

# Korea Investment Corporation

Financial Statements

December 31, 2009 and 2008

**Korea Investment Corporation**  
**Index**  
**December 31, 2009 and 2008**

---

	<b>Page(s)</b>
<b>Report of Independent Auditors</b> .....	1-2
<b>Financial Statements</b>	
Statements of Financial Position .....	3
Statements of Income .....	4
Statements of Appropriations of Retained Earnings (Dispositions of Accumulated Deficit) .....	5
Statements of Changes in Shareholder's Equity .....	6
Statements of Cash Flows .....	7
Notes to the Financial Statements .....	8-19

## 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, 2009 and 2008, and the related statements of Income, appropriations of retained earnings (dispositions of accumulated deficit), 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, 2009 and 2008, and the results of its operations, the changes in its retained earnings (accumulated deficit), 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

LS Yongsan Tower, 191, Hanganro 2-ga, Yongsan-gu, Seoul 140-702, Korea (Yongsan P.O Box 266, 140-600) [www.samil.com](http://www.samil.com)

Samil PricewaterhouseCoopers is the Korean network firm of PricewaterhouseCoopers International Limited (PwCIL). "PricewaterhouseCoopers" and "PwC" refer to the network of member firms of PwCIL. Each member firm is a separate legal entity and does not act as an agent of PwCIL or any other member firm.

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.

*Samil Pricewaterhousecoopers*

Seoul, Korea  
March 24, 2010

This report is effective as of March 24, 2010, 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, 2009 and 2008**

<i>(In thousands of Korean won)</i>	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Cash and deposits (Note 3)	₩ 70,387,889	₩ 74,276,904
Securities (Note 4)	21,500,000	18,000,000
Loans receivable, net	1,063,777	989,028
Property and equipment, net (Note 5)	635,827	964,272
Accrued income, net	59,547,756	13,818,133
Other assets (Note 6)	4,027,759	2,167,684
<b>Total assets</b>	<b>₩ 157,163,008</b>	<b>₩ 110,216,021</b>
<b>Liabilities and shareholder's equity</b>		
<b>Liabilities</b>		
Withholdings	145,494	169,838
Accrued expenses	16,169,478	8,729,078
Other liabilities (Note 8)	12,927,505	1,331,531
<b>Total liabilities</b>	<b>29,242,477</b>	<b>10,230,447</b>
Commitments and contingencies (Note 9)		
<b>Shareholder's equity</b>		
Capital (Note 11)	100,000,000	100,000,000
Retained earnings (accumulated deficit)	27,920,531	(14,426)
<b>Total shareholder's equity</b>	<b>127,920,531</b>	<b>99,985,574</b>
<b>Total liabilities and shareholder's equity</b>	<b>₩ 157,163,008</b>	<b>₩ 110,216,021</b>

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

**Korea Investment Corporation**  
**Statements of Income**  
**Years ended December 31, 2009 and 2008**

<i>(In thousands of Korean won)</i>	<b>2009</b>	<b>2008</b>
<b>Operating revenue</b>		
Investment management fees	₩ 81,973,758	₩ 39,565,692
Realized and unrealized foreign exchange gains	3,402,866	6,403,199
Interest income	4,751,266	5,174,058
	<u>90,127,890</u>	<u>51,142,949</u>
<b>Operating expenses</b>		
Service charges	27,895,450	23,917,613
Realized and unrealized foreign exchange losses	6,937,369	4,007,446
Selling and administrative expenses (Note 15)	18,441,871	12,938,633
	<u>53,274,690</u>	<u>40,863,692</u>
 Operating income	 <u>36,853,200</u>	 <u>10,279,257</u>
<b>Non-operating income</b>		
Others	6,007	1,688
	<u>6,007</u>	<u>1,688</u>
<b>Non-operating expenses</b>		
Donations	2,500	-
Loss on disposal of property and equipment	380	-
Others	-	3
	<u>2,880</u>	<u>3</u>
<b>Income before income taxes</b>	<b>36,856,327</b>	<b>10,280,942</b>
<b>Income tax expenses (Note 14)</b>	<u>8,921,370</u>	<u>54,052</u>
<b>Net income</b>	<u>₩ 27,934,957</u>	<u>₩ 10,226,890</u>

