117,933		125,400
Net income	₩	407,271	₩	382,801
Basic earnings per share (Notes 2 and 25)	₩	8,231	₩	7,737

See accompanying notes.

# Non-consolidated statements of appropriations of retained earnings

For the years ended December 31, 2010 and 2009

I Korean won in millions I

	2010	2009
<b>Retained earnings before appropriations:</b>		
Unappropriated retained earnings carried forward from the prior year	₩ 930	₩ 1,275
Net income	407,271	382,801
	408,201	384,076
<b>Transfer from other reserves:</b>		
Research and human resources development reserve (Note 21)	3,333	3,333
<b>Appropriations (2010-proposed):</b>		
Legal reserve (Note 21)	5,000	5,000
Business rationalization reserve (Note 21)	90,000	90,000
Financial structure improvement reserve (Note 21)	65,000	65,000
Research and human resources development reserve (Note 21)	90,000	90,000
Other reserves (Note 21)	110,000	87,000
Cash dividends (Note 26)	49,479	49,479
	409,479	386,479
<b>Unappropriated retained earnings to be carried forward to the next year</b>	₩ 2,055	₩ 930

See accompanying notes.

# Statements of changes in equity

For the years ended December 31, 2010 and 2009

| Korean won in millions |

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

(Continued)  
See accompanying notes.

I Korean won in millions I

	Capital stock	Capital surplus	Equity adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2010	₩ 255,000	₩ 239,268	₩ (86,233)	₩ 750,226	₩2,140,750	<b>₩3,299,011</b>
Dividends	-	-	-	-	(49,479)	<b>(49,479)</b>
Repurchase of treasury stock	-	-	-	-	-	-
Disposal of treasury stock	-	367	(450)	-	-	<b>(83)</b>
Changes in capital surplus in equity method	-	-	-	-	-	-
Changes in debit capital adjustments in equity method	-	-	(343)	-	-	<b>(343)</b>
Gain on valuation of available-for-sale securities	-	-	-	(38,604)	-	<b>(38,604)</b>
Loss on valuation of available-for-sale securities	-	-	-	(5,548)	-	<b>(5,548)</b>
Foreign currency translation adjustments	-	-	-	(9,487)	-	<b>(9,487)</b>
Gain on valuation of derivatives instruments	-	-	-	1,532	-	<b>1,532</b>
Loss on valuation of derivatives instruments	-	-	-	(11,713)	-	<b>(11,713)</b>
Changes in equity adjustment in equity method	-	-	-	(3,554)	-	<b>(3,554)</b>
Asset revaluation surplus	-	-	-	(3,218)	-	<b>(3,218)</b>
Net income	-	-	-	-	407,271	<b>407,271</b>
As of December 31, 2010	₩ 255,000	₩ 239,635	₩ (87,026)	₩ 679,634	₩2,498,542	<b>₩3,585,785</b>

See accompanying notes.

# Non-consolidated statements of cash flows

For the years ended December 31, 2010 and 2009

I Korean won in millions I

	2010		2009	
<b>Cash flows from operating activities:</b>				
Net income	₩	407,271	₩	382,801
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for severance and retirement benefits		43,732		41,769
Depreciation of property, plant and equipment		27,422		27,682
Bad debt expense		31,441		2,338
Provision for construction warranty		70,221		8,540
Reversal for construction warranty		(10,871)		(2,710)
Provision for construction losses		97,742		19,247
Reversal for construction losses		(18,908)		(9,788)
Amortization of intangible assets		327		330
Gain on disposal of long-term investment securities, net		(6,922)		(51,501)
Loss (gain) on disposal of property, plant and equipment, net		(1,825)		9,711
Loss (gain) on foreign currency translation, net		(11,360)		320
Equity in earnings of equity method investments, net		(29,095)		(21,924)
Loss (gain) on disposal of equity method investments, net		2,656		(10,291)
Gain on valuation of derivative instruments, net		(33,321)		(13,329)
Loss on valuation of firm commitment, net		60,820		51,822
Amortization of foreign currency translation adjustments, net		(5,518)		2,679
Others, net		81,825		108,705
Changes in operating assets and liabilities:				
Trade accounts and notes receivable		(589,778)		(331,660)
Pre-contract costs		(17,989)		(64,975)
Other accounts receivable		(89,287)		(82,040)
Accrued income		(2,866)		(20,861)
Inventories		138,935		28,828
Advance payments		(130,618)		(23,287)
Prepaid expenses		13,229		(15,129)
Derivative assets		127,094		98,511
Derivative liabilities		(125,940)		(328,113)
Trade accounts and notes payable		(17,529)		555,326
Accrued expenses		101,082		(9,303)
Income taxes payable		85,533		(138,655)
Payment of severance and retirement benefits		(45,084)		(48,698)
Provision for construction warranty		(25,159)		(14,417)
Others, net		75,194		398,725
Total adjustments		(204,817)		167,852
Net cash provided by operating activities	₩	202,454	₩	550,653

See accompanying notes.

I Korean won in millions I

	2010		2009	
<b>Cash flows from investing activities:</b>				
Decrease (increase) in short-term financial instruments, net	₩	(2,582)	₩	27,344
Proceeds from disposal of long-term investment securities		41,920		82,486
Proceeds from disposal of equity method investments		20,965		58,559
Decrease (increase) in short-term loans receivable, net		3,804		(54,828)
Increase in long-term loans receivable, net		(97,426)		(120,509)
Payment of long-term guarantee deposits		(92,668)		(69,489)
Proceeds from guarantee deposits		62,000		46,641
Acquisition of long-term investment securities		(33,693)		(69,106)
Acquisition of equity method investments		(40,381)		(8,943)
Acquisition of real estate investments		(2,040)		-
Proceeds from disposal of real estate investments		-		6,453
Proceeds from disposal of property, plant and equipment		12,500		8,411
Acquisition of property, plant and equipment		(70,075)		(18,085)
Net cash used in investing activities		(197,676)		(111,066)
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of debentures		198,997		298,906
Decrease (increase) in membership guarantee deposits received, net		(34,062)		3,634
Proceeds from short-term borrowings		862,679		754,368
Repayment of short-term borrowings		(550,332)		(774,008)
Redemption of current portion of debentures		(500,280)		(12,670)
Payment of dividends to stockholders		(49,476)		(24,743)
Net cash provided by (used in) financing activities		(72,474)		245,487
<b>Net increase (decrease) in cash and cash equivalents</b>		(67,696)		685,074
<b>Cash and cash equivalents at the beginning of the year</b>		1,444,743		759,669
<b>Cash and cash equivalents at the end of the year</b>	₩	1,377,047	₩	1,444,743

See accompanying notes.

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

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## 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, 2010, the Company maintains overseas business operations in United Arab Emirates, Oman, Canada, China, Singapore and other countries.

As of December 31, 2010, the capital stock of the Company amounts to ₩255,000 million subsequent to several paid-in capital increases 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, 2010 were approved by the Board of Directors on February 22, 2011.

## 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

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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 trading 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.

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

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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 end of the reporting period. 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 end of the reporting period 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.

In translating the financial statements of foreign investees into Korean won, assets and liabilities are translated at the exchange rate at the end of the reporting period and income expenses are translated at the weighted-average-exchange rate for the period. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

## 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:

	<b>Years</b>
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.

### **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 20 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.

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

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## 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 eight 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 ₩45,084 million and ₩48,698 million during the years ended December 31, 2010 and 2009, 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 at the end of the reporting period. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations. Non-monetary items that are re-measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

## 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,

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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.

### 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.

### Accounting estimates

The preparation of financial statements in accordance with Korean GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Notes to the non-consolidated financial statements

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

### Preparation plan and status for first-time 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. Since March 2007, the Company began making preparation for K-IFRS first-time adoption and has accordingly, 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 started the reconfiguration of its accounting information system based on K-IFRS in September 2009 and completed this reconfiguration in December 2010.

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
<b>Primary financial statements</b>	- Non-consolidated financial statements	-Consolidated financial statements
<b>Presentation of financial statements</b>	- Statement of financial position, statements of income, statements of appropriations of retained earnings, statements of changes in equity, statements of cash flows and notes to financial statements.	-Statements of financial position, statements of comprehensive income, statements of cash flows, statements of changes in equity and notes to financial statements.
<b>Scope of consolidated subsidiaries</b>	- In accordance with Law on External Audit for Joint Stock Company, a subsidiary is excluded from being consolidated in the parent’s financial statements, 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.
<b>Revenue recognition of housing construction and sales operations</b>	- Revenue recognition by percentage-of-completion method	-Revenue recognition by delivery basis
<b>Retirement benefits liability</b>	- 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)
<b>Accumulated paid absences and bonuses</b>	- Recognized as expense when obligation of cash payment is determined.	-Recognized as expense when employees’ services have been rendered

### Change in subsidiaries to be consolidated

The Company has the responsibility to prepare future consolidated financial statement based on K-IFRS as discussed above. As such, as of December 31, 2010, the Company is yet to determine the scope of change in subsidiaries to be consolidated.

### Information regarding the effect of first-time adoption of K-IFRS on the financial position and performance of the Company

As of December 31, 2010, the Company is yet to state the full effect of first-time adoption of K-IFRS to the Company financial position and performance, as several accounting treatments for adoption have not been determined.

## 4. Restricted deposits

Restricted deposits as of December 31, 2010 and 2009 consist of the following (Korean won in millions):

	Financial institution	2010	2009	Description
Short-term financial instruments	Shinhan Bank and others	₩ 24,970	₩ 22,390	Collateral
Long-term financial instruments	Shinhan Bank and others	26	26	Bank overdraft facilities
		₩ 24,996	₩ 22,416	

## 5. Trading securities

Trading securities as of December 31, 2010 consist of the following (Korean won in millions):

	Number of shares	Ownership (%)	Acquisition	Fair value	Book value	Unrealized holding gain
Seoul Highway Co., Ltd.	24,840,000	27.00%	₩ 124,200	₩ 340,308	₩ 340,308	₩ 216,108

The Company is in the process of selling its shares in Seoul Highway Co., Ltd. with KB Co., Ltd. as a sell-side adviser. These shares are recorded at fair value using the sales price proposed by the potential buyer. The final sales price is subject to change upon negotiation with the buyer.

(\*) Although the Company's ownership of Seoul Highway Co., Ltd. exceeds 20%, the Company classified these securities as trading securities as the Company is not able to exercise significant influence on the investees.

