

# Korea Investment Corporation

Financial Statements

December 31, 2010 and 2009

**Korea Investment Corporation**  
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**December 31, 2010 and 2009**

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## Report of Independent Auditors

To the Board of Directors of  
Korea Investment Corporation

We have audited the accompanying statements of financial position of Korea Investment Corporation (the "Corporation") as of December 31, 2010 and 2009, and the related statements of Income, appropriation of retained earnings, changes in shareholder's equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in conformity 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 financial statements referred to above present fairly, in all material respects, the financial position of Korea Investment Corporation as of December 31, 2010 and 2009, and the results of its operations, the changes in its retained earnings, the changes in its shareholder's equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Samil PricewaterhouseCoopers

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Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in the shareholder's equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.



Seoul, Korea  
March 14, 2011

This report is effective as of March 14, 2011, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Korea Investment Corporation**  
**Statements of Financial Position**  
**December 31, 2010 and 2009**

<i>(In thousands of Korean won)</i>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>			
Cash and deposits	3	₩ 115,075,394	₩ 70,387,889
Securities	4	-	21,500,000
Loans receivable, net		1,237,381	1,063,777
Property and equipment, net	5	612,818	635,827
Accrued income, net		45,795,014	59,547,756
Other assets	6	3,540,838	4,027,759
		<u>₩ 166,261,445</u>	<u>₩ 157,163,008</u>
Total assets			
<b>Liabilities and shareholder's equity</b>			
<b>Liabilities</b>			
Withholdings		301,895	145,494
Accrued expenses		18,474,615	16,169,478
Other liabilities	8	8,836,191	12,927,505
		<u>27,612,701</u>	<u>29,242,477</u>
Total liabilities			
Commitments and contingencies	9		
<b>Shareholder's equity</b>			
Capital	11	100,000,000	100,000,000
<b>Retained earnings</b>			
Earning reserves	12	5,586,991	-
Discretionary reserves		16,733,540	-
Unappropriated retained earnings		16,328,213	27,920,531
		<u>138,648,744</u>	<u>127,920,531</u>
Total shareholder's equity			
Total liabilities and shareholder's equity		<u>₩ 166,261,445</u>	<u>₩ 157,163,008</u>

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

**Korea Investment Corporation**  
**Statements of Income**  
**Years ended December 31, 2010 and 2009**

<i>(In thousands of Korean won)</i>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>Operating revenue</b>			
Investment management fees	₩	74,539,027	₩ 81,973,758
Realized and unrealized foreign exchange gains		1,518,384	3,402,866
Interest income		4,402,364	4,751,266
		<u>80,459,775</u>	<u>90,127,890</u>
<b>Operating expenses</b>			
Service charges		34,016,552	27,895,450
Realized and unrealized foreign exchange losses		3,153,650	6,937,369
Selling and administrative expenses	17	21,828,507	18,441,871
		<u>58,998,709</u>	<u>53,274,690</u>
Operating income		<u>21,461,066</u>	<u>36,853,200</u>
<b>Non-operating income</b>			
Reversal of allowance for bad debts		68,228	-
Others		2,473	6,007
		<u>70,701</u>	<u>6,007</u>
<b>Non-operating expenses</b>			
Donations		5,500	2,500
Loss on disposal of property and equipment		883	380
		<u>6,383</u>	<u>2,880</u>
<b>Income before income taxes</b>		21,525,384	36,856,327
<b>Income tax expense</b>	14	<u>5,197,171</u>	<u>8,921,370</u>
<b>Net income</b>		<u>₩ 16,328,213</u>	<u>₩ 27,934,957</u>

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

**Korea Investment Corporation**  
**Statements of Appropriation of Retained Earnings**  
**Years ended December 31, 2010 and 2009**  
(Dates of appropriation : March 15, 2011 and March 24, 2010 for the years ended  
December 31, 2010 and 2009, respectively)