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

**Korea Investment Corporation**  
**Statements of Appropriations of Retained Earnings (Dispositions of**  
**Accumulated Deficit)**  
**Years ended December 31, 2009 and 2008**

(Dates of appropriations (dispositions): March 24, 2010 and March 30, 2009,  
for the years ended December 31, 2009 and 2008, respectively)

<i>(In thousands of Korean won)</i>	<b>2009</b>	<b>2008</b>
<b>Retained earnings before appropriations</b>		
<b>(accumulated deficit before dispositions)</b>		
Undisposed accumulated deficit carried over from prior year	₩ (14,426)	₩ (10,241,316)
Net income	27,934,957	10,226,890
	<u>27,920,531</u>	<u>(14,426)</u>
<b>Appropriation of retained earnings</b>		
Earning reserves (Note 12)	5,586,991	-
Discretionary reserves	16,733,540	-
Cash dividends (Note 13)	5,600,000	-
	<u>27,920,531</u>	<u>-</u>
<b>Unappropriated retained earnings</b>		
<b>(Undisposed accumulated deficit)</b>		
<b>carried forward to subsequent year</b>	<u>₩ -</u>	<u>₩ (14,426)</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, 2009 and 2008**

<i>(In thousands of Korean won)</i>	Capital	Capital surplus	Retained Earnings (Accumulated Deficit)	Total
<b>Balances as of</b>				
<b>January 1, 2008</b>	₩ 100,000,000	₩ -	₩ (10,241,316)	₩ 89,758,684
Net income	-	-	10,226,890	10,226,890
<b>Balances as of</b>				
<b>December 31, 2008</b>	100,000,000	-	(14,426)	99,985,574
<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

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



**Korea Investment Corporation**  
**Statements of Cash Flows**  
**Years ended December 31, 2009 and 2008**

<i>(In thousands of Korean won)</i>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Net income	₩ 27,934,957	₩ 10,226,890
Items not involving cash flows		
Provision for severance benefits	941,868	344,403
Depreciation	480,523	439,690
Amortization	228,094	192,951
Bad debt expenses	230,182	29,698
Loss on disposal of property and equipment	380	-
Loss on foreign currency translation	3,661,331	1,259,690
Gain on foreign currency translation	(407,235)	(529,862)
	<u>5,135,143</u>	<u>1,736,570</u>
Changes in operating assets and liabilities		
Increase in other assets	(51,217,303)	(5,951,599)
Increase in other liabilities	18,528,450	4,317,559
Payment of severance benefits	(51,651)	(280,000)
	<u>329,596</u>	<u>10,049,420</u>
<b>Net cash provided by operating activities</b>		
	<u>329,596</u>	<u>10,049,420</u>
<b>Cash flows from investing activities</b>		
Decrease(increase) in cash and deposits	(1,659,436)	5,659,436
Acquisition of property and equipment	(152,458)	(190,092)
Acquisition of intangible assets	(460,615)	(46,279)
Acquisition of held-to-maturity securities	(3,500,000)	(7,600,000)
Increase in loans receivable	(75,124)	(836,810)
Increase in other assets	(30,414)	(80,708)
	<u>(5,878,047)</u>	<u>(3,094,453)</u>
<b>Net cash used in investing activities</b>		
	<u>(5,878,047)</u>	<u>(3,094,453)</u>
<b>Net increase(decrease) in cash and cash equivalents</b>	(5,548,451)	6,954,967
<b>Cash and cash equivalents at beginning of year</b>	<u>7,936,340</u>	<u>981,373</u>
<b>Cash and cash equivalents at end of year</b>	<u>₩ 2,387,889</u>	<u>₩ 7,936,340</u>

The accompanying notes are an integral part of these financial statements

# **Korea Investment Corporation**

## **Notes to the Financial Statements**

### **December 31, 2009 and 2008**

---

#### **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, 2009, 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, but not required for a fair presentation of the Corporation's financial position, results of operations, or cash flows, is not presented in the accompanying financial statements.

##### **Revenue Recognition**

Revenue from investment management fees are recognized on an accrual basis in accordance with the relevant agreement.

# Korea Investment Corporation

## Notes to the Financial Statements

### December 31, 2009 and 2008

---

#### 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, 2009 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 and Related Depreciation

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

	Estimated Useful Lives (Years)
Computer equipments	5
Office equipments	5
Leasehold improvements	5

Routine maintenance and repairs are expensed as incurred. Expenditures which enhance the value or extend the useful lives of the related assets are capitalized.