## 6. Inventories

Inventories as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010	2009
Completed apartments	₩ 3,198	₩ -
Completed commercial industrial buildings	11,104	-
Uncompleted apartments and commercial industrial buildings	149,055	245,259
Land held for development	80,209	80,209
Raw materials and supplies	36,334	96,577
Materials-in-transit	49	47
Other	10,070	6,894
	₩ 290,019	₩ 428,986

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

## 7. Long-term investments securities

Details of long-term investments securities as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010		2009	
Available-for-sale equity securities	₩	195,639	₩	580,280
Available-for-sale debt securities		7,762		20,247
	₩	203,401	₩	600,527

Available-for-sale equity securities as of December 31, 2010 and 2009 consist of the following (Korean won in millions):

	2010							Impairment loss	
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Up to 2009	2010	
<Non-marketable securities>									
The Korea Economic Daily	646	0.00%	₩ 14	(*)	₩ 14	₩ -	₩ -	₩ -	
Pusan Travel & Development Co., Ltd.	80,000	2.67%	400	(#)	-	-	(400)	-	
Uijeongbu LRT Inc. (**)	5,449,275	35.89%	27,246	(*)	27,246	-	-	-	
Kangnam Inter Circular Road Co., Ltd. (**)	414,000	2.05%	2,070	(*)	2,070	-	-	-	
Y-S highway Co., Ltd.	51,000	10.00%	255	(*)	255	-	-	-	
GS Retail Co., Ltd.	270,106	1.75%	15,420	27,479	27,479	16,098	(4,039)	-	
Public Development Co., Ltd.	394,655	17.09%	3,947	4,258	4,258	311	-	-	
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. (**)	194,288	8.14%	971	(*)	971	-	-	-	
Youngduk&Bio Co., Ltd. (**)	34,870	4.22%	174	(*)	174	-	-	-	
M-Ciety Development Co., Ltd.	448,800	4.33%	2,244	(*)	2,244	-	-	-	
M-Cieta Co., Ltd.	2,640	4.40%	13	(*)	13	-	-	-	
Corona Development Co., Ltd.	653,600	7.60%	3,268	1,107	1,107	(2,161)	-	-	
Metro Corona Co., Ltd.	5,952	9.92%	30	(*)	30	-	-	-	
Midan City Development Co., Ltd. (**)	1,809,760	12.60%	9,049	7,938	7,938	(1,111)	-	-	
Jei Youngdong Highway Co., Ltd.	809,600	16.00%	4,048	3,463	3,463	(585)	-	-	
Eumseong Sewage Pipe Co., Ltd. (**)	67,210	6.30%	336	(*)	336	-	-	-	
Kangreung Sewage Pipe Co., Ltd. (**)	50,682	3.30%	253	(*)	253	-	-	-	
Gaya Railway Co., Ltd. (**)	305,490	4.73%	1,527	(*)	1,527	-	-	-	
Ulsan green Co., Ltd. (**)	701,368	21.05%	3,507	(*)	3,507	-	-	-	
MILESEUM Co., Ltd.	86,645	1.63%	433	(*)	433	-	-	-	
Dream Hub Project Financial Investment Co., Ltd.	4,000,000	2.00%	20,000	19,200	19,200	(800)	-	-	
Alpha Dome City Co., Ltd.	3,933,600	4.32%	19,668	17,587	17,587	(2,081)	-	-	
Alpha Dome City Asset Management Co., Ltd.	4,000	4.00%	20	(*)	20	-	-	-	
Seoul Northern Highway Co., Ltd.	101,376	14.08%	507	(*)	507	-	-	-	
Seoul-Munsan Highway Co., Ltd.	250,632	45.50%	1,253	(*)	1,253	-	-	-	
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	-	-	-	

	2010						Impairment loss	
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Up to 2009	2010
Alpharos PFV Co., Ltd.	2,299,200	9.58%	₩ 11,496	11,121	₩ 11,121	₩ (375)	₩ -	₩ -
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.	184,960	54.40%	925	(*)	925	-	-	-
FN New Housing CR-REIT 2	879,874	19.47%	28,195	(#)	14,495	-	-	(13,700)
Gyeonggi Highway Co., Ltd.	295,240	11.20%	1,476	(*)	1,476	-	-	-
New Seoul Railroad Co., Ltd.	200	10.00%	1	(*)	1	-	-	-
Yangju Eco Corporation	1,900	19.00%	10	(*)	10	-	-	-
South-Seoul LRT Co., Ltd.	1,370	13.70%	7	(*)	7	-	-	-
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	12,244	12,244	152	-	-
Information & Communication								
Financial Cooperative	440	0.06%	61	(*)	61	-	-	-
Fire Guarantee	40	0.02%	20	(*)	20	-	-	-
Korea Housing Guarantee Co., Ltd.	1,038,490	0.16%	21,532	13,040	13,040	-	(21,532)	13,040
Type stock fund			14,787	(*)	10,227	(4,560)	-	-
Treasury Stock Fund			1,500	(*)	7,871	78	-	-
Less: treasury stock			-	(*)	(7,769)	-	-	-
Subtotal			1,500	(*)	102	78	-	-
Others			2,444	(#)	-	-	(2,444)	-
			₩ 221,224		₩ 195,639	₩ 4,966	₩(28,415)	₩ (660)

(\*) 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 tunnels or roads as of December 31, 2010 and 2009.

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

Although the Company's ownership of 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 classifies these securities as available-for-sale securities as the Company is not able to exercise significant influence on the investees.

As of December, 31 2010, the Company is in the process of disposing shares of Seoul Highway Co., Ltd. and these shares were reclassified to trading securities because of high likelihood of the disposal within 2011.

# Notes to the non-consolidated financial statements

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	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	-	-	-
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	-	-	-

	2009						Impairment loss	
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Up to 2008	2009
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 Electric Construction Financial Cooperative	200	0.16%	20	(*)	20	-	-	-
Construction Guarantee Information & Communication Financial Cooperative	600	0.02%	98	(*)	98	-	-	-
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	12	-	-
Less: treasury stock			-	(*)	(7,320)	-	-	-
Subtotal			1,500	(*)	15	12	-	-
Others			2,444	(#)	-	-	(2,444)	-
			₩ 332,590		₩ 580,280	₩ 277,602	₩(28,415)	₩ -

Available-for-sales debt securities as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Maturity	2010			2009		
	Acquisition cost	Recoverable value	Book value	Acquisition cost	Recoverable value	Book value
Later than 1 year but no later than 5 years (Government bonds)	₩ 2,200	₩ 2,200	₩ 2,200	₩ 12,460	₩ 12,460	₩ 12,460
Later than 5 year but no later than 10 years (Government bonds)	362	362	362	2,587	2,587	2,587
No maturity (Others)	5,200	5,200	5,200	5,200	5,200	5,200
	₩ 7,762	₩ 7,762	₩ 7,762	₩ 20,247	₩ 20,247	₩ 20,247

Interest income earned from long-term investment securities amounted to ₩17 million and ₩245 million for the years ended December 31, 2010 and 2009, respectively.

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

## 8. Equity method investments

Investments in equity securities accounted for using the equity method as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010				
	Number of shares	Ownership (%)	Acquisition cost	Proportionate net asset value	Book value
Parnas Hotel Co., Ltd.	6,654,675	67.56%	₩ 85,862	₩ 517,845	₩ 490,257
EzVille Inc.	1,660,000	83.00%	10,715	16,788	16,788
XI Service Co., Ltd.	96,000	100.00%	480	584	584
Estech Estimate Corp.	20,000	100.00%	100	155	155
Sacheon Resort Co., Ltd.	290,000	29.00%	1,450	151	151
GLS Service Co., Ltd.	60,000	100.00%	300	308	308
GS E&C Nanjing	1	100.00%	8,880	20,324	20,332
GS E&C Italy S.R.L.	300,000	100.00%	430	(12)	-
LG Properties (S'pore) Pte. Ltd.	25,944,630	30.00%	18,466	(*)	-
GS E&C Thai Co., Ltd.	19,600	49.00%	50	1,341	1,341
GS E&C Poland SP.ZO.O	100	100.00%	17	31	31
GS E&C India Private Ltd.	19,376,228	100.00%	4,243	303	303
GS Construction Arabia Co., Ltd.	15,680	98.00%	3,195	2,057	2,086
GS Construction Saudi Co., Ltd.	3,000	80.00%	921	615	615
GS Cu Chi Development One-member LLC	1	100.00%	12,402	11,773	11,271
GS Nha Be Development One-member LLC	1	100.00%	38,836	33,770	34,053
GS Saigon Development One-member LLC	1	100.00%	40,762	28,004	24,789
GS PP Development Co., Ltd.	490	49.00%	2	(45,059)	-
GS Cambodia Development Co., Ltd.	1,000	100.00%	987	(13,219)	-
GS Global bio Co., Ltd.	5,000	100.00%	1,319	(1,311)	-
GS O&M Co., Ltd.	100,000	100.00%	500	921	921
GCS Plus Co., Ltd.	60,000	100.00%	300	2,881	2,881
Major Development Co., Ltd.	600,000	40.00%	6,000	(8,507)	-
BSM Co., Ltd.	40,000	100.00%	200	277	277
Sanglak Food Co., Ltd.	38,100	97.69%	400	1,390	1,432
GL Project Financing Vehicle 1 Limited	202,500	42.63%	46,625	(4,447)	45,510
GS E&C Construction Canada Ltd.	100	100.00%	1	24	24
			₩ 282,443	₩ 566,987	₩ 654,109

(\*) 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, 2010, due to the unavailability of its financial statements.

<b>2009</b>					
	Number of shares	Ownership [%]	Acquisition cost	Proportionate 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

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

The summary of financial position of the investees as of December 31, 2010 and 2009, and the results of their financial performance for the years then ended, are presented as follows (Korean won in millions):

	2010 (*)			
	Total assets	Total liabilities	Sales	Net income (loss)
Parnas Hotel Co., Ltd.	₩ 1,157,167	₩ 390,625	₩ 211,509	₩ 24,950
EzVille Inc.	33,553	13,327	102,742	5,197
XI Service Co., Ltd.	2,893	2,310	15,452	2
Estech Estimate Corp.	766	611	4,959	19
Sacheon Resort Co., Ltd.	37,939	37,419	-	(530)
GLS Service Co., Ltd.	550	242	1,838	6
GS E&C Nanjing	42,514	22,190	75,685	6,810
GS E&C Italy S.R.L.	-	12	-	-
GS E&C Thai Co., Ltd.	3,223	485	4,063	(1,045)
GS E&C Poland SP.ZO.O	704	673	1	1
GS E&C India Private Ltd.	5,004	4,702	12,069	(1,223)
GS Construction Arabia Co., Ltd.	35,378	33,278	112,847	1,252
GS Construction Saudi Co., Ltd.	1,048	279	116	(375)
GS Cu Chi Development One-member LLC	44,197	32,424	-	197
GS Nha Be Development One-member LLC	83,549	49,779	-	(395)
GS Saigon Development One-member LLC	306,204	278,201	57,491	6,109
GS PP Development Co., Ltd.	142,416	234,374	-	(4,301)
GS Cambodia Development Co., Ltd.	43,635	56,854	-	(5,691)
GS Global Bio Co., Ltd.	22	1,332	-	(1)
GS O&M Co., Ltd.	2,956	2,035	16,116	126
GCS Plus Co., Ltd.	8,554	5,673	41,763	618
Major Development Co., Ltd.	449,557	470,825	230,492	28,925
BSM Co., Ltd.	1,375	1,098	8,191	43
Sanglak Food Co., Ltd.	6,166	4,743	30,980	866
GL Project Financing Vehicle 1 Limited	560,623	571,604	-	(993)
GS E&C Construction Canada Ltd.	26,918	26,894	7,846	22

(\*) LG Properties (S'pore) Pte. Ltd. has been suspended from being accounted for using the equity method. The Company has is not able to disclose the financial information of this investee in the above table for the year ended December 31, 2010, due to unavailability of their financial statements.