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<i>(In thousands of Korean won)</i>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>Retained earnings before appropriation</b>			
Undisposed accumulated deficit carried over from prior year		₩ -	₩ (14,426)
Net income		16,328,213	27,934,957
		<u>16,328,213</u>	<u>27,920,531</u>
<b>Appropriation of retained earnings</b>			
Earning reserves	12	3,265,643	5,586,991
Discretionary reserves		9,762,570	16,733,540
Cash dividends	13	3,300,000	5,600,000
		<u>16,328,213</u>	<u>27,920,531</u>
<b>Unappropriated retained earnings carried forward to subsequent year</b>		<u>₩ -</u>	<u>₩ -</u>

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

**Korea Investment Corporation**  
**Statements of Changes in Shareholder's Equity**  
**Years ended December 31, 2010 and 2009**

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<i>(In thousands of Korean won)</i>	Notes	Capital	Capital surplus	Retained Earnings	Total
<b>Balances as of</b>					
<b>January 1, 2009</b>		₩ 100,000,000	₩ -	₩ (14,426)	₩ 99,985,574
Net income		-	-	27,934,957	27,934,957
<b>Balances as of</b>					
<b>December 31, 2009</b>		₩ 100,000,000	₩ -	₩ 27,920,531	₩ 127,920,531
<b>Balances as of</b>					
<b>January 1, 2010</b>		₩ 100,000,000	₩ -	₩ 27,920,531	₩ 127,920,531
Cash dividends	13	-	-	(5,600,000)	(5,600,000)
Net income		-	-	16,328,213	16,328,213
<b>Balances as of</b>					
<b>December 31, 2010</b>		₩ 100,000,000	₩ -	₩ 38,648,744	₩ 138,648,744

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

**Korea Investment Corporation**  
**Statements of Cash Flows**  
**Years ended December 31, 2010 and 2009**

*(In thousands of Korean won)*

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Net income	₩ 16,328,213	₩ 27,934,957
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for severance benefits	712,582	941,868
Depreciation	377,702	480,523
Amortization	307,763	228,094
Bad debt expenses	-	230,182
Loss on disposal of property and equipment	883	380
Loss on foreign currency translation	863,761	3,661,331
Gain on foreign currency translation	(371,933)	(407,235)
Reversal of allowance for bad debts	(68,228)	-
	<u>1,822,530</u>	<u>5,135,143</u>
Changes in operating assets and liabilities		
Decrease (increase) in other assets	13,841,574	(51,217,303)
Increase(decrease) in other liabilities	(1,869,806)	18,528,450
Payment of severance benefits	(250,727)	(51,651)
	<u>29,871,784</u>	<u>329,596</u>
<b>Net cash provided by operating activities</b>	<u>29,871,784</u>	<u>329,596</u>
<b>Cash flows from investing activities</b>		
Decrease in cash and deposits	(44,500,000)	(1,659,436)
Acquisition of property and equipment	(355,575)	(152,458)
Acquisition of intangible assets	(209,991)	(460,615)
Acquisition(disposition) of held-to-maturity securities	21,500,000	(3,500,000)
Increase in loans receivable	(174,477)	(75,124)
Increase in other assets	(344,236)	(30,414)
	<u>(24,084,279)</u>	<u>(5,878,047)</u>
<b>Net cash used in investing activities</b>	<u>(24,084,279)</u>	<u>(5,878,047)</u>
<b>Cash flows from financing activities</b>		
Cash dividends	(5,600,000)	-
	<u>(5,600,000)</u>	<u>-</u>
<b>Net cash used in financing activities</b>	<u>(5,600,000)</u>	<u>-</u>
<b>Net increase(decrease) in cash and cash equivalents</b>	187,505	(5,548,451)
<b>Cash and cash equivalents</b>		
Beginning of year	2,387,889	7,936,340
End of year	<u>₩ 2,575,394</u>	<u>₩ 2,387,889</u>

The accompanying notes are an integral part of these financial statements

# **Korea Investment Corporation**

## **Notes to the Financial Statements**

### **December 31, 2010 and 2009**

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#### **1. The Corporation**

Korea Investment Corporation (the "Corporation") was incorporated on July 1, 2005 under the Korea Investment Corporation Act. The Corporation manages and invests assets entrusted by the Korean Government (the "Government") and the Bank of Korea. As of December 31, 2010, the Corporation is wholly owned by the Government and the paid-in capital of the Corporation is ₩100 billion.

