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HYUNDAI MIPO DOCKYARD CO., LTD.

Non-Consolidated Financial Statements

December 31, 2009 and 2008

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HYUNDAI MIPO DOCKYARD CO., LTD.

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December 31, 2009 and 2008

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Report of Independent Auditors

To the Board of Directors and Shareholders of
HYUNDAI MIPO DOCKYARD CO , LTD

We have audited the accompanying non-consolidated statements of financial position of HYUNDAI MIPO DOCKYARD CO , LTD as of December 31, 2009 and 2008, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean won. 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 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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of HYUNDAI MIPO DOCKYARD CO , LTD as of December 31, 2009 and 2008, and the results of its operations, the changes in its retained earnings, changes in its shareholders' equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in shareholders' 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 non-consolidated 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 4, 2010

This report is effective as of March 4, 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.

HYUNDAI MIPO DOCKYARD CO., LTD.
Non-Consolidated Statements of Financial Position
December 31, 2009 and 2008

<i>(in thousands of Korean won)</i>	2009	2008
Assets		
Current assets		
Cash and cash equivalents (Note 14)	₩ 807,361,328	₩ 392,666,515
Short-term financial instruments (Notes 3 and 14)	134,876,277	984,135,480
Short-term investments (Note 4)	31,171,455	40,501,000
Trade accounts and notes receivable, net (Notes 5, 14 and 22)	705,319,053	635,841,168
Other accounts receivable, net (Notes 5, 14 and 22)	15,172,352	44,916,886
Accrued income	3,950,713	51,089,521
Advance payments, net (Notes 5 and 22)	361,218,607	397,432,100
Prepaid expenses	85,230,752	127,836,500
Deferred income tax assets (Note 13)	21,878,083	28,195,392
Currency forward assets (Note 24)	3,043,216	-
Firm commitments assets (Note 24)	345,104,938	413,177,996
Inventories (Note 6)	99,314,275	297,509,741
Total current assets	2,613,641,049	3,413,302,299
Long-term financial instruments (Note 3)	24,000	24,000
Long-term investments (Note 7)	1,744,937,146	1,660,901,973
Equity-method investments (Note 8)	874,147,795	869,766,812
Property, plant and equipment, net (Notes 9 and 10)	542,562,935	552,561,535
Currency forward assets (Note 24)	13,936,940	2,932,632
Firm commitment assets (Note 24)	189,783,096	739,337,019
Others (Note 14)	16,900,005	17,733,418
Total assets	₩ 5,995,932,966	₩ 7,256,559,688

HYUNDAI MIPO DOCKYARD CO., LTD.
Non-Consolidated Statements of Financial Position
December 31, 2009 and 2008

<i>(in thousands of Korean won)</i>	2009	2008
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts and notes payable (Notes 14 and 22)	₩ 241,501,080	₩ 341,153,758
Other accounts and notes payable (Notes 14 and 22)	122,332,436	110,058,956
Advances from customers (Note 17)	1,920,293,300	2,667,688,347
Withholdings	8,431,328	11,748,937
Accrued expenses (Note 14)	92,807,938	125,891,113
Income taxes payables	43,019,845	119,718,779
Currency forward liabilities (Note 24)	419,397,501	538,252,257
Firm commitments liabilities (Note 24)	3,043,216	-
Others (Note 22)	17,165	77,953
Total current liabilities	2,850,843,809	3,914,590,100
Currency forward liabilities (Note 24)	192,970,762	748,006,788
Firm commitments liabilities (Note 24)	13,936,940	2,932,632
Deferred income tax liabilities (Note 13)	273,576,457	230,375,727
Provision for construction losses (Note 17)	144,213	44,890,853
Provision for construction warranties (Note 12)	16,545,741	13,570,622
Accrued severance benefits, net (Note 11)	31,765,133	41,510,029
Others	61,950	61,560
Total liabilities	3,379,845,005	4,995,938,311
Commitments and contingencies (Note 25)		
Shareholders' equity		
Capital stock		
Common stock (Note 1)	100,000,000	100,000,000
Capital surplus		
Paid-in capital in excess of par value	79,776,840	79,776,840
Revaluation reserves	127,666,063	127,666,063
Other capital surplus	4,851,688	2,676,377
Capital adjustments		
Treasury stock (Note 16)	(61,908,781)	(76,874,405)
Other	(4,104,757)	(4,104,758)
Accumulated other comprehensive income and expense		
Unrealized gain on valuation of available-for-sale securities (Notes 4 and 7)	841,618,138	777,102,713
Accumulated comprehensive income of equity method investees (Note 8)	7,644,981	13,269,587
Accumulated comprehensive expense of equity method investees (Note 8)	(2,687,966)	-
Retained earnings (Note 15)	1,523,231,755	1,241,108,960
Total shareholders' equity	2,616,087,961	2,260,621,377
Total liabilities and shareholders' equity	₩ 5,995,932,966	₩ 7,256,559,688