<b>2009</b>				
	<b>Total assets</b>	<b>Total liabilities</b>	<b>Sales</b>	<b>Net income (loss)</b>
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 Co., 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

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):

<b>2010</b>				
	<b>Net asset value before adjustment</b>	<b>Adjustment</b>	<b>Net asset value after adjustment</b>	<b>Proportionate ownership</b>
GL Project Financing Vehicle 1 Limited	₩ (105,754)	₩ 95,322	₩ (10,432)	₩ (4,447)

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

The changes in carrying amount of goodwill (negative goodwill) for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010			
	Jan. 1, 2010	Additions	Amortization	Dec. 31, 2010
Parnas Hotel Co., Ltd.	₩ (9,205)	₩ -	₩ 575	₩ (8,630)
EzVille Inc.	246	-	(246)	-
Sacheon Resort Co., Ltd.	2	-	(2)	-
Metro PFV Co., Ltd.	5,915	-	(5,915)	-
GS Construction (Arabia) Co., Ltd.	5	-	(2)	3
Sanglak Food Co., Ltd.	56	-	(14)	42
GL Project Financing Vehicle 1 Limited	-	49,957	-	49,957
	₩ (2,981)	₩ 49,957	₩ (5,604)	₩ 41,372

  

	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)

The elimination of unrealized gains or (losses) arising from inter-company transactions for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010			
	Jan. 1, 2010	Additions	Realization	Dec. 31, 2010
Parnas Hotel Co., Ltd.	₩ 19,679	₩ -	₩ (721)	₩ 18,958
GS Cu Chi Development One-member LLC	495	7	-	502
GS Saigon Development One-Member LLC	1,677	1,538	-	3,215
GS Nha Be Development One-member LLC	-	(283)	-	(283)
GS E&C Nanjing	-	(8)	-	(8)
GS Construction Arabia Co., Ltd.	-	(26)	-	(26)
	₩ 21,851	₩ 1,228	₩ (721)	₩ 22,358

  

	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

The details of changes in the carrying amount of equity method investments for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010					
	Jan. 1, 2010	Acquisition (disposal / dividends)	Equity in earnings(loss) of investee	Share of changes in		Dec. 31, 2010
				Retained earnings	Other comprehen- sive income	
Parnas Hotel Co., Ltd.	₩ 473,451	₩ (1,331)	₩ 17,832	₩ -	₩ 305	₩ 490,257
EzVille Inc.	12,130	891	3,767	-	-	16,788
XI Service Co., Ltd.	588	-	(4)	-	-	584
Estech Estimate Corp.	137	-	18	-	-	155
Sacheon Resort Co., Ltd.	52	-	99	-	-	151
GLS Service Co., Ltd.	305	-	3	-	-	308
GS E&C Nanjing	20,152	(6,943)	6,789	-	334	20,332
GS-HP Corp.	1,864	(2,226)	227	-	135	-
GS E&C Italy S.R.L.	-	-	58	-	(58)	-
GS E&C Thai Co., Ltd.	1,734	-	(512)	-	119	1,341
GS E&C Poland SP.ZO.O	2,000	(1,786)	59	-	(242)	31
GS E&C India Private Ltd.	1,510	-	(1,223)	-	16	303
GS Construction Arabia Co., Ltd.	917	-	1,206	-	(37)	2,086
GS Construction Saudi Co., Ltd.	-	921	(300)	-	(6)	615
GS Cu Chi Development One-member LLC	12,304	-	(104)	-	(929)	11,271
GS Nha Be Development One-member LLC	36,519	-	196	-	(2,662)	34,053
GS Saigon Development One-member LLC	20,243	-	6,176	-	(1,630)	24,789
GS Global Bio Co., Ltd.	-	-	(92)	-	92	-
Metro PFV Co., Ltd.	16,877	(11,334)	(5,543)	-	-	-
GS O&M Co., Ltd.	795	-	126	-	-	921
GCS Plus Co., Ltd.	2,263	-	618	-	-	2,881
BSM Co., Ltd.	134	100	43	-	-	277
Sanglak Food Co., Ltd.	672	6	748	-	6	1,432
GL Project Financing Vehicle 1 Limited	-	46,625	(1,115)	-	-	45,510
GS E&C Construction Canada Ltd.	-	1	22	-	1	24
	₩ 604,647	₩ 24,924	₩ 29,094	₩ -	₩ (4,556)	₩ 654,109

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

The details of changes in the carrying amount of equity method investments for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2009					
	Jan. 1, 2009	Acquisition (disposal / dividends)	Equity in earnings(loss) of investee	Share of changes in		Dec. 31, 2009
				Retained earnings	Other comprehensive 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

(\* The Company applied the equity method by using the unaudited or unreviewed financial statements of the investees because it could not obtain any audited or reviewed financial statements as of December 31, 2010 and 2009. The Company performed certain procedures on the unaudited or unreviewed financial statements of the investees signed by the investees' management to assess 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, 2010 and 2009 are as follows (Korean won in millions):

	2010			2009		
	Jan. 1, 2010	Net changes	Dec. 31, 2010	Jan. 1, 2009	Net changes	Dec. 31, 2009
Parnas Hotel Co., Ltd.	₩ 397,930	₩ 305	₩ 398,235	₩ 465,319	₩ (67,389)	₩ 397,930
LG Holdings (HK), Ltd.	-	-	-	22,151	(22,151)	-
GS E&C Nanjing	3,085	334	3,419	4,525	(1,440)	3,085
GS-HP Corp.	(135)	135	-	125	(260)	(135)
GS E&C Italy S.R.L.	58	(58)	-	58	-	58
LG Properties (S'PORE) Pte. Ltd.	295	-	295	295	-	295
GS E&C Poland SP.ZO.O	4,403	(242)	4,161	7,809	(3,406)	4,403
GS E&C Thai Co., Ltd.	126	119	245	241	(115)	126
GS E&C India Private Ltd.	417	16	433	480	(63)	417
GS Construction (Arabia) Ltd.	83	(37)	46	182	(99)	83
GS Construction Saudi Co., Ltd.	-	(6)	(6)	-	-	-
GS Cu Chi Development One-member LLC	754	(929)	(175)	2,542	(1,788)	754
GS Nha Be Development One-member LLC	385	(2,662)	(2,277)	5,342	(4,957)	385
GS Saigon Development One-member LLC	4,200	(1,630)	2,570	7,315	(3,115)	4,200
Sanglak Food Co., Ltd.	34	6	40	-	34	34
GS Global Bio Co., Ltd.	(92)	92	-	(92)	-	(92)
GS E&C Construction Canada Ltd.	-	1	1	-	-	-
	411,543	(4,556)	406,987	516,292	(104,749)	411,543
Deferred income tax effect	(90,540)	1,002	(89,538)	(113,584)	23,044	(90,540)
	₩ 321,003	₩ (3,554)	₩ 317,449	₩ 402,708	₩ (81,705)	₩ 321,003

The details of share of changes in capital surplus in equity method or equity adjustments in equity method of the investees for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010			2009		
	Jan. 1, 2010	Net changes	Dec. 31, 2010	Jan. 1, 2009	Net changes	Dec. 31, 2009
Parnas Hotel Co., Ltd.	₩ 35,702	₩ -	₩ 35,702	₩ 35,702	₩ -	₩ 35,702
GS Construction Arabia Co. Ltd.	(1,353)	-	(1,353)	-	(1,353)	(1,353)
EzVille Inc.	(2,724)	(439)	(3,163)	(2,724)	-	(2,724)
	31,625	(439)	31,186	32,978	(1,353)	31,625
Deferred income tax effect	(6,958)	96	(6,862)	(7,255)	297	(6,958)
	₩ 24,667	₩ (343)	₩ 24,324	₩ 25,723	₩ (1,056)	₩ 24,667

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

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

As of December 31, 2010 and 2009, 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):

	2010		2009	
GS PP Development Co., Ltd.	₩	45,059	₩	44,067
Major Development Co., Ltd.		8,507		21,080
GS Cambodia development Co., Ltd.		13,213		7,806
GS E&C Italy S.R.L		12		172
GS Global Bio Co., Ltd.		1,311		1,343
LG Properties(S'pore) Pte. Ltd.		(*)		(*)
	₩	68,102	₩	74,468

(\*) 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, 2010 and 2009, due to unavailability of its financial statements.

## 9. Government posted value of land owned

The book value of the Company-owned land and the assessment value of land officially announced by the Korean government for tax purposes as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	Book value		Public assessment value	
	2010	2009	2010	2009
Land	₩ 680,997	₩ 694,569	₩ 489,541	₩ 473,766

## 10. Property, plant and equipment

Changes in the net book value of property, plant and equipment for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010								Dec. 31, 2010
	Jan. 1, 2010	Additions	Disposals	Transfers from construction-in-progress	Transfers	Depreciation	Foreign currency translation adjustments		
Land	₩ 694,569	₩ -	₩ (13,572)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 680,997
Golf course	175,767	-	-	-	-	-	-	-	175,767
Standing timber	29,283	-	-	-	-	-	-	-	29,283
Buildings	416,086	23,366	(469)	2,268	-	(13,949)	66		427,368
Structures	87,799	154	(96)	-	-	(2,618)	-		85,239
Machinery	356	31	-	-	-	(193)	(2)		192
Construction equipment	57	31,288	(13)	-	-	(1,262)	(52)		30,018
Vehicles	1,077	2,176	(303)	-	-	(836)	(8)		2,106
Others	14,217	10,423	(346)	-	-	(8,564)	(8)		15,722
Construction-in-progress	2,485	2,636	-	(2,268)	(112)	-	-		2,741
Total	₩ 1,421,696	₩ 70,074	₩ (14,799)	₩ -	₩ (112)	₩ (27,422)	₩ (4)		₩ 1,449,433

Land and part of buildings have been provided as collateral to Lotte Shopping Co., Ltd. to the extent of ₩135,723 million as of December 31, 2010 in connection with leasehold guarantee deposits received.

	2009								
	Jan. 1, 2009	Additions	Disposals	Transfers from construction-in-progress	Transfers (*1)	Depreciation	Foreign currency translation adjustments	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	-	(7,175)	-	-	-	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.

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 appraiser 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 appraiser 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. The Company reflected loss on revaluation amounting to ₩25,573 million in the current year's statement of income. As of December 31, 2010, the amount of revaluation surplus recognized in accumulated other comprehensive income is ₩234,400 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):

	2010	2009
Cost	₩ 380,484	₩ 389,929
Accumulated depreciation and impairment	-	-
Net carrying amount	₩ 380,484	₩ 389,929

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

	2010	2009
As of January 1,	₩ 237,619	₩ 238,089
Changes of accumulated other comprehensive income arising from disposal	(4,126)	(603)
Related deferred income tax effect of disposal	907	133
As of December 31,	₩ 234,400	₩ 237,619

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

## 11. Capitalized financing costs

The Company capitalized certain financing costs of ₩7,937 million and ₩10,728 million for the years ended December 31, 2010 and 2009, 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, 2010 and 2009, and for the years then ended (Korean won in millions):

	2010		2009	
<Statements of financial position>				
Increase in inventories	₩	7,933	₩	10,490
Increase in property, plant and equipment		4		238
<Statements of income>				
Decrease in interest expense		7,937		10,728
Increase in net income		6,016		8,132

## 12. Intangible assets

Details of intangible assets as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010			
	Cost	Accumulated amortization	Accumulated impairment losses	Net book value
Rights for lease operations	₩ 6,550	₩ (4,039)	₩ -	₩ 2,511
2009				
	Cost	Accumulated amortization	Accumulated impairment losses	Net book value
Rights for lease operations	₩ 6,550	₩ (3,712)	₩ -	₩ 2,838
Development cost	30	(30)	-	-
	₩ 6,580	₩ (3,742)	₩ -	₩ 2,838

Changes in the net book value of intangible assets for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010		
	Jan. 1, 2010	Amortization	Dec. 31, 2010
Rights for lease operations	₩ 2,838	₩ (327)	₩ 2,511
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

Details of intangible assets as of December 31, 2010 are as follows (Korean won in millions):

	2010		
	Book value	Remaining estimated useful life	Remarks
Rights for lease operations	₩ 2,511	8 years	Dormitory, Kyunghee University

### 13. Short-term & long-term borrowings and debentures

Short-term borrowings as of December 31, 2010 and 2009 consist of the following (Korean won in millions):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2010	2010	2009
KB Co., Ltd.	Usance	1.29~2.49	₩ 2,717	₩ 9,250
Hana Bank	Usance	1.24~2.08	5,713	5,705
ANZ	Usance	1.63	-	641
SC First Bank	Usance	1.56~1.60	3,448	-
China Bank	Usance	1.44~2.23	7,237	-
NovaScotia	Usance	1.27~1.38	813	-
Shinhan Bank	Usance	2.44~3.24	481	-
Korea Exchange Bank	Usance	1.30	5,076	-
ING	Usance	1.22	-	-
	General loans	LIBOR 3M	1,411	-
Korea Eximbank	(Foreign currency)	+ 2.14	-	-
	General loans	LIBOR 3M	22,221	-
Korea Eximbank	(Foreign currency)	+ 2.1~2.5	444,780	59,501
Korea Eximbank	General loans	5.25	-	125,143
			₩ 493,897	₩ 200,240

Long-term borrowings of the Company as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2010	2010(*)	2009	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 2013.