The scope of the primary business of the Corporation is as follows:

- 1) Management of assets entrusted by the trust institutions;
- 2) Survey and research relating to item 1) above and exchange and cooperation with domestic or overseas institutions carrying on identical or similar business; and
- 3) Any other incidental business related to items 1) and 2) above as resolved by the Steering Committee.

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Presentation**

The Corporation maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Corporation 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. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Certain information attached to the Korean language financial statements.

The following is a summary of significant accounting policies followed by the Corporation in the preparation of its financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Revenue Recognition**

Revenue from investment management fees are recognized when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow into the Corporation.

# Korea Investment Corporation

## Notes to the Financial Statements

### December 31, 2010 and 2009

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#### Allowance for Bad Debts

The Corporation provides an allowance for bad debts based on the aggregate estimated collectability of the receivable and the Regulation on the Financial Investment Services.

The debts at December 31, 2010 by risk classification and percentages of loss applied in order to determine the allowance for bad debts are as follows:

Classification	Percentage of Loss
Normal	0.5%
Pre cautionary	2%
Substandard	20%
Doubtful	75%
Estimated loss	100%

#### Property and Equipment

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. It also includes the present value of the estimated cost of dismantling and removing the asset, and restoring the site after the termination of the asset's useful life, provided it meets the criteria for recognition of provisions.

Property and equipment are stated net of accumulated depreciation calculated based on the following depreciation method and estimated useful lives:

	Estimated Useful Lives (Years)	Depreciation Method
Computer equipments	5	Straight-line method
Office equipments	5	Straight-line method
Leasehold improvements	5	Straight-line method

Expenditures incurred after the acquisition or completion of assets are capitalized if they enhance the value of the related assets over their recently appraised value or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

#### Intangible Assets

Intangible assets are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the estimated useful life 5 years.

#### Translation of Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rate of exchange in effect at the end of each reporting period, and the resulting translation gains and losses are recognized in current operations.

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2010 and 2009**

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**Accrued Severance Benefits**

Employees and directors are entitled to receive a lump-sum payment upon termination of their employment with the Corporation based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment at the end of each reporting period.

**Income Tax and Deferred Income Taxes**

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operation loss to the extent that it is probable that future taxable income will be available against which the temporary differences and operation loss can be utilized. Deferred tax effects applicable to items in the shareholder's equity are directly reflected in the shareholder's equity.

**3. Cash and Deposits**

Cash and deposits as of December 31, 2010 and 2009 are summarized as follows:

<i>(In thousands of Korean won)</i>	<b>Annual Interest Rates (%) as of December 31, 2010</b>	<b>2010</b>	<b>2009</b>
(1) Cash and cash equivalents			
Foreign currency deposits	-	₩ 152,154	₩ 25,803
Foreign currency time deposits	-	-	350,757
Money market deposit accounts	-	498,064	234,349
Cash management accounts	2.8	1,004,923	1,004,923
Bonds purchased under repurchase agreements	2.7	920,253	772,057
(2) Other deposits			
Time deposits	3.36~4.79	107,500,000	25,500,000
Certificates of deposit	3.7	5,000,000	22,500,000
Bonds purchased under repurchase agreements	-	-	20,000,000
		<u>₩ 115,075,394</u>	<u>₩ 70,387,889</u>

**Korea Investment Corporation**  
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**4. Held-to-Maturity Securities**

Held-to-maturity securities as of December 31, 2010 and 2009 are summarized as follows:

<i>(In thousands of Korean won)</i>		2010			
		Maturity Date	Fair Value	Book Value	
Within 1 year	-	₩	-	₩	-
		2009			
		Maturity Date	Fair Value	Book Value	
Within 1 year	2010-01-04	₩	9,000,000	₩	9,000,000
	2010-02-18		12,500,000		12,500,000
		₩	21,500,000	₩	21,500,000

Total interest income earned from the held-to-maturity securities above amounted to ₩ 87 million for the year ended December 31, 2010(2009 : ₩ 1,494 million).