The accompanying notes are an integral part of these non-consolidated financial statements

HYUNDAI MIPO DOCKYARD CO., LTD.
Non-Consolidated Statements of Income
Years Ended December 31, 2009 and 2008

(in thousands of Korean won, except per share amounts)

	2009	2008
Sales (Notes 17, 22 and 23)	₩ 3,710,963,856	₩ 3,804,734,442
Cost of sales (Notes 17 and 22)	<u>3,241,682,316</u>	<u>3,177,127,128</u>
Gross income	469,281,540	627,607,314
Selling and administrative expenses (Note 27)	<u>82,156,088</u>	<u>90,911,715</u>
Operating income	<u>387,125,452</u>	<u>536,695,599</u>
Non-operating income		
Interest income	38,454,155	128,786,539
Gain on foreign currency transactions	164,359,969	171,357,745
Gain on foreign currency translation (Note 14)	7,335,086	1,572,738
Dividend income	40,970,480	58,167,500
Gain on disposal of short-term investments	7,278,775	12,203,633
Reversal of provision for construction warranties	855,285	1,797,686
Reversal of allowance for doubtful accounts	527,788	-
Gain on currency forward transactions	15,426,835	61,651
Gain on valuation of currency forward (Note 24)	144,251,200	2,932,632
Gain on valuation of firm commitments	60,597,093	414,576,349
Gain on disposal of property, plant and equipment	641,663	1,048,287
Gain on valuation of equity-method investments (Note 8)	35,627,405	24,097,031
Others	<u>20,292,233</u>	<u>2,658,891</u>
	<u>536,617,967</u>	<u>819,260,682</u>
Non-operating expenses		
Interest expenses	38,706	
Loss on foreign currency transactions	119,710,777	137,344,193
Loss on foreign currency translation (Note 14)	2,466,800	32,678,546
Loss on valuation of equity-method investments (Note 8)	18,506,564	10,032,929
Donations	9,043,713	15,066,915
Loss on disposal of property, plant and equipment	135,331	1,095,312
Loss on disposal of short-term investments	709	-
Loss on currency forward transactions	111,415,742	104,813,916
Loss on valuation of currency forward (Note 24)	-	316,983,773
Loss on valuation of firm commitments	159,678,035	2,932,632
Others	<u>2,590,975</u>	<u>19,146,370</u>
	<u>423,587,352</u>	<u>640,094,586</u>
Income before income tax expense	500,156,067	715,861,695
Income tax expense (Note 13)	<u>121,502,646</u>	<u>196,720,067</u>
Net income	<u>₩ 378,653,421</u>	<u>₩ 519,141,628</u>
Per share data (in Korean won) (Note 20)		
Basic earnings per share	<u>₩ 19,578</u>	<u>₩ 26,890</u>

The accompanying notes are an integral part of these non-consolidated financial statements

HYUNDAI MIPO DOCKYARD CO., LTD.

Statements of Appropriations of Retained Earnings

Years Ended December 31, 2009 and 2008

(Dates of appropriations: March 12, 2010 and March 13, 2009
for the years ended December 31, 2009 and 2008, respectively)

<i>(in thousands of Korean won)</i>	2009	2008
Retained earnings before appropriations		
Unappropriated retained earnings carried forward from prior year	₩ 79,108	₩ 21,168
Net income	378,653,421	519,141,628
	<u>378,732,529</u>	<u>519,162,796</u>
Transfer from discretionary reserve	-	-
	<u>378,732,529</u>	<u>519,162,796</u>
Appropriations of retained earnings		
Legal reserve	5,832,362	9,653,063
Discretionary reserve	314,500,000	412,900,000
Dividends (Note 15)	58,323,618	96,530,625
	<u>378,655,980</u>	<u>519,083,688</u>
Unappropriated retained earnings carried forward to subsequent year	₩ 76,549	₩ 79,108

The accompanying notes are an integral part of these non-consolidated financial statements

HYUNDAI MIPO DOCKYARD CO., LTD.