#### Intangible Assets

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

#### Foreign Currency Translation

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, 2009 and 2008**

---

**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, 2009 and 2008 are summarized as follows:

<i>(In thousands of Korean won)</i>	<b>Annual Interest Rates (%) December 31, 2009</b>	<b>2009</b>	<b>2008</b>
(1) Cash and cash equivalents			
Foreign currency deposits	0.04	₩ 25,803	₩ 3,152,426
Foreign currency time deposits	0.15	350,757	-
Money market deposit accounts	0.10-2.40	234,349	468,820
Cash management accounts	2.80	1,004,923	-
Repurchase agreements	2.60	772,057	4,315,094
(2) Other deposits			
Time deposits	4.15-4.61	25,500,000	16,840,564
Certificates of deposit	4.08-4.35	22,500,000	49,500,000
Repurchase agreements	3.70	<u>20,000,000</u>	<u>-</u>
		<u>₩ 70,387,889</u>	<u>₩ 74,276,904</u>

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

---

**4. Held-to-maturity Securities**

Held-to-maturity securities as of December 31, 2009 and 2008 are summarized as follows:

*(In thousands  
of Korean won)*

		<b>2009</b>		
		<b>Maturity Date</b>	<b>Fair Value</b>	<b>Book Value</b>
Within 1 year		2010-01-04	₩ 9,000,000	₩ 9,000,000
		2010-02-18	12,500,000	12,500,000
			<u>₩ 21,500,000</u>	<u>₩ 21,500,000</u>
		<b>2008</b>		
		<b>Maturity Date</b>	<b>Fair Value</b>	<b>Book Value</b>
Within 1 year		2009-02-16	₩ 10,000,000	₩ 10,000,000
		2009-12-16	8,000,000	8,000,000
			<u>₩ 18,000,000</u>	<u>₩ 18,000,000</u>

Total interest income earned from held-to-maturity securities amounted to ₩ 1,494 million (2008 : ₩ 566 million).

**5. Property and Equipment**

Property and equipment as of December 31, 2009 and 2008, and its movements for the years then ended consist of the following:

<i>(In thousands of Korean won)</i>	<b>Balance at January 1, 2009</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Balance at December 31, 2009</b>	<b>Accumulated Depreciation</b>
Computer equipments	₩ 509,559	₩ 122,528	₩ -	₩ 217,371	₩ 414,716	₩ 723,083
Office equipments	222,649	29,930	380	108,556	143,643	420,054
Leasehold improvements	<u>232,064</u>	<u>-</u>	<u>-</u>	<u>154,596</u>	<u>77,468</u>	<u>695,514</u>
	<u>₩ 964,272</u>	<u>₩ 152,458</u>	<u>₩ 380</u>	<u>₩ 480,523</u>	<u>₩ 635,827</u>	<u>₩1,838,651</u>

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

---

<i>(In thousands of Korean won)</i>	Balance at January 1, 2008	Acquisition	Disposal	Depreciation	Balance at December 31, 2008	Accumulated Depreciation
Computer equipments	₩ 544,317	₩ 148,648	₩ -	₩ 183,406	₩ 509,559	₩ 505,712
Office equipments	282,892	41,444	-	101,687	222,649	313,650
Leasehold improvements	386,661	-	-	154,597	232,064	540,918
	<u>₩ 1,213,870</u>	<u>₩ 190,092</u>	<u>₩ -</u>	<u>₩ 439,690</u>	<u>₩ 964,272</u>	<u>₩ 1,360,280</u>

As of December 31, 2009, property and equipment are insured against fire and other casualty losses up to ₩2,409 million.