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

The details of debentures issued as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Series	Issuance date	Maturity date	Annual interest rate in 2010 (%)	2010	2009
118 <sup>th</sup> - non-guaranteed debentures	July, 2007	July, 2010	5.6	₩ -	₩ 50,000
119 <sup>th</sup> - non-guaranteed debentures (Issued in foreign currency)	January, 2008	December, 2010	LIBOR 3M+1.1	-	350,280
08-1 <sup>th</sup> privately issued debentures	December, 2008	December, 2011	8.22	61,700	61,700
120 <sup>th</sup> - non-guaranteed debentures	February, 2009	February, 2010	8.50	-	100,000
121 <sup>th</sup> - non-guaranteed debentures	April, 2009	April, 2011	7.60	100,000	100,000
122 <sup>th</sup> - non-guaranteed debentures	October, 2009	October, 2012	5.70	100,000	100,000
123 <sup>th</sup> - non-guaranteed debentures	April, 2010	April, 2013	4.80	100,000	-
124 <sup>th</sup> - non-guaranteed debentures	August, 2010	August, 2013	5.20	100,000	-
Less present value discount				(1,525)	(1,714)
Less current portion				(161,256)	(149,905)
				₩ 298,919	₩ 610,361

The entire principal amount of the above debentures will be redeemed at their respective maturity dates. 08-1<sup>th</sup> privately issued debentures, 121<sup>th</sup> - non-guaranteed debentures, 122<sup>th</sup> - non-guaranteed debentures, 123<sup>th</sup> - non-guaranteed debentures and 124<sup>th</sup> - non-guaranteed debentures' interests are due every 3 months. Amortization of discount is calculated over the term of the debentures 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
2011	₩ -	₩ 161,700	₩ 161,700
2012	-	100,000	100,000
2013	1,327	200,000	201,327
2014	1,327	-	1,327
2015 and thereafter	9,286	-	9,286
	₩ 11,940	₩ 461,700	₩ 473,640

## 14. Monetary assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies excluding those of overseas operations as of December 31, 2010 and 2009 are as follows:

Account	2010		2009					
	Foreign currencies	Korean won equivalent (in millions)	Foreign currencies	Korean won equivalent (in millions)				
Assets:	EUR	-	₩	-	EUR	4,343,707	₩	7,273
Cash and cash equivalents	THB	-	-	-	THB	11,000	-	-
	USD	67,346,070	76,700	76,700	USD	316,878,962	369,988	369,988
	JPY	173,199,020	2,420	2,420	JPY	697,359,718	8,806	8,806
	SGD	2,054,776	1,816	1,816	SGD	13,478,407	11,204	11,204
	CAD	8,414,168	9,581	9,581	CAD	-	-	-
Trade accounts receivable	EUR	2,199,801	3,330	3,330	EUR	5,195,793	8,699	8,699
	JPY	94,913,037	1,326	1,326	JPY	-	-	-
	SAR	1,207,710	367	367	SAR	1,207,710	376	376
	USD	141,607,991	161,277	161,277	USD	98,878,687	115,451	115,451
	CAD	130,206	148	148	CAD	-	-	-
Short-term loans receivable	USD	200,641,192	228,510	228,510	USD	182,073,367	212,589	212,589
Other accounts receivable	USD	9,958,830	11,342	11,342	USD	3,286,761	3,838	3,838
	CNY	2,013,600	347	347	CNY	844,320	144	144
	THB	-	-	-	THB	670,702	23	23
Long-term loans receivable	USD	5,429,963	6,184	6,184	USD	8,562,788	9,998	9,998
	SAR	750,000	228	228	SAR	-	-	-
<b>Total</b>			₩	503,576			₩	748,389
Liabilities:								
Trade accounts and notes payable	AED	39	₩	-	AED	30,805	₩	10
	EUR	17,279,196	26,154	26,154	EUR	3,753,700	6,285	6,285
	GBP	172,827	304	304	GBP	22,700	43	43
	JPY	552,574,129	7,720	7,720	JPY	38,997,720	492	492
	USD	102,358,891	116,577	116,577	USD	38,561,427	45,024	45,024
	CHF	-	-	-	CHF	78,240	88	88
	SAR	124,608	38	38	SAR	-	-	-
	THB	6,058,850	229	229	THB	4,506,310	158	158
	CAD	410,860	468	468	CAD	-	-	-
Other accounts payable	EUR	48,000	73	73	EUR	41,385	69	69
	JPY	1,861,998	26	26	JPY	38,000	1	1
	USD	638,333	727	727	USD	399,275	466	466
	CAD	38,029	43	43	CAD	-	-	-
Withholdings	EUR	188	-	-	EUR	32,188	54	54
	USD	7,433,794	8,466	8,466	USD	7,691,548	8,981	8,981
	JPY	215,050,000	3,004	3,004	JPY	215,050,000	2,716	2,716
	CAD	4,313	5	5	CAD	-	-	-
Short-term borrowings	EUR	1,704,544	₩	2,580	EUR	525,240	₩	879
	USD	429,260,750	488,885	488,885	USD	56,717,259	66,223	66,223
	JPY	174,100,000	2,432	2,432	JPY	633,068,165	7,995	7,995
Debentures	USD	-	-	-	USD	300,000,000	350,280	350,280
<b>Total</b>			₩	657,731			₩	489,764

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

## 15. Other provisions

The details of changes in other provisions for liabilities for the year ended December 31, 2010 are as follows (Korean won in millions):

	2010		
	As of January 1	Increase	As of December 31
Payment guarantee	₩ 126,150	₩ 21,771	₩ 147,921
Litigation and others	676	990	1,666
Total	₩ 126,826	₩ 22,761	₩ 149,587

## 16. Financial position of overseas operations

Summary of the Company's overseas operations financial position as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010	2009
Current assets	₩ 428,260	₩ 192,860
Non-current assets	56,156	4,957
Current liabilities	398,551	186,914
Non-current liabilities	434	410

## 17. 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
GS Construction Saudi Co., Ltd	The Company	Subsidiary
GS E&C Construction Canada Ltd.	The Company	Subsidiary

Compensation for key management personnel for the years ended December 31, 2010 and 2009 is as follows (Korean won in millions):

	2010		2009	
Salaries	₩	32,109	₩	19,821
Severance and retirement benefits		2,070		21,055
	₩	34,179	₩	40,876

Key management personnel include registered and unregistered 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, 2010 and 2009 are as follows (Korean won in millions):

	Relationship	Transaction	2010		2009	
Major Development Co., Ltd.	Equity method investee	Sales and other income	₩	85,529	₩	610
Sacheon Resort Co., Ltd.	Equity method investee	Sales and other income		128		736
GS E&C Thai Co., Ltd.	Equity method investee	Sales and other income		3,354		194
		Cost of sales and purchases		523		5,579
EzVille Inc.	Subsidiary	Sales and other income		4		1
		Cost of sales and purchases		51,630		25,750
		Outsourcing costs		10,971		17,020
		Other expenses		1,291		1,440
BSM Co., Ltd.	Subsidiary	Sales and other income		274		-
		Cost of sales and purchases		336		-
		Other expenses		5,434		8,621
XI Service Co., Ltd.	Subsidiary	Sales and other income		15		8
		Cost of sales and purchases		14,798		11,978
		Other expenses		648		476
GCS Plus Co., Ltd.	Subsidiary	Cost of sales and purchases		40,616		38,229
GS O&M Co., Ltd.	Subsidiary	Sales and other income		199		203
		Cost of sales and purchases		11,825		15,613
Estech Estimate Corp.	Subsidiary	Sales and other income		294		239
		Cost of sales and purchases		3,180		3,719
		Other expenses		841		1,295
GLS Service Corp.	Subsidiary	Sales and other income		59		-
		Cost of sales and purchases		1,727		-
		Outsourcing costs		52		-
Parnas Hotel Co., Ltd.	Subsidiary	Sales and other income		410		8
		Cost of sales and purchases		134		297
		Other expenses		494		195
GS Construction Arabia Co., Ltd.	Subsidiary	Sales and other income		1,320		893
		Cost of sales and purchases		362		851
GS Construction Saudi Co., Ltd.	Subsidiary	Sales and other income		-		-
		Cost of sales and purchases		119		-
GS Cu Chi Development One-member LLC	Subsidiary	Sales and other income		1,225		3,359
GS E&C India Private Ltd.	Subsidiary	Sales and other income		533		580
		Cost of sales and purchases		6,210		3,865
		Outsourcing costs		4,932		4,743

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December 31, 2010 and 2009

	Relationship	Transaction	2010	2009
GS E&C Nanjing	Subsidiary	Sales and other income	₩ 1,848	₩ 440
GS Nha Be Development One-member LLC	Subsidiary	Sales and other income	154	362
		Other expenses	4	-
GS Saigon Development One-member LLC	Subsidiary	Sales and other income	49,387	22,820
d&shop Co., Ltd.	Affiliate	Other expenses	1	-
Samyang International Co., Ltd.	Affiliate	Sales and other income	70	53
		Cost of sales and purchases	10,960	14,668
		Other expenses	10	2
Sungsan Group Corporation	Affiliate	Sales and other income	4,633	-
GS Global Corp.	Affiliate	Sales and other income	1	-
		Cost of sales and purchases	7,030	-
ITMEXSYI	Affiliate	Sales and other income	4	-
		Cost of sales and purchases	662	-
		Other expenses	1,537	-
Cosmo D&I Co., Ltd.	Affiliate	Other expenses	1	-
Cosmo Leports Co., Ltd.	Affiliate	Other expenses	5	-
Central Motors Corp.	Affiliate	Sales and other income	27	-
Uijeongbu LRT Co., Ltd	Affiliate	Sales and other income	56,484	44,151
		Cost of sales and purchases	24	-
GS Retail Co., Ltd.	Affiliate	Sales and other income	18,852	22,072
		Cost of sales and purchases	1,664	744
		Other expenses	1,785	2,502
GS Sports Co., Ltd.	Affiliate	Cost of sales and purchases	-	4
		Other expenses	8,826	7,538
GS Co., Ltd.	Affiliate	Sales and other income	769	11
		Cost of sales and purchases	5,433	3,589
		Other expenses	21,203	18,299
GS Bio Co., Ltd.	Affiliate	Sales and other income	12	-
GS Asset Co., Ltd.	Affiliate	Other expenses	91	-
GS Power Co., Ltd.	Affiliate	Sales and other income	3,046	2,549
		Cost of sales and purchases	2	190
GS Fuelcell Co., Ltd.	Affiliate	Cost of sales and purchases	14	-

	<b>Relationship</b>	<b>Transaction</b>	<b>2010</b>	<b>2009</b>
AMCO Co., Ltd.	Affiliate	Cost of sales and purchases	311	-
Cosmo Industrial Co., Ltd.	Affiliate	Cost of sales and purchases	6,303	25,689
		Outsourcing costs	419	-
PLS Co., Ltd.	Affiliate	Sales and other income	3,129	-
GS Neotek Co., Ltd.	Affiliate	Sales and other income	26	58
		Cost of sales and purchases	8,820	6,437
		Outsourcing costs	158,483	147,867
		Other expenses	948	1,095
GS Nextation Co., Ltd.	Affiliate	Sales and other income	65	-
		Cost of sales and purchases	21	-
		Other expenses	36	-
GS Caltex Co., Ltd.	Affiliate	Sales and other income	418,741	718,006
		Cost of sales and purchases	3,490	1,070
		Other expenses	4,316	4,062
Oksan Ochang Highway Corporation	Affiliate	Sales and other income	1,822	-
Others		Sales and other income	7,036	7,829
		Cost of sales and purchases	6,754	141
		Other expenses	191	218
Total		Sales and other income	₩ 659,450	₩ 825,182
		Cost of sales and purchases	₩ 182,948	₩ 158,413
		Outsourcing costs	₩ 174,857	₩ 169,630
		Other expenses	₩ 47,662	₩ 45,743