Non-Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2009 and 2008

(in thousands of Korean won)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income and expense	Retained earnings	Total
As of January 1, 2008	₩ 100,000,000	₩ 209,578,517	₩ (76,443,830)	₩ 1,982,068,329	₩ 866,782,237	₩ 3,081,985,253
Cumulative effect of accounting change	-	502,632	-	(502,632)	-	-
Adjusted balances	100,000,000	210,081,149	(76,443,830)	1,981,565,697	866,782,237	3,081,985,253
Dividends	-	-	-	-	(144,814,905)	(144,814,905)
Retained earnings after appropriation	-	-	-	-	721,967,332	2,937,170,348
Net income	-	-	-	-	519,141,628	519,141,628
Purchase of treasury stock	-	-	(430,575)	-	-	(430,575)
Capital adjustments of equity-method investments	-	-	(4,104,757)	-	-	(4,104,757)
Loss on valuation of investment securities	-	-	-	(1,211,453,927)	-	(1,211,453,927)
Changes in equity-method investees with accumulated comprehensive income	-	-	-	13,267,530	-	13,267,530
Changes in equity-method investees with accumulated comprehensive expense	-	-	-	1,372,983	-	1,372,983
Gain on valuation of currency forward	-	-	-	5,620,017	-	5,620,017
Other capital surplus	-	38,131	-	-	-	38,131
As of December 31, 2008	₩ 100,000,000	₩ 210,119,280	₩ (80,979,162)	₩ 790,372,300	₩ 1,241,108,960	₩ 2,260,621,378
As of January 1, 2009	₩ 100,000,000	₩ 210,119,280	₩ (80,979,162)	₩ 790,372,300	₩ 1,241,108,960	₩ 2,260,621,377
Dividends	-	-	-	-	(96,530,625)	(96,530,625)
Retained earnings after appropriation	-	-	-	-	1,144,578,334	2,164,090,752
Net income	-	-	-	-	378,653,421	378,653,421
Sales of treasury stock	-	-	14,965,624	-	-	14,965,624
Gain on valuation of investment securities	-	-	-	64,515,425	-	64,515,425
Changes in equity-method investees with accumulated comprehensive income	-	-	-	(5,624,606)	-	(5,624,606)
Changes in equity-method investees with accumulated comprehensive expense	-	-	-	(2,687,966)	-	(2,687,966)
Other capital surplus	-	2,175,311	-	-	-	2,175,311
Balances as of December 31, 2009	₩ 100,000,000	₩ 212,294,591	₩ (66,013,538)	₩ 846,575,153	₩ 1,523,231,755	₩ 2,616,087,961

The accompanying notes are an integral part of these non-consolidated financial statements

HYUNDAI MIPO DOCKYARD CO., LTD.
Non-Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008

(in thousands of Korean won)

	2009	2008
Cash flows from operating activities		
Net income	₩ 378,653,421	₩ 519,141,628
Adjustments to reconcile net income		
to net cash provided by (used in) operating activities		
Depreciation	42,244,077	43,528,336
Provision for severance benefits	14,226,320	24,561,197
Loss on foreign currency translation	1,409,800	32,678,546
Loss on disposal of property, plant and equipment	135,331	1,095,312
Loss on valuation of currency forward	-	316,983,773
Loss on valuation of firm commitments	159,678,035	2,932,632
Provision for construction warranties	7,390,528	9,553,974
Bad debts expense	-	3,198,063
Provision for construction losses	144,213	44,890,853
Loss on valuation of equity-method investments	18,506,564	10,032,929
Repairs expenses	4,600	33,350
Bonuses	17,137,346	-
Loss on disposal of short-term investments	709	-
Gain on valuation of equity-method investments	(35,627,405)	(24,097,031)
Gain on foreign currency translation	(7,335,086)	(1,572,738)
Reversal of allowance for doubtful accounts	(527,788)	-
Reversal of provision for construction warranties	(855,285)	(1,797,686)
Reversal of provision for losses on construction	(44,890,853)	-
Gain on disposal of short-term investments	(7,278,775)	(12,203,633)
Gain on disposal of property, plant and equipment	(641,663)	(1,048,287)
Gain on valuation of currency forward	(144,251,200)	(2,932,632)
Gain on valuation of firm commitments	(60,597,093)	(414,576,349)
Others	(466,863)	10,534,639
	<u>(41,594,488)</u>	<u>41,795,248</u>
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	(70,585,215)	(204,152,426)
Decrease (Increase) in other accounts receivable	26,436,830	(36,018,679)
Decrease (Increase) in accrued income	47,184,154	(22,731,581)
Decrease (Increase) in advance payments	36,810,669	(166,825,906)
Decrease in prepaid expenses	42,605,747	14,773,355
Decrease (Increase) in prepaid value added tax	3,316,324	(2,629,486)
Decrease (Increase) in deferred income tax assets	6,402,687	(28,316,634)
Decrease in currency forward	(543,687,105)	(44,608,087)
Decrease in firm commitment assets	490,797,911	264,756,536
Decrease (Increase) in inventories	198,195,466	(151,780,624)
Dividend income	781,653	4,118,625
Increase in long-term accrued revenues	-	(7,094)
Increase (Decrease) in trade accounts and notes payable	(99,652,678)	81,245,467
Increase in other accounts and notes payables	12,774,162	33,837,508
Decrease in income taxes payable	(76,698,934)	(41,617,041)
Increase (Decrease) in advances from customers	(705,599,394)	203,445,543
Increase (Decrease) in withholdings	(3,317,609)	6,622,590
Decrease in accrued expenses	(25,821,493)	(12,876,366)
Decrease in unearned income	(60,789)	(13,338,652)
Increase in deposits received	390	-
Increase in deferred income tax liabilities	26,516,316	4,207,810
Decrease in provision for construction warranties	(3,560,125)	(5,001,542)
Payments of severance benefits	(21,338,774)	(18,050,996)
Decrease in deposits with the National Pension Fund	390,766	333,417
Decrease (Increase) in severance benefit deposits	(3,023,208)	6,572,610
	<u>(661,132,249)</u>	<u>(128,041,653)</u>
Net cash provided by (used in) operating activities	<u>(324,073,316)</u>	<u>432,895,223</u>