**6. Other Assets**

Other assets as of December 31, 2009 and 2008 are summarized as follows:

<i>(In thousands of Korean won)</i>	2009	2008
Other accounts receivable	₩ 4,142	₩ 2,337
Prepaid expenses	268,437	17,065
Prepaid income taxes	-	349,842
Intangible assets	737,754	505,233
Investments	1,297,992	1,267,578
Deferred income tax assets	1,719,455	25,641
Less: Allowance for bad debts	(21)	(12)
	<u>₩ 4,027,759</u>	<u>₩ 2,167,684</u>

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

Intangible assets as of December 31, 2009 and 2008, and its movements for the years then ended consist of the following:

<i>(In thousands of Korean won)</i>	<b>Balance at January 1, 2009</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Balance at December 31, 2009</b>	<b>Accumulated Amortization</b>
Capitalized development costs	₩ 210,000	₩ 285,707	₩ 96,140	₩ 399,567	₩ 306,140
Other	<u>295,233</u>	<u>174,908</u>	<u>131,954</u>	<u>338,187</u>	<u>403,480</u>
	<u>₩ 505,233</u>	<u>₩ 460,615</u>	<u>₩ 228,094</u>	<u>₩ 737,754</u>	<u>₩ 709,620</u>

<i>(In thousands of Korean won)</i>	<b>Balance at January 1, 2008</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Balance at December 31, 2008</b>	<b>Accumulated Amortization</b>
Capitalized development costs	₩ 294,000	₩ -	₩ 84,000	₩ 210,000	₩ 210,000
Other	<u>357,905</u>	<u>46,279</u>	<u>108,951</u>	<u>295,233</u>	<u>271,525</u>
	<u>₩ 651,905</u>	<u>₩ 46,279</u>	<u>₩ 192,951</u>	<u>₩ 505,233</u>	<u>₩ 481,525</u>

**7. Foreign Currency Translation**

As of December 31, 2009 and 2008, assets and liabilities denominated in foreign currencies and its unrealized foreign currency translation gains and losses are as follows:

<i>(In thousands of Korean won, in US dollars)</i>	<b>Accounts</b>	<b>2009</b>				
		<b>Foreign currencies</b>	<b>Exchange rate</b>	<b>Korean won</b>	<b>Translation gain</b>	<b>Translation loss</b>
<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 expense	USD 11,472,650	1,167.6	13,395,466	406,628	596
	<b>Total</b>				<u>₩ 407,234</u>	<u>₩ 3,679,257</u>

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

(In thousands of Korean won, in US dollars)

2008

Accounts	Foreign currencies		Exchange rate	Korean won	Translation gain	Translation loss
<b>Assets</b>						
Foreign currency deposit	USD	2,506,899	1257.5	₩ 3,152,426	₩ -	₩ 77,674
Accrued income	USD	8,439,606	1257.5	10,612,805	-	888,606
<b>Liabilities</b>						
Other accounts payable	USD	175,079	1257.5	220,162	6,693	268
Accrued expense	USD	6,855,500	1257.5	8,620,791	523,169	370,816
Total					<u>₩ 529,862</u>	<u>₩ 1,337,364</u>

**8. Other Liabilities**

Other liabilities as of December 31, 2009 and 2008 are summarized as follows:

(In thousands of Korean won)

2009

2008

Other accounts payable	₩	610,900	₩	520,327
Accrued severance benefits		1,701,421		811,204
Income taxes payable		10,615,184		-
	₩	<u>12,927,505</u>	₩	<u>1,331,531</u>

Changes in accrued severance benefits for the years ended December 31, 2009 and 2008 are as follows:

(In thousands of Korean won)

2009

2008

Balance at beginning of year	₩	811,204	₩	746,801
Provision for year		941,868		344,403
Payments of severance benefits		51,651		280,000
Balance at end of year	₩	<u>1,701,421</u>	₩	<u>811,204</u>



**Korea Investment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

---

**9. Commitments and Contingencies**

(a) Entrusted assets

As of December 31, 2009, 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.

As of December 31, 2009, the market value of total entrusted assets relating to the agreements amount to USD 29,602,838,252.

**10. Related Party Transactions**

Significant transactions with a related party for the years ended 2009 and 2008, and the related account balances as of December 31, 2009 and 2008 are summarized as follows:

<i>(In thousands of Korean won)</i>	<b>Investment management fees</b>		<b>Accrued income</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Ministry of Strategy and Finance	₩ 20,210,082	₩ 13,607,706	₩ 13,474,718	₩ 3,750,939

**11. Capital**

The Capital and investor as of December 31, 2009 is summarized as follows:

<i>(In thousands of Korean won)</i>	<b>2009</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.

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

---

**12. Earning Reserves**

Under 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**

Amount of dividend declared for the year ended December 31, 2009 is ₩ 56,000 million and the Corporation's dividend payout ratio is 20.05%.