# Notes to the non-consolidated financial statements

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Outstanding balances of accounts and notes receivable with related parties as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	Relationship	Accounts	2010	2009
Major Development Co., Ltd.	Equity method investee	Trade accounts and notes receivable	₩ 172,231	₩ 60,212
		Other receivables	-	6,361
Sacheon Resort Co., Ltd.	Equity method investee	Trade accounts and notes receivable	7,146	5,817
		Other receivables	579	-
GS E&C Thai Co., Ltd.	Equity method investee	Other receivables	5	3,658
GS PP Development Co., Ltd.	Equity method investee	Other receivables	189,519	194,139
LG Properties (S'pore) Pte. Ltd.	Equity method investee	Other receivables	19,290	19,662
BSM Co., Ltd.	Subsidiary	Other receivables	22	-
GS O&M Co., Ltd.	Subsidiary	Other receivables	1,003	1,010
Parnas Hotel Co., Ltd.	Subsidiary	Long-term guarantee deposits	62	62
		Other receivables	253	-
GS (Cambodia) Development Co., Ltd.	Subsidiary	Other receivables	451	287
GS Construction Arabia Co., Ltd.	Subsidiary	Other receivables	10,265	2,504
GS Construction Saudi Co., Ltd.	Subsidiary	Other receivables	266	-
GS Cu Chi Development One-member LLC	Subsidiary	Trade accounts and notes receivable	3,356	-
		Other receivables	255	160
GS E&C India Private Ltd.	Subsidiary	Other receivables	2,715	2,775
GS E&C Nanjing	Subsidiary	Other receivables	486	221
GS Global Bio Co., Ltd.	Subsidiary	Other receivables	1,330	1,428
GS Nha Be Development One-member LLC	Subsidiary	Other receivables	27,883	4,683
GS Saigon Development One-member LLC	Subsidiary	Trade accounts and notes receivable	48,691	-
		Other receivables	7,558	7,150
Sungsan Group Corporation	Affiliate	Trade accounts and notes receivable	5,019	552
Sungsan Leisure Inc.	Affiliate	Long-term guarantee deposits	600	-
Oksan Ochang Highway Corporation	Affiliate	Trade accounts and notes receivable	1,822	-
Eun Pyeong New Road Corp.	Affiliate	Trade accounts and notes receivable	521	-
Uijeongbu LRT Co., Ltd.	Affiliate	Trade accounts and notes receivable	43,801	-
		Other receivables	93	-
GS Retail Co., Ltd.	Affiliate	Trade accounts and notes receivable	98	4,400
		Other receivables	-	215
GS Co., Ltd.	Affiliate	Trade accounts and notes receivable	758	-
		Long-term guarantee deposits	11,611	10,720
PLS Co., Ltd.	Affiliate	Trade accounts and notes receivable	1,519	-
GS Neotek Co., Ltd.	Affiliate	Other receivables	4,802	1,371
GS Caltex Co., Ltd.	Affiliate	Trade accounts and notes receivable	1,104	41,412
		Other receivables	7	5
Others		Trade accounts and notes receivable	1,376	1,588
		Long-term guarantee deposits	4	2
		Other receivables	770	1,187

Relationship		Accounts	2010	2009
Total		Trade accounts and notes receivable	₩ 287,442	₩ 113,981
		Long-term guarantee deposits	₩ 12,277	₩ 10,784
		Other receivables	₩ 267,552	₩ 246,816
Provision for bad debts		Trade accounts and notes receivable	₩ 4,370	₩ 1,083
		Other receivables	₩ 87,452	₩ 68,066
Bad debt expense (reversal of bad debt)		Trade accounts and notes receivable	₩ 3,286	₩ 386
		Other receivables	₩ 19,386	₩ 65,245

Outstanding balances of accounts and notes payable with related parties as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Relationship		Accounts	2010	2009
GL Project Financing Vehicle 1 Limited	Equity method investee	Other payable	₩ 8,602	₩ -
EzVille Inc.	Subsidiary	Trade account and notes payable	26,984	18,604
		Membership guarantee deposits	31	31
		Other payable	33	-
BSM Co., Ltd.	Subsidiary	Trade account and notes payable	548	360
Sanglak Food Co., Ltd.	Subsidiary	Trade account and notes payable	647	35
XI Service Co., Ltd.	Subsidiary	Trade account and notes payable	-	2
		Advances from construction contract	-	12
		Leasehold guarantee deposits received	60	60
		Other payable	-	35
GCS Plus Co., Ltd.	Subsidiary	Other payable	5,374	4,968
GS O&M Co., Ltd.	Subsidiary	Trade account and notes payable	1,515	1,790
		Other payable	97	-
Estech Estimate Corp.	Subsidiary	Other payable	411	1,149
Parnas Hotel Co., Ltd.	Subsidiary	Trade account and notes payable	-	247
		Membership guarantee deposits	1,400	400
		Other payable	-	6
Samyang Int'l Co., Ltd.	Affiliate	Trade account and notes payable	3,391	9,280
		Membership guarantee deposits	147	147
		Other payable	-	2
Sungsan Group Corporation	Affiliate	Membership guarantee deposits	311	165
GS Global Corp.	Affiliate	Trade account and notes payable	2,878	-
GS Netvision Co., Ltd.	Affiliate	Trade account and notes payable	55	51
		Other payable	-	46
ITMEXSYI	Affiliate	Trade account and notes payable	260	-
		Membership guarantee deposits	37	-
		Other payable	221	-
GS teleservice Co., Ltd.	Affiliate	Membership guarantee deposits	345	345
GS Home Shopping Inc.	Affiliate	Membership guarantee deposits	1,511	1,511
Cosmo Leports Co., Ltd.	Affiliate	Other payable	6	-

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	Relationship	Accounts	2010	2009
Haeyang City Gas Co., Ltd.	Relationship	Trade account and notes payable	₩ 24	₩ -
Central Motors Corp.	Affiliate	Other payable	8	-
Maruman Korea Co., Ltd.	Affiliate	Other payable	64	-
GS Retail Co., Ltd.	Affiliate	Trade account and notes payable	1,169	1,132
		Leasehold guarantee deposits received	-	76,400
		Membership guarantee deposits	3,325	3,325
		Other payable	114	214
GS Sports Co., Ltd.	Affiliate	Other payable	110	-
GS Co., Ltd.	Affiliate	Membership guarantee deposits	2,825	2,454
		Other payable	86	168
GS EPS Co., Ltd.	Affiliate	Membership guarantee deposits	857	300
GS Fuelcell Co.Ltd.	Affiliate	Trade account and notes payable	24	-
		Other payable	147	-
Cosmo Industrial Co., Ltd.	Affiliate	Trade account and notes payable	3,265	7,516
Cosmo Chemical Co., Ltd.	Affiliate	Membership guarantee deposits	66	66
		Other payable	1,492	1,494
GS Neotek Co., Ltd.	Affiliate	Trade account and notes payable	62,502	18,773
		Membership guarantee deposits	1,616	1,616
		Other payable	106	24,277
GS Caltex Co., Ltd.	Affiliate	Trade account and notes payable	88	84
		Advances from construction contract	25,000	4,483
		Membership guarantee deposits	6,675	6,675
		Other payable	30	77
Others		Trade account and notes payable	57	88
		Advances from construction contract	-	14,191
		Leasehold guarantee deposits received	-	48
		Other payable	-	4
Total		Trade account and notes payable	₩ 103,407	₩ 57,962
		Advances from construction contract	₩ 25,000	₩ 18,686
		Leasehold guarantee deposits received	₩ 60	₩ 76,508
		Membership guarantee deposits	₩ 19,146	₩ 17,035
		Other payable	₩ 16,901	₩ 32,440

Details of guarantees provided by the Company on behalf of related parties as of December 31, 2010 are as follows (Korean won in millions):

Related party	Financial institutions	Description	Amount
GS E&C POLAND SP.ZO.O	LG Display Poland Sp Zo.o	Guarantee for construction warranty	PLN 42,895,678
	LG Electronics Wroclaw SP Zo.o.	Guarantee for construction warranty	EUR 269,791.75
	LG CHEM Poland SP Zo.o.	Guarantee for construction warranty	PLN 2,258,000
GS Construction Arabia Co.,Ltd.	Nordea Bank Ploska S.A.	Credit guarantee	PLN 1,026,000
	Saudi Arabian Oil Company	Contract performance	USD 228,000,000
	The Saudi British Bank	Credit guarantee	SAR 42,800,000
	Woori Bank Co., Ltd. Branch in Bahrain	Credit guarantee	SAR 10,800,000 USD 15,600,000
GS E&C ITALY S.R.L	Servizi Assicurativi del Commercio Estero	Contract performance	USD 167,080,417.26
GS Saigon Development One-member LLC	Australia and New Zealand Banking Group and Bank of Nova Scotia Asia Limited, Natixis	Guarantee for liabilities	USD 90,000,000
	HSBC	Guarantee for liabilities	USD 30,000,000
GS Cu Chi Development One-member LLC	The Korea Development Bank	Guarantee for liabilities	USD 29,000,000
GS (Cambodia) Development Co., Ltd.	Australia and New Zealand Banking Group and Bank of Nova Scotia Asia Limited	Guarantee for liabilities	USD 50,000,000
GS E&C Construction Canada Ltd.	Harvest Operations Corp.	Contract performance	CAD 199,797,030
Uijeongbu LRT Inc.	KB Co., Ltd. and 7 other companies	Offering pledge	27,246
		Payment guarantee	86,526
Major Development Co., Ltd.	Samsung Life Insurance Co., Ltd. and 2 other companies	Payment guarantee	156,057
Sacheon Resort Co., Ltd.	DongYang Financial Complex Co., Ltd.	Payment guarantee	21,062
GL Project Financing Vehicle 1 Limited	NH Investment & Securities Co., Ltd. and 6 other companies	Payment guarantee	569,000

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

Details of guarantee and collateral provided to the Company by any subsidiaries of related parties as of December 31, 2010, are as follows:

Guarantee received from	Guaranteed amount	Financial institution	Description of guarantee
Related parties: GS E&C Construction Canada Ltd.	CAD 111,614,300	Harvest Operation Corp.	Contract performance

## 18. Capital stock

There is no change in capital stock of the Company during the years ended December 31, 2010 and 2009. Details of capital stock of the Company as of December 31, 2010 and 2009 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 2010 and 2009

## 19. Treasury stock

As of December 31, 2010, the Company holds 1,521,151 shares of common stock with carrying amount of ₩83,503 million, which was repurchased by the Company to stabilize its stock price. The repurchased shares are recognized as equity adjustments. In case of repurchase of treasury stock from the fund in which the Company's stock is included, the amount of treasury stock is recorded lesser of fair value of treasury stock or fair value of treasury fund.

## 20. Capital surplus and equity adjustments

Details of capital surplus and equity adjustments of the Company as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010		2009	
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		11,859		11,492
Capital surplus in equity method (*3)		27,847		27,847
	₩	239,635	₩	239,268
Equity adjustments				
Treasury stock	₩	(83,503)	₩	(83,053)
Other equity adjustments: Capital adjustment in equity method (*3)		(3,523)		(3,180)
	₩	(87,026)	₩	(86,233)

(\*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, 2010 includes revaluation surplus amounting to ₩41,359 million 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 differences between the additional costs of investments in subsidiaries and fair value of identifiable net assets acquired as capital surplus in equity method valuation and equity adjustment in equity method valuation, respectively.