HYUNDAI MIPO DOCKYARD CO., LTD.
Non-Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008

(in thousands of Korean won)

	2009	2008
Cash flows from investing activities		
Proceeds from disposal of short-term financial instruments ₩	2,971,895,326	₩ 3,126,910,683
Proceeds from disposal of short-term investments	607,344,761	264,187,032
Proceeds from disposal of long-term investment securities	-	28,470
Refund of deposits provided	724,942	20,190,386
Proceeds from disposal of property, plant and equipment	1,359,857	1,847,746
Acquisition of short-term financial instruments	(2,122,634,318)	(2,482,145,053)
Acquisition of short-term investments	(590,003,640)	(60,001,616)
Acquisition of long-term financial instruments	-	(11,000)
Acquisition of long-term investment securities	(5,000)	(498,630)
Acquisition of equity-method investments	-	(799,229,990)
Acquisition of deposits provided	(279,572)	(21,081,152)
Acquisition of property, plant and equipment	(33,103,602)	(113,643,942)
Net cash provided by (used in) investing activities	<u>835,298,754</u>	<u>(63,447,066)</u>
Cash flows from financing activities		
Issuance of short-term borrowing	74,988,356	-
Payment of short-term borrowing	74,988,356	-
Payment of dividends	96,530,625	144,814,905
Acquisition of treasury stock	-	430,575
Net cash used in financing activities	<u>(96,530,625)</u>	<u>(145,245,480)</u>
Net increase in cash and cash equivalents	<u>414,694,813</u>	<u>224,202,677</u>
Cash and cash equivalents		
Beginning of the year	392,666,515	168,463,838
End of the year ₩	<u>807,361,328</u>	<u>₩ 392,666,515</u>

The accompanying notes are an integral part of these non-consolidated financial statements

HYUNDAI MIPO DOCKYARD CO., LTD.
Notes to Non-Consolidated Financial Statements
December 31, 2009 and 2008

1. The Company

Hyundai Mipo Dockyard Co., Ltd. (the "Company") was established in 1975 under the Commercial Law of the Republic of Korea, to engage in shipbuilding and ship-repairing. The Company listed its shares on the Korea Exchange on December 1983.

The Company is classified as an associated company of the Hyundai Heavy Industries Group by the Fair Trade Commission. The Company's headquarters and manufacturing facilities are located in Bangeo-dong, Dong-gu, Ulsan, Korea.

Authorized number of shares	Number of shares outstanding	Par value per share (in Korean won)	Amount of stock (in thousands of Korean won)
50,000,000	20,000,000	₩ 5,000	₩ 100,000,000

As of December 31, 2009 and 2008, the Company's major shareholders and treasury stock are as follows:

	2009		2008	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
Hyundai Samho Heavy Industries Co., Ltd.	9,217,518	46.09	9,218,506	46.09
Asan Foundation and other related parties	86,519	0.43	90,519	0.45
Others	10,137,169	50.69	9,997,100	49.99
	19,441,206	97.21	19,306,125	96.53
Treasury stock	558,794	2.79	693,875	3.47
	20,000,000	100.00	20,000,000	100.00

Under its Articles of Incorporation, the Company is authorized to issue convertible debentures and debentures with stock purchase options to investors other than current shareholders of up to ₩100,000,000 thousand each, with the approval of the Board of Directors. As of December 31, 2009, no convertible debentures and debentures with stock purchase options have been issued.