**5. Property and Equipment**

Changes in property and equipment for the years ended December 31, 2010 and 2009 are as follows :

<i>(In thousands of Korean won)</i>	Balance as of January 1, 2010	Acquisition	Disposal	Depreciation	Balance as of December 31, 2010
Computer equipments	₩ 414,716	₩ 230,907	₩ -	₩ 215,676	₩ 429,947
Office equipments	143,643	124,668	882	84,558	182,871
Leasehold improvements	<u>77,468</u>	<u>-</u>	<u>-</u>	<u>77,468</u>	<u>-</u>
	<u>₩ 635,827</u>	<u>₩ 355,575</u>	<u>₩ 882</u>	<u>₩ 377,702</u>	<u>₩ 612,818</u>
<i>(In thousands of Korean won)</i>	Balance as of January 1, 2009	Acquisition	Disposal	Depreciation	Balance as of December 31, 2009
Computer equipments	₩ 509,559	₩ 122,528	₩ -	₩ 217,371	₩ 414,716
Office equipments	222,649	29,930	380	108,556	143,643
Leasehold improvements	<u>232,064</u>	<u>-</u>	<u>-</u>	<u>154,596</u>	<u>77,468</u>
	<u>₩ 964,272</u>	<u>₩ 152,458</u>	<u>₩ 380</u>	<u>₩ 480,523</u>	<u>₩ 635,827</u>

As of December 31, 2010, property and equipment are insured against fire and other casualty losses up to ₩1,353 million(2009 : ₩ 2,409 million).

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
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**6. Other Assets**

Other assets as of December 31, 2010 and 2009 are summarized as follows:

<i>(In thousands of Korean won)</i>	<b>2010</b>	<b>2009</b>
Other accounts receivable	₩ 5,885	₩ 4,142
Prepaid expenses	167,196	268,437
Intangible assets	639,982	737,754
Investments	1,642,228	1,297,992
Deferred income tax assets	1,085,577	1,719,455
Less: Allowance for bad debts	(30)	(21)
	<u>₩ 3,540,838</u>	<u>₩ 4,027,759</u>

Changes in intangible assets for the years ended December 31, 2010 and 2009 are as follows :

<i>(In thousands of Korean won)</i>	<b>Balance as of January 1, 2010</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Balance as of December 31, 2010</b>
Development costs	₩ 399,567	₩ 134,891	₩ 158,573	₩ 375,885
Others	<u>338,187</u>	<u>75,100</u>	<u>149,190</u>	<u>264,097</u>
	<u>₩ 737,754</u>	<u>₩ 209,991</u>	<u>₩ 307,763</u>	<u>₩ 639,982</u>

<i>(In thousands of Korean won)</i>	<b>Balance as of January 1, 2009</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Balance as of December 31, 2009</b>
Development costs	₩ 210,000	₩ 285,707	₩ 96,140	₩ 399,567
Others	<u>295,233</u>	<u>174,908</u>	<u>131,954</u>	<u>338,187</u>
	<u>₩ 505,233</u>	<u>₩ 460,615</u>	<u>₩ 228,094</u>	<u>₩ 737,754</u>

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
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**7. Monetary Assets and Liabilities Denominated in Foreign Currency**

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2010 and 2009 and its unrealized foreign currency translation gains and losses for the years ended December 31, 2010 and 2009 are as follows:

*(In thousands of Korean won, in US dollars)*

Accounts	2010					
	Foreign Currencies	Exchange Rate	Korean won	Translation Gain	Translation Loss	
<b>Assets</b>						
Foreign currency deposits	USD	133,597	1,138.90	₩ 152,154	₩ 2,319	₩ 29,172
Accrued income	USD	39,019,516	1,138.90	44,439,327	100,494	814,148
<b>Liabilities</b>						
Other accounts payable	USD	129,156.37	1,138.90	147,096	2,059	-
Accrued expenses	USD	3,314.64	1,138.90	3,775	269,380	49,614

*(In thousands of Korean won, in US dollars)*

Accounts	2009					
	Foreign Currencies	Exchange Rate	Korean won	Translation Gain	Translation Loss	
<b>Assets</b>						
Foreign currency deposits	USD	22,100	1,167.6	₩ 25,804	₩ -	₩ 406
Foreign currency time deposits	USD	300,409	1,167.6	350,757	-	17,521
Accrued income	USD	49,326,854	1,167.6	57,594,035	-	3,660,734
<b>Liabilities</b>						
Other accounts payable	USD	337,830	1,167.6	394,451	606	-
Accrued expenses	USD	11,472,650	1,167.6	13,395,466	406,628	596