## 21. Retained earnings

Retained earnings of the Company as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010		2009	
Appropriated:	₩	68,339	₩	63,339
Legal reserve		347,849		282,849
Financial structure improvement reserve		584,653		494,653
Business rationalization reserve		480,000		393,333
Research and human resources development reserve		609,500		522,500
Other reserves		2,090,341		1,756,674
Unappropriated		408,201		384,076
	₩	2,498,542	₩	2,140,750

### 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 Korean Tax Incentives Limitation Law (TILL).

### Business rationalization reserve

Prior to December 2004, in accordance with the 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.

# Notes to the non-consolidated financial statements

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## 22. Accumulated other comprehensive income

Details of accumulated other comprehensive income, net of taxes, of the Company as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010		2009	
Gain on valuation of available-for-sale securities	₩	177,941	₩	216,545
Loss on valuation of available-for-sale securities		(5,563)		(15)
Credit equity adjustment in equity method		317,449		321,003
Foreign currency translation adjustments		(12,674)		(3,187)
Gain on valuation of derivative instruments		28,858		27,326
Loss on valuation of derivative instruments		(60,778)		(49,065)
Asset revaluation surplus		234,401		237,619
	₩	679,634	₩	750,226

## 23. Construction contracts

Details of cumulative construction revenue, cost and profit of constructions in-progress as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Activity	Work type	2010		
		Cumulative construction revenue	Cumulative construction cost	Cumulative construction profit
Construction operations	Architectural operations	₩ 5,218,532	₩ (4,657,062)	₩ 561,470
	Civil operations	3,981,180	(3,539,651)	441,529
	Housing operations	5,273,427	(4,594,255)	679,172
	Plants operations	9,255,661	(8,227,285)	1,028,376
	Environment operations and power operations	1,359,897	(1,234,589)	125,308
Housing construction and sales operations		-	-	-
		₩ 25,088,697	₩ (22,252,842)	₩ 2,835,855

Construction losses arising from construction in-progress that are probable to be incurred at the completion of construction as of December 31, 2010 amounting to ₩94,656 million were recorded as provision for construction losses.

Activity	Work type	2009		
		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

Changes in balances of major construction contracts backlog for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

Project name	2010			
	Jan.1, 2010	Contract change order	Realized revenue	Dec.31, 2010
Construction of the Nakdong River restoration Project (Section 18)	₩ -	₩ 123,957	₩ (75,168)	₩ 48,789
Songdo Xi HARBOR VIEW	179,786	-	(167,143)	12,643
Uijeongbu LRT construction	61,963	5,328	(56,120)	11,171
Il san Xi complex 2	241,285	40,669	(241,032)	40,922
Green Diesel Project (*)	884,438	(42,965)	(650,340)	191,133
GS SQUARE ANYANG	32,483	254,570	(92,556)	194,497
P8E C/R & Utility construction	70,574	193,320	(238,349)	25,545
Ruwais 4th NGL Project (*)	1,387,391	1,248,451	(165,438)	2,470,404
Ruwais Refinery Expansion Project (Package 2) (*)	3,588,426	(51,307)	(255,827)	3,281,292
Yerevan CCPP (*)	66,727	(780)	(59,132)	6,815
Others (*)	11,581,110	6,567,984	(5,573,047)	12,576,047
	₩ 18,094,183	₩ 8,339,227	₩ (7,574,152)	₩ 18,859,258

  

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 Seoul construction	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

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

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The details of changes in the carrying amount of equity method investments for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

Project name	2010						
	Cumulative revenue realized	Cumulative billed amount	Cumulative collected amount	Accounts and notes receivable			Other advance receipts (*)
				Billed	Non-billed	Total (*)	
Construction of the Naktong River restoration Project (Section 18)	₩ 75,168	₩ 56,063	₩ 56,063	₩ -	₩ 19,105	₩ 19,105	₩ -
Songdo Xi HARBOR VIEW	385,357	395,660	282,346	103,011	-	103,011	-
Uijeongbu LRT construction	153,286	111,407	111,407	-	41,879	41,879	-
Il san Xi complex 2	548,797	589,615	318,064	230,733	-	230,733	-
Green Diesel Project (*)	1,109,187	1,109,187	1,065,783	43,404	-	43,404	-
GS SQUARE ANYANG	115,073	73,406	73,406	-	41,667	41,667	-
P8E C/R & Utility construction	286,455	242,434	230,545	11,889	44,022	55,910	-
Ruwais 4th NGL Train Project	165,438	234,144	296,095	2,699	-	2,699	133,356
Ruwais Refinery Expansion Project (Package 2) (*)	262,198	830,841	830,841	-	-	-	568,643
Yerevan CCPP (*)	284,384	290,448	289,122	-	-	-	4,738
Others	21,703,354	21,398,205	19,153,489	2,232,513	80,355	2,312,869	778,268
<b>Total</b>	<b>₩25,088,697</b>	<b>₩25,331,410</b>	<b>₩22,707,161</b>	<b>₩ 2,624,249</b>	<b>₩ 227,028</b>	<b>₩ 2,851,277</b>	<b>₩ 1,485,005</b>

  

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 construction	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
<b>Total</b>	<b>₩24,897,045</b>	<b>₩25,817,733</b>	<b>₩24,273,350</b>	<b>₩ 2,235,934</b>	<b>₩ 81,808</b>	<b>₩ 2,317,742</b>	<b>₩ 1,694,047</b>

(\*) The amount of receivables and advance receipts are included in trade accounts receivable and trade accounts payable as of December 31, 2010 and 2009, respectively.

Total billed amount of construction contracts for the years ended December 31, 2010 and 2009 is ₩8,100,623 million and ₩8,430,737 million, respectively, and the total collected amount of construction contracts for the years ended December 31, 2010 and 2009 is ₩7,535,626 million and ₩8,297,097 million, respectively.

Details of jointly-managed construction contracts as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Project name	2010				
	Period of construction	Customer	Share of contract size (amount)	Share of contract size(%)	Lead contractor
P9-Project	2010.02.01~ 2011.12.31	LG Display Co., Ltd.	₩ 313,380	60.00%	(*)
P8E C/R & Utility construction	2009.08.15~ 2011.06.30	LG Display Co., Ltd.	312,000	60.00%	(*)
New Uljin Nuclear Power Plant (unit #;1,2)	2010.04.30~ 2017.04.30	Korea Hydro & Nuclear Power Co., Ltd.	272,735	25.00%	(^)
IFC Seoul construction	2008.01.17~ 2012.02.28	AIG Global Investment Group	249,907	40.83%	(*)
Alpensia Resort	2006.10.01~ 2011.02.28	Gwangwondo Development Corporation	239,260	62.00%	(*)
Uijeongbu LRT civil investment business construction	2006.12.01~ 2011.08.27	Uijeongbu LRT Co., Ltd.	164,457	52.55%	(*)
Buhang Multipurpose Dam	2006.09.30~ 2012.01.13	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.	139,321	13.50%	(@)
Gangnam Circular highway 6-1 Stage	2002.11.28~ 2014.05.19	Gangnam Circular Highway Co., Ltd.	133,944	11.50%	(**)
LCD P8E Enviroment Utility Construction	2009.08.15~ 2012.04.30	LG Display Co., Ltd.	129,006	60.00%	(*)
Jungrang Advanced Sewage Treatment Plant	2009.02.13~ 2014.01.18	Seoul Metropolitan Infrastructure	127,378	50.00%	(*)
Yeongheung Coal Fired Power Plant (Unit 5&6)	2010.04.16~ 2014.12.31	Korea South East Power Co., Ltd.	125,689	55.00%	(*)
Construction of the Naktong River restoration Project(Section 18)	2009.10.23~ 2011.12.24	Korea Water Resources Corporation	123,957	45.00%	(*)
Mokpo National Road	2004.11.01~ 2012.12.18	Public Procurement Service	119,796	42.00%	(*)
Busan-Ulsan Electric Railway	2005.12.26~ 2011.01.31	Korea Rail Network Authority	118,555	40.00%	(^)
National Road Construction Gohyeon ~ Hadong IC2	2009.10.19~ 2016.09.11	Busan Regional Construction Management Administration	114,174	60.00%	(*)
Incheon Free Economic Zone Young Jong Sky City 3rd Stage	2007.12.27~ 2011.06.26	Korea Land Corporation	113,689	90.00%	(*)

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2009					
Project name	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) 1st 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%	(*)

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

(\*) GS Engineering & Construction Corp.

(#) Samsung C & T Corporation

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

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

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

As of December 31, 2010, the Company doesn't have housing construction and sales contracts.

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

Project name	2009					
	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	
	₩ 1,104,186	₩ 837,424	₩ 871,846	₩ 7,903	₩ 42,325	

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, 2010 and 2009 amounted to ₩80,301 million and ₩32,901 million, respectively.

## 24. Income taxes

For the year ended December 31, 2010, the Company is subject to corporate income taxes, including resident surtax, at the aggregate rates of 11% 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, 2010 and 2009 are as follows (Korean won in millions):

	2010	2009
Current income taxes (*)	₩ 175,407	₩ 157,414
Deferred income taxes arising from tax effect of temporary differences	(68,607)	(57,983)
Tax effect of temporary differences recognized directly to equity	11,133	25,969
	117,933	125,400
Current income taxes recognized directly to equity	-	-
Provision for income taxes	₩ 117,933	₩ 125,400

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

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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):

	2010		2009	
Income before income taxes	₩	525,204	₩	508,200
Tax at the statutory income tax rate	₩	127,071	₩	122,960
Adjustments :				
Income not subject to tax (2010: ₩486 million, 2009: ₩576 million)		(118)		(139)
Expenses not deductible for tax purposes (2010: ₩30,509 million, 2009: ₩46,026 million)		7,383		11,138
Tax credit (*)		(14,449)		(16,289)
Others (difference in tax rate, etc.)		(1,954)		7,730
Provision for income taxes	₩	117,933	₩	125,400
Effective tax rate		22.45%		24.68%

(\*) 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, 2010 and 2009 are as follows (Korean won in millions):

	2010				
	As of Jan. 1, 2010	Changes in tax filing	Net Changes	As of Dec. 31, 2010	Deferred income taxes
Deductible temporary differences:					
Buildings	₩ 12,954	₩ -	₩ (614)	₩ 12,340	₩ 2,715
Provision for construction losses	17,643	(1,820)	78,834	94,657	20,824
Allowance for doubtful accounts	276,539	-	81,697	358,236	83,653
Loss on foreign currency translation	138,286	-	(90,586)	47,700	11,522
Government grants	484	-	4,120	4,604	1,114
Equity method investments	91,088	-	(19,863)	71,225	15,669
Land	183	-	-	183	40
Bonus for executives	-	-	22,718	22,718	5,498
Derivative instruments	332,757	(12,444)	(23,519)	296,794	71,824
Severance and retirement benefits	105,985	-	(593)	105,392	23,186
Available-for-sale securities	24,376	-	660	25,036	5,508
Investments	1,247	-	-	1,247	274
Provision for construction warranty	61,950	-	34,192	96,142	21,151
Provision for other liabilities	126,918	-	22,761	149,679	32,929
Gain on valuation of property, plant and equipment	25,549	-	-	25,549	5,621
	₩ 1,215,959	₩ (14,264)	₩ 109,807	₩ 1,311,502	₩ 301,528
Taxable temporary differences:					
Accumulated depreciation	₩ (1,274)	₩ -	₩ 23	₩ (1,251)	₩ (275)
Appropriated retained earnings for technological development	(10,000)	-	(1,667)	(11,667)	(2,567)
Accrued income	(23,563)	-	(379)	(23,942)	(5,794)
Gain on foreign currency translation	(41,184)	(2,637)	(9,820)	(53,641)	(12,966)
Available-for-sale securities	(4,371)	-	-	(4,371)	(962)
Inventories	(47,239)	-	(4,288)	(51,527)	(12,470)
Deposits for severance and retirement benefits	(105,985)	-	593	(105,392)	(23,186)
Derivative instruments	(436,147)	(81,916)	149,732	(368,331)	(89,136)
	₩ (669,763)	₩ (84,553)	₩ 134,194	₩ (620,122)	₩ (147,356)
Deferred income taxes recognized :					
Deferred income tax assets, net	₩ 120,572	₩ (23,874)		₩ 154,172	
Deferred income tax liabilities recognized directly to equity, net	₩ (220,739)	₩ -		₩ (209,606)	
Deferred income tax liabilities recognized in statement of financial position, net	₩ (100,167)	₩ (23,874)		₩ (55,434)	₩ (68,607)

# Notes to the non-consolidated financial statements

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	2010				
	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)	

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 exceeds the total of all the deductible temporary differences.