HYUNDAI MIPO DOCKYARD CO., LTD.
Notes to Non-Consolidated Financial Statements
December 31, 2009 and 2008

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Revenues from Construction Contracts

The Company recognizes revenues from construction contracts using the percentage-of-completion method to determine the amounts to be recognized as revenues in a given period. The stage of completion is measured using the percentage of the total contract costs incurred up to the date of the statement of financial position over the total estimated costs for each contract. When the outcome of a construction contract cannot be estimated reliably, the contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable, and contract costs incurred for the period is recognized as an expense.

Costs incurred for prospective construction projects are accounted for as prepaid construction expense, provided that they are identifiable and can be measured reliably, and when it is probable that the contract for such project will be finalized. These prepaid construction expenses are reclassified as contract costs after construction starts.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks, and financial instruments with maturity of three months or less at the time of purchase. These financial instruments are readily convertible into cash without significant transaction costs and bear low risks from changes in value due to interest rate fluctuations.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable. Allowances are calculated based on the estimates made through a reasonable and objective method.

HYUNDAI MIPO DOCKYARD CO., LTD.
Notes to Non-Consolidated Financial Statements
December 31, 2009 and 2008

Inventories

The quantities of inventories are determined using the perpetual method and periodic inventory count, while the costs of inventories are determined using the moving average method except for materials in transit, whose cost is determined using the specific identification method

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Replacement cost is used for the estimate of net realizable value of raw materials and subsidiary materials. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed up to the original carrying amount before valuation. The said reversal is deducted from cost of sales.

Investments in Securities

Costs of securities are determined using the weighted average method. Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity-method of accounting. Trading securities are classified as current assets while available-for-sale securities and held-to-maturity securities are classified as long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as current assets.

Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, non-marketable securities, classified as available-for-sale securities, are carried at cost when the fair values are not readily determinable.

Gains and losses related to trading securities are recognized in the income statement, while unrealized gains and losses of available-for-sale securities are recognized under other comprehensive income and expense. Realized gains and losses of available-for-sale securities are recognized in the income statement.

Equity-Method Investments

Investees over which the Company can exercise significant influence should reflect any changes in equity after the initial purchase date. Under the equity-method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. All other changes in equity should be accounted for under other comprehensive income and expense.

HYUNDAI MIPO DOCKYARD CO., LTD.
Notes to Non-Consolidated Financial Statements
December 31, 2009 and 2008

Property, Plant 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. Property, plant and equipment are stated net of accumulated depreciation calculated based on the following depreciation method and estimated useful lives.

	<u>Estimated useful lives</u>	<u>Depreciation method</u>
Building	15 - 40 years	Straight-line method
Structures	15 - 40 years	Straight-line method
Machinery	6 - 10 years	Straight-line method
Vehicles	6 - 10 years	Straight-line method
Others	6 - 10 years	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.

Impairment of Assets

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment. Reversal of impairment of goodwill is not allowed.

Derivatives

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the derivative contracts. The resulting changes in fair value of derivative instruments are recognized either under the income statement or shareholders' equity, depending on whether the derivative instruments qualify as a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument purchased with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is attributable to a particular risk. The resulting changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized under the shareholders' equity under accumulated other comprehensive income and expense.

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Income Tax and Deferred Income Tax

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 operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

Accrued Severance Benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company 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 as of the statement of financial position date.

The Company has partially funded the accrued severance benefits through severance insurance deposits with an insurance company. Deposits made by the Company are recorded as deductions from accrued severance benefits. The excess portion of deposits over accrued severance benefits is recorded as other investments.

The Company deposits certain portion severance benefits to National Pension Service according to National Pension Law. The deposit amount is recorded as a deduction from accrued severance benefits.

Provisions and Contingent Liabilities

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

Currency Translation for Foreign Operations

Assets and liabilities of a foreign branch or company subject to the equity method of accounting for investments are translated into Korean won at the rates of exchange in effect at the date of the statement of financial position, while their equity is translated at the exchange rate at the time of transaction, and income statement accounts at the average rate over the period. Resulting translation gains and losses are recorded as accumulated other comprehensive income and expense. Corresponding gains and losses are recognized as gain or loss when the foreign branch or company is liquidated or sold.