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
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**8. Other Liabilities**

Other liabilities as of December 31, 2010 and 2009 are summarized as follows:

<i>(In thousands of Korean won)</i>	<b>2010</b>	<b>2009</b>
Other accounts payable	₩ 2,562,907	₩ 610,900
Accrued severance benefits	2,163,276	1,701,421
Income taxes payable	4,110,008	10,615,184
	<u>₩ 8,836,191</u>	<u>₩ 12,927,505</u>

Changes in accrued severance benefits for the years ended December 31, 2010 and 2009 are as follows:

<i>(In thousands of Korean won)</i>	<b>2010</b>	<b>2009</b>
Balance at beginning of year	₩ 1,701,421	₩ 811,204
Provision for year	712,582	941,868
Payments of severance benefits	250,727	51,651
Balance at end of year	<u>₩ 2,163,276</u>	<u>₩ 1,701,421</u>

**9. Commitments and Contingencies**

(a) Entrusted Assets

As of December 31, 2010, the Corporation has entered into investment management agreements with the Bank of Korea and Ministry of Strategy and Finance and sub-investment management agreements with BlackRock International Limited, etc.

Total entrusted assets relating to the agreements as of December 31, 2010, amount to USD 36,931,439,950.

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2010 and 2009**

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**10. Related Party Transactions**

Significant transactions with a related party for the years ended December 31, 2010 and 2009, and the related account balances as of December 31, 2010 and 2009 are summarized as follows:

<i>(In thousands of Korean won)</i>	<b>Investment Management Fees</b>		<b>Accrued Income</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Ministry of Strategy and Finance	₩ 42,642,746	₩ 20,210,082	₩ 28,237,009	₩ 13,474,718

**11. Capital**

The capital and investor as of December 31, 2010 are summarized as follows:

<i>(In thousands of Korean won)</i>	<b>2010</b>
Ministry of Strategy and Finance	₩ 100,000,000

According to the Korea Investment Corporation Act, the capital of the Corporation shall be ₩1 trillion and the Government is to invest the full amount.

**12. Earning Reserves**

Under the Article 41 of the Articles of Incorporation, the Corporation is required to reserve at least 20% of net income for each period until the reserve equals the amount of its capital.

**13. Dividends**

The Corporation declared cash dividends amounting to ₩ 3,300 million(2009 : ₩ 5,600 million) for the year ended December 31, 2010 and the Corporation's dividend payout ratio for the year ended December 31, 2010 is 20.21%(2009 : 20.05%).

**Korea Investment Corporation**  
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**14. Income Tax Expense**

Income taxes for the years ended December 31, 2010 and 2009 consist of the following:

<i>(In thousands of Korean won)</i>	<b>2010</b>	<b>2009</b>
Current income taxes	₩ 4,563,293	₩ 10,615,184
Deferred income tax due to temporary differences	633,878	(1,693,814)
Income tax expense	<u>₩ 5,197,171</u>	<u>₩ 8,921,370</u>

Reconciliation between net income before tax and income tax expense for the years ended December 31, 2010 and 2009 is as follows:

<i>(In thousands of Korean won)</i>	<b>2010</b>	<b>2009</b>
Net income before tax	₩ 21,525,384	₩ 36,856,327
Income tax based on statutory rate	5,182,743	8,895,031
Adjustments		
- Non-deductible expense	14,520	12,676
- Tax credit, etc.	(92)	13,663
Income tax expense	<u>₩ 5,197,171</u>	<u>₩ 8,921,370</u>
Effective tax rate(*)	24.14%	24.21%

(\*) Income tax over net income before tax

Changes in the temporary differences and related deferred tax assets and liabilities for the years ended December 31, 2010 and 2009 are as follows:

<i>(In thousands of Korean won)</i>	<b>2010</b>			<b>2009</b>	
	<b>Beginning</b>	<b>Increase (Decrease)</b>	<b>Ending</b>	<b>Deferred Tax Assets (Liabilities)</b>	<b>Deferred Tax Assets (Liabilities)</b>
Accrued income	₩ -	₩ (32,945)	₩ (32,945)	₩ (7,973)	₩ -
Accrued severance benefits	1,233,587	213,729	1,447,316	318,410	271,389
Accrued expenses	2,706,376	(28,217)	2,678,159	648,114	654,943
Gain(loss) on foreign currency translation	3,272,023	(2,753,341)	518,682	125,521	791,829
Allowance for bad debts	5,345	873	6,218	1,505	1,294
	<u>₩ 7,217,331</u>	<u>₩ (2,599,901)</u>	<u>₩ 4,617,430</u>	<u>₩1,085,577</u>	<u>₩1,719,455</u>

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(In thousands of Korean won)	2009			2008	
	Beginning	Increase (Decrease)	Ending	Deferred Tax Assets (Liabilities)	Deferred Tax Assets (Liabilities)
Accrued income	₩ (1,233,177)	₩ 1,233,177	₩ -	₩ -	₩ (298,429)
Accrued severance benefits	564,371	669,216	1,233,587	271,389	124,162
Accrued expenses	-	2,706,376	2,706,376	654,943	-
Gain(loss) on foreign currency translation	807,523	2,464,500	3,272,023	791,829	195,420
Allowance for bad debts	4,970	375	5,345	1,294	1,203
	<u>₩ 143,687</u>	<u>₩ 7,073,644</u>	<u>₩ 7,217,331</u>	<u>₩ 1,719,455</u>	<u>₩ 22,356</u>
Tax credit carry-forward	<u>2,986</u>	<u>(2,986)</u>	<u>-</u>	<u>-</u>	<u>3,285</u>
				<u>₩ 1,719,455</u>	<u>₩ 25,641</u>

**Effect of the Changes in Tax Law**

The tax effect of cumulative temporary difference was calculated based on future tax rate of the fiscal year when temporary differences are expected to reverse. The 24.2% tax rate was used for temporary difference expected to reverse in 2011, while 22% was used for temporary differences expected to reverse in 2012 and thereafter.

**Recognition of Deferred Income Tax Assets Based on Future Reliability**

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Corporation's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognized the deferred income tax asset since all the future (deductible) tax benefits are determined to be realizable as of December 31, 2010.

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**15. Value Added Information**

Details of accounts included in the calculation of value added information for the years ended December 31, 2010 and 2009 comprise the following:

<i>(In thousands of Korean won)</i>	<b>2010</b>	<b>2009</b>
Salaries	₩ 9,530,729	₩ 8,845,994
Severance benefits	712,582	941,868
Employee welfare	2,446,447	836,604
Taxes and dues	64,541	33,594
Rental charges	1,585,230	1,330,367
Depreciation	377,702	480,523
Amortization	307,763	228,094

**16. Approval of Financial Statements**

The December 31, 2010 financial statements of the Corporation were approved by the Board of Directors on March 8, 2011.

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**17. Selling and Administrative Expenses**

Details of selling and administrative expenses for the years ended December 31, 2010 and 2009 are as follows:

<i>(In thousands of Korean won)</i>	<b>2010</b>		<b>2009</b>	
Salaries	₩	9,530,729	₩	8,845,994
Severance benefits		712,582		941,868
Employee welfare		2,446,447		836,604
Advertising		31,391		17,817
Travel		787,148		477,229
Communications		105,461		81,300
Computer system operation		410,898		335,504
Taxes and dues		64,541		33,594
Rental charges		1,585,230		1,330,367
Service contract		615,743		638,536
Depreciation		377,702		480,523
Amortization		307,763		228,094
Business development		133,415		114,658
Conference		216,547		200,378
Printing		38,145		29,483
Vehicles		191,733		182,598
Supplies		65,902		60,433
Repairs and maintenance		27,473		20,778
Utility		595,191		579,614
Insurance		29,049		13,659
Registration and legal fees		663		2,073
Events		72,623		56,530
Research		3,255,304		2,482,529
Training		196,542		193,959
Books and periodicals		26,685		23,392
Prize		3,600		4,175
Bad debts		-		230,182
	₩	<u>21,828,507</u>	₩	<u>18,441,871</u>