Details of gross deferred income tax assets and liabilities as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010				
	Temporary differences	Reversal of temporary differences		Deferred income taxes	
	2010	2011	2012 and thereafter	Current	Non-current
Deductible temporary differences:					
Allowance for doubtful accounts	₩ 358,237	₩ 219,961	₩ 138,276	₩ 53,232	₩ 30,421
Derivative instruments	296,793	296,793	-	71,824	-
Bonus for executives	22,718	22,718	-	5,498	-
Government grants	4,604	4,604	-	1,114	-
Loss on foreign currency translation	47,700	46,753	947	11,314	208
Provision for construction warranty	96,142	-	96,142	-	21,151
Provision for other liabilities	149,678	-	149,678	-	32,929
Provision for construction loss	94,656	-	94,656	-	20,824
Severance and retirement benefits	105,392	-	105,392	-	23,186
Equity method investments	71,225	-	71,225	-	15,669
Available-for-sale securities	25,036	-	25,036	-	5,508
Investments	1,247	-	1,247	-	274
Impairment on property, plant and equipment	12,340	-	12,340	-	2,715
Loss on valuation of property, plant and equipment	25,549	-	25,549	-	5,621
Non deductible purchasing tax amount of land	183	-	183	-	40
	₩ 1,311,500	₩ 590,829	₩ 720,671	₩ 142,982	₩ 158,546
Taxable temporary differences					
Accrued interest on securities	₩ (23,942)	₩ (23,942)	₩ -	₩ (5,794)	₩ -
Derivative instruments	(368,330)	(368,330)	-	(89,136)	-
Inventories	(51,527)	(51,527)	-	(12,470)	-
Gain on foreign currency translation	(53,641)	(52,949)	(692)	(12,814)	(152)
Available-for-sale securities	(4,371)	-	(4,371)	-	(962)
Appropriated retained earnings for technological development	(11,667)	-	(11,667)	-	(2,567)
Depreciation	(1,251)	-	(1,251)	-	(275)
Deposits for severance and retirement benefits	(105,392)	-	(105,392)	-	(23,186)
Deferred income taxes recognized directly to equity	(931,148)	-	(931,148)	(52,298)	(157,308)
	₩(1,551,269)	₩ (496,748)	₩(1,054,521)	₩ (172,512)	₩ (184,450)
Net	₩ (239,769)	₩ 94,081	₩ (333,850)	₩ (29,530)	₩ (25,904)
Applicable tax rate		24.20%	22.00%		

# Notes to the non-consolidated financial statements

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	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%		

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, 2010 and 2009 are as follows (Korean won in millions):

	2010			
	Pretax amount		Tax effect	
< Recognized in deferred income taxes >				
Loss on valuation of available-for-sales securities	₩	7,132	₩	1,569
Debit equity adjustments in equity method		4,517		994
Gain on valuation of available-for-sales securities		(234,225)		(56,284)
Credit equity adjustment in equity method		(406,987)		(89,537)
Gain on disposal of treasury stock		(6,293)		(1,384)
Capital surplus		(35,702)		(7,854)
Loss on valuation of derivative instruments		77,921		17,143
Gain on valuation of derivative instruments		(36,998)		(8,140)
Asset revaluation surplus		(300,513)		(66,113)
	₩	(931,148)	₩	(209,606)

  

	2009			
	Pretax amount		Tax effect	
< Recognized in deferred income taxes >				
Loss on valuation of available-for-sales securities	₩	19	₩	4
Debit equity adjustments in equity method		4,077		897
Gain on valuation of available-for-sales securities		(277,621)		(61,077)
Credit equity adjustment in equity method		(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)

## 25. Per share amounts

The Company's per share amounts for the years ended December 31, 2010 and 2009 are computed as follows:

Basic earnings per share	2010		2009	
Net income	₩	407,270,485,094	₩	382,800,689,798
Weighted-average number of shares of common stock outstanding (*)		49,478,849 shares		49,478,849 shares
Basic earnings per share	₩	8,231	₩	7,737

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

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

	2010		
	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	(1,439,281)	365	(525,337,565)
Treasury stock fund	(81,870)	365	(29,882,550)
			18,059,779,885
			÷ 365
Weighted-average number of shares outstanding			49,478,849

	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

## 26. Dividends

The 2009 dividends were approved by the stockholders at the ordinary stockholders' meeting held on March 19, 2010 and the 2010 dividends will be proposed for the stockholders' approval at the annual ordinary stockholders' meeting to be held on March 25, 2011.

Details of dividends declared for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Dividend per share (A)	₩ 1,000 (20%)	₩ 1,000 (20%)
Number of shares (B) (*)	49,478,849 shares	49,478,849 shares
Dividends (A x B)	₩ 49,478,849,000	₩ 49,478,849,000

(\*) Treasury stocks (including treasury stock fund) as of December 31, 2010 and 2009 are deducted

The dividend payout ratio for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Dividends (A)	₩ 49,478,849,000	₩ 49,478,849,000
Net income (B)	407,270,485,094	382,800,689,798
Dividend payout ratio (A/B)	12.15%	12.93%

The dividend yield ratio for the years ended December 31, 2010 and 2009 are as follows:

	2010		2009	
Dividend per share (A)	₩	1,000	₩	1,000
Market value per share at the end of the reporting period (B)		116,000		108,500
Dividend yield ratio (A/B)		0.86%		0.92%

## 27. Supplementary cash flow information

Significant transactions not involving cash flows for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010		2009	
Transfer of long-term investments securities to current portion	₩	340,308	₩	-
Transfer of debentures and long-term borrowings to current portion		511,980		50,000
Transfer of construction in-progress to other property, plant and equipment		2,268		7,174
Transfer of land held for development to land		-		49,086
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		35,258		206,246
Transfer of receivables from construction contracts to real estate investments		16,999		92,071
Transfer of advance payments to land and loans		-		24
Repayment of borrowings with land (included in real estate investments)		-		49,086
Transfer of construction-in-progress to advance payments		112		-
Reclassification of equity method investments		-		35,023
Transfer of trade accounts payable to other non-current liabilities		1,588		-

## 28. Insured assets

Details of insured inventories and property, plant and equipment as of December 31, 2010 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.	₩ 849,405

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.

# Notes to the non-consolidated financial statements

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## 29. Commitments and contingencies

(1) As of December 31, 2010, Korea Construction Financial Corporation, other construction companies have provided guarantees amounting to ₩13,711,113 million on behalf of the Company, for its construction performance, housing construction and sales performance and construction warranty. Also, as of December 31, 2010, the Company has provided guarantees amounting to ₩3,515,497 million for other construction companies.

(2) As of December 31, 2010, the Company has provided guarantees to its foreign subsidiaries for construction performance amounting to ₩956,184 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, 2010, the outstanding guarantees amounted to ₩2,530,093 million.

(3) In relation to housing loans and temporary relocation cost for future tenants during the construction period, the Company has provided guarantees amounting to ₩1,890,993 million to financial institutions as of December 31, 2010. In addition, in relation to reconstruction, the Company has provided payment guarantees amounting to ₩432,074 million to reconstruction project cooperative as of December 31, 2010.

(4) As of December 31, 2010, the Company has provided payment guarantees amounting to ₩350,933 million for a company incorporated in accordance with the Private Investment Law for social overhead capital and the Company's investment securities amounting to ₩389,596 million in book value are pledged as collateral.

(5) In relation to the securitized borrowings, the Company has provided payment guarantees amounting to ₩637,768 million to Hana The Dream Second Ltd., Zeus NHK Ltd. and other parties.

(6) As of December 31, 2010, the Company has granted put-options to the financial investors of Ulsan Green Co., Ltd. and others to sell their equity rights to the Company.

(7) As of December 31, 2010, the Company has pledged 15 blank notes and 63 checks amounting to ₩277,653 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, 2010, the aggregate amount of these claims as a plaintiff and as a defendant amounted to ₩83,351 million (7 cases) and ₩61,738 million (57 cases), respectively. As of December 31, 2010, 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) As of December 31, 2010 and 2009, the payment guarantees the Company provided for its developer's borrowing, are as follows (Korean won in millions):

(PF related to SOC, redevelopment and reconstruction PF projects are disclosed separately.)

	2010		2009	
ABCP	₩	1,093,600	₩	859,600
Other PF loan		1,420,222		2,231,748
Total	₩	2,513,822	₩	3,091,348

The major PF loan, as of December 31, 2010 are as follows(Korean won in millions):

Business Area(*)	Creditor	Amount	Outstanding	Description	Period of loan	Type
Seoul	Insurance/ Securities Company	569,000	569,000	Payment guarantee	2007.12.21~ 2011.11.23	ABCP & Other Loan

(\*) Refers to the area where the amount of payment guarantees exceeds 10% of the Company's equity.

## 30. 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 on the Company's construction revenue. The Company is exposed to foreign currency risk on construction accounts receivable and construction accounts payable denominated in foreign currency. The Company hedges the risk through currency forward contracts.

#### (2) 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

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 is in accordance with the terms of contract with the counterparty settlement.

### Measurement method and relevant accounting treatment

#### (1) Measurement method

Currency forwards 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 treatment are applied to currency forwards and foreign exchange risk insurance contracts.

#### (2) Relevant accounting treatment

The Company recognized ₩36,173 million and ₩24,208 million as gain and loss, respectively on derivatives transactions in statement of income for the year ended December 31, 2010. The Company also recognized ₩88,287 million and ₩54,966 million as gain and loss on valuation of derivatives, respectively, for the year ended December 31, 2010 in the statement of income. The Company recognized ₩57,914 million and ₩118,734 million as gain and loss on valuation of firm commitments, respectively as of December 31, 2010, respectively.