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3. Restricted Financial Instruments

As of December 31, 2009 and 2008, restricted financial instruments are as follows

<i>(in thousands of Korean won)</i>	Bank	2009		2008		Remarks
Short-term financial instruments	Korea Exchange Bank	₩	1,714,419	₩	2,672,109	Deposits for material purchase
Long-term financial instruments	Korea Exchange Bank and others		24,000		24,000	Deposits for maintaining checking accounts
		₩	1,738,419	₩	2,696,109	

4. Short-Term Investments

As of December 31, 2009 and 2008, short-term investments consist of available-for-sale securities and the details are as follows

<i>(in thousands of Korean won)</i>	2009		2008
	Acquisition cost	Book value	Book value
Private Equity Fund ¹	₩ 30,000,000	₩ 30,148,200	₩ 40,501,000
Government issued securities	1,023,255	1,023,255	-
	₩ 31,023,255	₩ 31,171,455	₩ 40,501,000

¹Private equity fund is classified as beneficiary certificate because the Company does not have control over investment management

The Company evaluated the fair value of short-term investments using the price provided by the investment management company. Unrealized valuation gain of ₩112,336 thousand (2008 ₩379,758 thousand), except the tax effects, is recorded as accumulated other comprehensive income and expense

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5 Receivables and Allowance for Doubtful Accounts

Receivables and their respective allowance for doubtful accounts as of December 31, 2009 and 2008, are as follows

<i>(in thousands of Korean won)</i>	2009		
	Trade accounts and notes receivable	Other accounts receivable	Advance payments
Book balance	₩ 711,735,005	₩ 15,200,018	₩ 363,763,260
Allowance for doubtful accounts	(6,415,952)	(27,666)	(2,544,653)
	<u>₩ 705,319,053</u>	<u>₩ 15,172,352</u>	<u>₩ 361,218,607</u>

<i>(in thousands of Korean won)</i>	2008		
	Trade accounts and notes receivable	Other accounts receivable	Advance payments
Book balance	₩ 642,132,306	₩ 44,999,978	₩ 400,573,929
Allowance for doubtful accounts	(6,291,138)	(83,092)	(3,141,829)
	<u>₩ 635,841,168</u>	<u>₩ 44,916,886</u>	<u>₩ 397,432,100</u>

6. Inventories

<i>(in thousands of Korean won)</i>	2009	2008
Raw materials	₩ 58,159,888	₩ 227,190,081
Subsidiary materials	420,225	281,858
Materials in transit	40,734,162	70,037,802
	<u>₩ 99,314,275</u>	<u>₩ 297,509,741</u>

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7. Long-Term Investments

Long-term investments as of December 31, 2009 and 2008, are as follows

	2009				2008	
	Number of shares	Percentage of ownership (%)	Acquisition cost	Fair value or net asset value	Book value	Book value
Marketable	Hyundai Heavy Industries Co., Ltd	7.98	₩ 236,721,143	₩ 1,051,930,500	₩ 1,051,930,500	₩ 1,209,568,500
	POSCO ¹	1.00	343,619,535	538,896,000	538,896,000	331,360,000
	KCC Corporation	3.77	78,926,661	147,485,500	147,485,500	114,137,500
	Korea Environment Technology Co., Ltd	3.30	824,000	1,870,480	1,870,480	-
			₩ 660,091,339	₩ 1,740,182,480	₩ 1,740,182,480	₩ 1,655,066,000
Non-marketable	The Korea Economic Daily	3.25	4,050,000	4,138,668	3,149,663	3,149,663
	Novelis Korea Limited	0.03	2,281,674	108,072	-	-
	KSF Co., Ltd	1.18	100,000	166,359	100,000	100,000
	Mipo Engineering Co., Ltd	100.00	1,400,000	6,002,493	1,400,000	1,400,000
			₩ 7,831,674	₩ 10,415,592	₩ 4,649,663	₩ 4,649,663
			105,000	133,676	105,003	1,186,310
	Government bond and others		₩ 668,028,013	₩ 1,750,731,748	₩ 1,744,937,146	₩ 1,660,901,973

¹ As of December 31, 2009, 30,000 shares are pledged as collateral for the security of tax payment

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Listed securities are stated at their fair value and unlisted securities are presented at their acquisition cost as the fair value of these securities cannot be reliably estimated

The net asset values of The Korea Economic Daily, Novelis Korea Limited, KSF Co , Ltd and Mipo Engineering Co , Ltd are based on the financial statements as of December 31, 2009, which were not audited. The net asset values of these securities may change, if they are based on the audited or reviewed financial statements of as December 31, 2009

Unrealized valuation gain of ₩841,505,802 thousand (2008: ₩776,722,955 thousand), except the tax effects, is recorded as accumulated other comprehensive income and expense

The Company's percentage of ownership in Mipo Engineering Co , Ltd exceeds 20%. However, the equity method was not applied as the change in equity of Mipo Engineering Co , Ltd is not material to the Company's financial statements