**14. Income Tax Expenses**

Income taxes for the years ended December 31, 2009 and 2008 consist of the following:

<i>(In thousands of Korean won)</i>	<b>2009</b>	<b>2008</b>
Current income taxes	₩ 10,615,184	₩ 79,692
Deferred income taxes	(1,693,814)	(25,640)
Income tax expenses	<u>₩ 8,921,370</u>	<u>₩ 54,052</u>

Reconciliation of net income before tax and income tax expense for the years ended December 31, 2009 and 2008 is as follows:

<i>(In thousands of Korean won)</i>	<b>2009</b>	<b>2008</b>
Net income before tax	₩ 36,856,327	₩ 10,280,941
Income tax based on statutory rate	8,895,031	2,796,459
Adjustments		
- Non-deductible expense	12,676	17,727
- Effect of changes in tax rate	-	17,158
- Changes in unrecognized deferred tax assets and liabilities	-	(2,744,936)
- Tax credit, etc.	13,663	(32,356)
Income tax expense	<u>₩ 8,921,370</u>	<u>₩ 54,052</u>
Effective tax rate(*)	24.21%	0.53%

(\*) Income tax over net income before tax

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

Changes in the temporary differences and related deferred tax assets and liabilities are as follows:

<i>(In thousands of Korean won)</i>	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	2,986	(2,986)	-	-	3,285
				<u>₩1,719,455</u>	<u>₩ 25,641</u>

<i>(In thousands of Korean won)</i>	2008			2007	
	Beginning	Increase (Decrease)	Ending	Deferred tax assets (liabilities)	Deferred tax assets (liabilities)
Accrued income	₩ (2,999,693)	₩ 1,766,516	₩ (1,233,177)	₩ (298,429)	₩ -
Accrued severance benefits	497,532	66,839	564,371	124,162	-
Accrued expenses	1,503,876	(1,503,876)	-	-	-
Gain(loss) on foreign currency translation	-	807,523	807,523	195,420	-
Allowance for bad debts	-	4,970	4,970	1,203	-
	<u>₩ (998,285)</u>	<u>₩ 1,141,972</u>	<u>₩ 143,687</u>	<u>₩ 22,356</u>	<u>₩ -</u>
Tax loss carry-forward	10,967,927	(10,967,927)	-	-	-
Tax credit carry-forward	35,696	(32,710)	2,986	3,285	-
				<u>₩ 25,641</u>	<u>₩ -</u>

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

---

The gross balances of deferred tax assets and liabilities as of December 31, 2009 are as follows:

<i>(In thousands of Korean won)</i>	<b>Deferred tax assets</b>		<b>Deferred tax liabilities</b>	
Current	₩	1,448,066	₩	-
Non-current		271,389		-
	₩	<u>1,719,455</u>	₩	<u>-</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 year 2010 and 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, 2009.

**Korea Investment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

---

**15. Selling and Administrative Expenses**

Details of selling and administrative expenses for the years ended December 31, 2009 and 2008 are as follows:

<i>(In thousands of Korean won)</i>	<b>2009</b>	<b>2008</b>
Salaries	₩ 8,845,994	₩ 4,942,525
Severance benefits	941,868	344,403
Employee welfare	836,604	639,474
Advertising	17,817	21,848
Travel	477,229	334,992
Communications	81,300	79,466
Computer system operation	335,504	354,828
Taxes and dues	33,594	34,953
Rental charges	1,330,367	1,278,148
Service contract	638,536	997,811
Depreciation	480,523	439,690
Amortization	228,094	192,951
Business development	114,658	84,579
Conference	200,378	186,051
Printing	29,483	27,743
Vehicles	182,598	142,910
Supplies	60,433	54,655
Repairs and maintenance	20,778	25,534
Utility	579,614	534,604
Insurance	13,659	13,410
Registration and legal fees	2,073	840
Events	56,530	49,970
Research	2,482,529	1,845,967
Training	193,959	249,065
Books and periodicals	23,392	26,068
Prize	4,175	6,450
Bad debts	230,182	29,698
	<u>₩ 18,441,871</u>	<u>₩ 12,938,633</u>

**16. Approval of Financial Statements**

The December 31, 2009 financial statements were approved by the Board of Directors on March 23, 2010, and the Steering Committee on March 24, 2010.