The outstanding currency forward contracts as of December 31, 2010, are summarized as follows (Korean won in millions, foreign currencies in thousands):

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Long position		Short position		Number of contracts	Forward rate
Currency unit	Amount	Currency unit	Amount		
CHF	2,398	CAD	2,480	1	0.97
EUR	534	CAD	720	1	1.3483
EUR	137	SGD	238	1	1.7314
EUR	485,173	USD	663,098	43	1.2062-1.4989
EUR	11,200	WON	17,300	5	1,433.70-1,573.03
GBP	1,495	USD	2,349	5	1.5229-1.6048
JPY	2,140,173	SGD	34,079	3	61.67-64.30
JPY	11,966,569	USD	138,207	18	81.40-92.61
USD	77,801	CAD	81,600	5	1.028-1.0648
USD	125,600	WON	148,481	9	1,141.30-1,211.47
VND	138,940,788	USD	7,466	14	17,972-19,178
WON	26,186	CAD	23,017	2	1,135.43-1,139.29
WON	47,747	SGD	56,900	6	813.75-864.94
WON	2,080,559	USD	1,868,296	77	1,117.33-1,210.49

The outstanding foreign exchange risk insurance contracts with Korea Trade Insurance Corporation as of December 31, 2010 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 Trade Insurance Corporation	USD 56,244	916.90 - 917.60	2007-10-31	2011-07-31
Korea Trade Insurance Corporation	USD 264,377	907.80 - 909.50	2007-08-14	2011-10-31
Korea Trade Insurance Corporation	USD 88,011	923.20 - 924.80	2007-08-31	2011-07-31
Total	USD 408,632			

Details of valuation of derivative instruments as of December 31, 2010 and 2009 are as follows (Korean won in millions):

		2010								
		Fair value		Current year valuation gain and loss			Accumulated other comprehensive income (*)			
Hedge instrument		Derivative assets	Derivative liabilities	Gain	Loss	Total	Gain	Loss	Total	
Derivatives	Currency forward	₩ 70,208	₩ 63,854	₩ 77,959	₩ (54,966)	₩ 22,993	₩ 36,998	₩ (77,921)	₩ (40,923)	
	Foreign exchange risk insurance	-	92,115	10,328	-	10,328	-	-	-	
	Total	₩ 70,208	₩ 155,969	₩ 88,287	₩ (54,966)	₩ 33,321	₩ 36,998	₩ (77,921)	₩ (40,923)	
	Firm commitment	Currency forward	₩ 84,750	₩ 27,670	₩ 53,214	₩ (98,212)	₩ (44,998)	₩ -	₩ -	₩ -
	Foreign exchange risk insurance	84,864	-	4,700	(20,522)	(15,822)	-	-	-	
	Total	₩ 169,614	₩ 27,670	₩ 57,914	₩ (118,734)	₩ (60,820)	₩ -	₩ -	₩ -	
		2009								
		Fair value		Current year valuation gain and loss			Accumulated other comprehensive income (*)			
Hedge instrument		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)	₩ -	₩ -	₩ -	

(\*) Before deducting deferred income taxes

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## 31. Donation to society

Donation to society contributed by the Company for the years ended December 31, 2010 and 2009 amounted to ₩3,240 million and ₩5,230 million, respectively.

## 32. 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, 2010 and 2009 amounted to ₩12,507 million and ₩14,357 million, respectively.

## 33. Human resource development

Expenditures incurred for the development of specialization in human resources during the years ended December 31, 2010 and 2009 amounted to ₩5,225 million and ₩1,838 million, respectively.

## 34. Segment information

The Company has five 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 Display Co., Ltd. , KOCREF GS SQUARE
Civil division	Road, railway and others	Takreer, Ministry of Land, Transport and Maritime Affairs, Korea Water Corporation
Housing division	Apartment, high-rise residential building and others	DSD Samho Co., Ltd., Major Development Co., Ltd.
Plant division	Oil refinery equipment and others	Takreer, GASCO, GS Caltex Co., Ltd.
Power & environment sustainability division	Power plant, district heating and others	GDF-Suez S.A., Yerevan Thermal Power
Others	Rental and others	Unspecified

The following table presents the financial information of the Company by business segments for the years ended December 31, 2010 and 2009 (Korean won in millions):

Division	2010			
	Sales	Operating income	Property, plant and equipment, and intangible assets	Depreciation and amortization
Architecture division	₩ 1,425,181	₩ 35,816	₩ 271,298	₩ 3,772
Civil division	1,064,682	28,879	48,696	2,244
Housing division	2,247,990	215,861	292,376	3,282
Plant division	2,544,556	215,632	66,926	6,959
Power & environment sustainability division	541,787	18,130	8,359	766
Others	68,567	6,369	764,289	10,727
	₩ 7,892,763	₩ 520,687	₩ 1,451,944	₩ 27,750

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	14,923	18,492	1,269
Housing division	2,511,114	316,559	309,567	3,655
Plant division	2,325,628	234,007	45,723	6,266
Power & 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

The following table presents the sales of the Company by geographical segments for the years ended December 31, 2010 and 2009 (Korean won in millions):

	2010		2009	
	₩		₩	
Domestic sales	₩	5,687,593	₩	5,658,846
Central Asia		1,703,250		1,275,336
China & Southeast Asia		414,476		247,985
Others		87,444		194,758
	₩	7,892,763	₩	7,376,925

# Notes to the non-consolidated financial statements

December 31, 2010 and 2009

## 35. 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, 2010 and 2009, are as follows (Korean won in millions):

	Construction costs		Selling and administrative expenses		Total	
	2010	2009	2010	2009	2010	2009
Labor costs	₩ 275,527	₩ 284,191	₩ 164,168	₩ 138,721	₩ 439,695	₩ 422,912
Severance and retirement benefits	27,428	28,287	16,305	13,482	43,733	41,769
Employee benefits	71,158	59,923	28,213	24,309	99,371	84,232
Rental expense	36,700	39,715	21,700	16,825	58,400	56,540
Depreciation	20,903	20,634	6,519	7,048	27,422	27,682
Amortization	29	29	298	301	327	330
Taxes and dues	45,777	35,773	7,982	10,837	53,759	46,610
	₩ 477,522	₩ 468,552	₩ 245,185	₩ 211,523	₩ 722,707	₩ 680,075

## 36. Operating results of the final interim period (unaudited)

Summary of operating results (unaudited) for the three months ended December 31, 2010 and 2009 are as follows (Korean won in millions, except per share amounts):

	Unaudited Three months ended December 31	
	2010	2009
Sales	₩ 2,092,141	₩ 1,543,783
Cost of sales	1,839,329	1,330,258
Gross profit	252,812	213,525
Operating income	110,405	93,044
Net income	87,802	104,271
Earnings per share	₩ 1,775	₩ 2,107

### 37. Comprehensive income

The details of comprehensive income for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010		2009	
Net income	₩	407,270	₩	382,801
Other comprehensive income (loss):				
Gain on valuation of available-for-sale securities (Income tax effect : 2010 : ₩4,793, 2009 : ₩(209))		(38,604)		744
Loss on valuation of available-for-sale securities (Income tax effect : 2010 : ₩1,565, 2009 : ₩(330))		(5,548)		1,172
Credit equity adjustment in equity method (Income tax effect : 2010 : ₩1,002, 2009 : ₩23,045)		(3,554)		(81,704)
Gain (loss) on translation of foreign currency		(9,487)		1,317
Gain on valuation of derivative instruments (Income tax effect : 2010 : ₩(432), 2009 : ₩(218))		1,532		(770)
Loss on valuation of derivative instruments (Income tax effect : 2010 : ₩3,304, 2009 : ₩3,521)		(11,713)		(12,484)
Asset revaluation surplus (Income tax effect : 2010 : ₩908, 2009 : ₩132)		(3,218)		(470)
Comprehensive income	₩	336,678	₩	290,606

# Internal control over financial reporting review report



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## 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, 2010. 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, 2010, 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, 2010, and we did not review the ICFR subsequent to December 31, 2010. 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 22, 2011

This report is annexed in relation to the audit of the financial statements as of December 31, 2010 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



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

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, 2010.

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, 2010, in all material respects, in accordance with the ICFR standard (name of other standard, if used).

February 22, 2011

**Myung-Soo Huh**

Chief Executive Officer or President

**Tae-Jin Kim**

Internal Control over Financial Reporting Officer

# GS E&C's sustainability performance

## Economic performance

Indicator	Unit	2008	2009	2010
Sales	Billion KRW	6,866	7,377	7,893
Plant	Billion KRW	652	833	1,074
Housing	Billion KRW	2,082	2,341	2,567
Civil Engineering	Billion KRW	391	495	546
Architecture	Billion KRW	1,265	1,180	1,438
Power & Environment	Billion KRW	2,423	2,528	2,268
Order backlogs	Billion KRW	12,231	12,862	14,105
Plant	Billion KRW	1,130	2,547	1,107
Housing	Billion KRW	5,330	6,087	5,789
Civil Engineering	Billion KRW	403	531	2,008
Architecture	Billion KRW	1,071	1,284	2,198
Power & Environment	Billion KRW	4,297	2,413	3,003
Net income	Billion KRW	382	383	407
Total assets	Billion KRW	8,182	8,946	9,338
Dividends	Billion KRW	24.74	49.48	49.48
Corporate tax	Billion KRW	167	125	118

## Social performance

Indicator	Unit	2008	2009	2010
Number of employees	Number of people	6,435	5,803	5,483
Full-time	Number of people	4,351	4,248	4,549
Part-time	Number of people	2,084	1,555	934
Voluntary retirement rate	%	4.63	4.06	3.60
Employment rate of people with disability	%	0.52	0.62	0.69
Percentage of female managers	%	1.12	1.26	1.90
Accident rate	%	0.13	0.19	0.12
Time spent on education and training for employees	Hours	779,599	591,829	679,111
Amount of education and training expense	0.1 billion KRW	59	20	53
Employee benefits	0.1 billion KRW	395.09	437.74	449.61
Members of labor union	Number of people	750	762	871
Employee satisfaction level	Points (out of 100)	61	61	60
Customer satisfaction level	Points (out of 100)	70.41	71.68	71.41
Disciplinary actions against violation of business ethics	Number of cases	10	25	5
Social contribution expense	0.1 billion KRW	-	75.61	94.03
R&D investment	0.1 billion KRW	660.6	734.2	690.9
Number of valid patents	-	101	124	146
Number of researches carried out	-	51	66	78
Number of new technologies	-	6	9	8

## Environmental performance

Indicator	Unit	2008	2009	2010
Resource consumption	-	-	-	-
Ready-mixed concrete	m <sup>3</sup>	3,603,743	3,248,417	2,236,448
Cement	ton	338,087	327,029	183,778
Aggregate	m <sup>3</sup>	848,619	814,948	1,012,474
Asphalt concrete	ton	761,717	4,156,482	1,959,813
Sand	m <sup>3</sup>	554,916	236,859	1,517,745
Reinforcing bar	ton	546,923	460,914	395,044
Gypsum board	m <sup>3</sup>	5,425,316	6,591,191	3,324,068
Recycled aggregate consumption	m <sup>3</sup>	27,834	23,388	60,371
Water use	m <sup>3</sup>	1,528,634	1,387,087	1,023,569
Water supply (piped)	m <sup>3</sup>	663,030	545,764	590,157
Groundwater	m <sup>3</sup>	425,404	384,744	293,073
River water	m <sup>3</sup>	440,200	456,579	140,339
Energy use	TJ	2,253.70	2,663.14	2,684.27
LNG	TJ	23.26	21.24	25.49
Propane	TJ	47.95	75.64	21.78
Kerosene	TJ	65.53	65.50	58.61
Diesel	TJ	1,479.43	1,766.14	1,977.27
Gasoline	TJ	35.21	37.64	39.39
Electricity	TJ	602.32	696.98	561.21
Other	TJ	-	-	0.52
Waste generated	ton	617,371	496,758	163,610
Waste concrete	ton	332,440	256,560	89,825
Waste asphalt concrete	ton	62,211	34,203	13,742
Construction waste soil and stones	ton	112,465	84,796	4,900
Mixed construction waste	ton	79,781	107,847	46,554
Waste synthetic resin	ton	10,709	4,854	3,959
Waste wood	ton	19,353	7,341	4,400
Construction sludge	ton	411	1,157	230
Asbestos emission	ton	-	-	200.8
Wastewater discharged	m <sup>3</sup>	-	-	753,380
Greenhouse gas emission	tCO <sub>2</sub> -e	201,633.81	237,290.60	237,534.96
Scope 1	tCO <sub>2</sub> -e	19,756.97	20,863.72	18,496.09
Scope 2	tCO <sub>2</sub> -e	78,473.12	90,804.23	73,093.63
Scope 3	tCO <sub>2</sub> -e	103,403.72	125,622.65	145,945.24
Environmental control cost	Million KRW	8,400	4,556	4,865
Green procurement cost	0.1 billion KRW	735.57	881.05	567.97
Environmental dispute	Number of cases	11	10	7
Environmental accident	Number of cases	12	24	10
Grievance mediation cost	0.1 billion KRW	21	11.3	15
Environmental education completed	Number of people	-	-	5,785