8. Equity-Method Investments

As of December 31, 2009 and 2008, equity-method investments are as follows

(in thousands of Korean won)	2009					2008
	Number of shares	Percentage ownership	Acquisition cost	Fair value or net asset value	Book value	Book value
Investee						
Hi Investment & Securities Co ,Ltd	180,811,724	76.15	₩ 756,026,640	₩ 205,260,145	₩ 722,768,331	₩ 742,431,098
Hi Asset Management Co , Ltd	521,102	7.60	43,203,350	4,000,363	40,561,527	42,870,352
Hyundai Vinashin Shipyard Co , Ltd	-	55.00	15,795,335	110,817,937	110,817,937	82,402,289
Korea Environment Technology Co , Ltd	-	-	-	-	-	2,063,073
			₩ 815,025,325	₩ 320,078,445	₩ 874,147,795	₩ 869,766,812

As the Company's indirect percentage of ownership in Hi Asset Management Co , Ltd exceeds 20% through a subsidiary, the equity method was applied. Also, the Company lost significant influence in Korea Environment Technology Co , Ltd due to the change in the largest shareholder and thus, reclassified the investment as available-for-sale securities method

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Changes in equity-method investments for the years ended December 31, 2009 and 2008, are as follows

(in thousands of Korean won)	2009				
	Beginning	Acquisition	Valuation gain(loss)	Others ¹	Ending
Investee					
Hi Investment & Securities Co., Ltd	₩ 742,431,098	₩ -	₩ (16,971,438)	₩ (2,691,329)	₩ 722,768,331
Hi Asset Management Co., Ltd	42,870,352	-	(1,535,126)	(773,699)	40,561,527
Hyundai Vinashin Shipyard Co., Ltd	82,402,289	-	35,627,404	(7,211,756)	110,817,937
	<u>₩ 867,703,739</u>	<u>₩ -</u>	<u>₩ 17,120,840</u>	<u>₩ (10,676,784)</u>	<u>₩ 874,147,795</u>
(in thousands of Korean won)	2008				
	Beginning	Acquisition	Valuation gain(loss)	Others ¹	Ending
Investee					
Hi Investment & Securities Co., Ltd	₩ -	₩ 756,026,640	₩ (9,494,148)	₩ (4,101,394)	₩ 742,431,098
Hi Asset Management Co., Ltd	-	43,203,350	(333,042)	44	42,870,352
Hyundai Vinashin Shipyard Co., Ltd	43,481,552	-	24,097,031	14,823,706	82,402,289
Korea Environment Technology Co., Ltd	2,311,328	-	(205,739)	(42,516)	2,063,073
	<u>₩ 45,792,880</u>	<u>₩ 799,229,990</u>	<u>₩ 14,064,102</u>	<u>₩ 10,679,840</u>	<u>₩ 869,766,812</u>

¹ Includes capital changes of investees and dividends received

The Company applied the equity-method for investees based on the financial statements as of December 31, 2009, which were not audited or reviewed

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Details of changes in the differences between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investees are as follows

(in thousands of Korean won)	Amortization Period	2009			
		Beginning	Increase	Amortization	Ending
Investee					
Hi Investment & Securities Co ,Ltd	20 years	₩ 545,108,623	₩ -	₩ 27,600,437	₩ 517,508,186
Hi Asset Management Co , Ltd	20 years	38,511,094	-	1,949,929	36,561,165
		<u>₩ 583,619,717</u>	<u>₩ -</u>	<u>₩ 29,550,366</u>	<u>₩ 554,069,351</u>

(in thousands of Korean won)	Amortization Period	2008			
		Beginning	Increase	Amortization	Ending
Investee					
Hi Investment & Securities Co ,Ltd	20 years	₩ -	₩ 552,008,732	₩ 6,900,109	₩ 545,108,623
Hi Asset Management Co , Ltd	20 years	-	38,998,576	487,482	38,511,094
Korea Environment Technology Co , Ltd	5 years	601,039	-	300,520	300,519
		<u>₩ 601,039</u>	<u>₩ 591,007,308</u>	<u>₩ 7,688,111</u>	<u>₩ 583,920,236</u>

As of December 31, 2009 and 2008, there is no material unrealized gain or loss arising from intercompany transactions

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Summary of financial information of investees is as follows

(in thousands of Korean won)	2009			
	Total assets	Total liabilities	Revenue	Net income
Investee				
Hi Investment & Securities Co., Ltd	₩ 1,291,805,163	₩ 1,022,246,242	₩ 237,904,427	₩ 13,730,371
Hi Asset Management Co., Ltd ¹	55,153,430	2,325,961	16,881,929	5,584,295
Hyundai Vinashin Shipyard Co., Ltd ¹	410,795,825	209,308,668	289,274,457	64,777,099

¹ Revenue and net income (loss) is for the nine-month period from April 1, 2009 to December 31, 2009

(in thousands of Korean won)	2008			
	Total assets	Total liabilities	Revenue	Net income(loss)
Investee				
Hi Investment & Securities Co., Ltd	₩ 1,019,870,796	₩ 760,736,060	₩ 198,702,198	₩ (10,963,440)
Hi Asset Management Co., Ltd ¹	66,557,951	9,233,628	22,651,589	7,114,841
Hyundai Vinashin Shipyard Co., Ltd ¹	377,488,333	227,665,989	205,498,264	44,197,976
Korea Environment Technology Co., Ltd	67,059,189	13,583,642	24,226,832	2,662,935

¹ Revenue and net income are for the nine-month period from April 1, 2008 to December 31, 2008

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9 Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2009 and 2008, are as follows

(in thousands of Korean won)

2009	Land	Building	Structures	Machinery	Vehicles	Others	Construction- in-progress	Total
Balance as of								
January 1, 2009	₩ 127,150,747	₩ 153,857,439	₩ 106,795,971	₩ 78,283,420	₩ 2,119,199	₩ 48,490,147	₩ 35,864,612	₩ 552,561,535
Acquisition	228,218	8,961	7,943	1,945,541	54,437	1,463,871	29,394,631	33,103,602
Reclassification	6,410,897	618,474	27,909,021	8,353,100	-	5,086,049	(49,042,675)	(665,134)
Disposal	-	-	-	(7,351)	(52,802)	(132,838)	-	(192,991)
Depreciation	-	(4,728,389)	(5,530,674)	(21,756,207)	(408,157)	(9,820,650)	-	(42,244,077)
Balance as of								
December 31, 2009	₩ 133,789,862	₩ 149,756,485	₩ 129,182,261	₩ 66,818,503	₩ 1,712,677	₩ 45,086,579	₩ 16,216,568	₩ 542,562,935
Accumulated depreciation	₩ -	₩ (39,079,527)	₩ (53,461,932)	₩ (229,594,818)	₩ (2,604,164)	₩ (56,556,022)	₩ -	₩ (381,296,463)
Accumulated impairment	-	(5,170,840)	-	-	-	-	-	(5,170,840)

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(in thousands of Korean won)

2008	Land	Building	Structures	Machinery	Vehicles	Others	Construction- In-progress	Total
Balance as of								
January 1, 2008	₩ 102,032,808	₩ 129,308,436	₩ 105,785,838	₩ 87,484,714	₩ 2,012,148	₩ 41,786,406	₩ 15,963,699	₩ 484,374,049
Acquisition	-	427,428	23,873	8,032,372	591,428	12,474,944	92,093,897	113,643,942
Reclassification	25,117,939	28,439,806	6,180,222	7,668,583	-	4,753,084	(72,192,984)	(33,350)
Disposal	-	-	-	(751,256)	(57,050)	(1,086,465)	-	(1,894,771)
Depreciation	-	(4,318,231)	(5,193,962)	(24,150,993)	(427,327)	(9,437,822)	-	(43,528,335)
Balance as of								
December 31, 2008	₩ 127,150,747	₩ 153,857,439	₩ 106,795,971	₩ 78,283,420	₩ 2,119,199	₩ 48,490,147	₩ 35,864,612	₩ 552,561,535
Accumulated								
depreciation	₩ -	₩ (34,351,139)	₩ (47,931,259)	₩ (210,646,405)	₩ (2,627,326)	₩ (47,829,796)	₩ -	₩ (343,385,925)
Accumulated								
impairment	-	(5,170,840)	-	-	-	-	-	(5,170,840)

As of December 31, 2009, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, was ₩117,301,614 thousand (2008 ₩117,493,409 thousand)

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10. Insurance

As of December 31, 2009, the Company's insurance policy is as follows

(in thousands of Korean won)

Insurance	The insured	Amount insured	Insurance company
Package insurance	Plant & Machinery	₩ 416,248,813	Hyundai Manne & Fire Insurance Co , Ltd
Shipbuilding insurance	Shipbuilding	3,970,391,107	
Directors' and officers' insurance	Management officers	30,000,000	

In addition, the Company carries insurance for workers compensation and casualty insurance for employees for up to ₩158,506,042 thousand

11. Accrued Severance Benefits

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

(in thousands of Korean won)

	2009	2008
Beginning balance	₩ 116,745,033	₩ 110,234,832
Payment	(24,417,035)	(18,784,796)
Transfer	3,078,262	733,800
Increase	14,226,320	24,561,197
Ending Balance	109,632,580	116,745,033
Less Contribution to National Pension Plan	(1,497,341)	(1,888,106)
Severance insurance deposits	(76,370,106)	(73,346,898)
	₩ 31,765,133	₩ 41,510,029

As of December 31, 2009, the Company estimates severance payable to all employees to be ₩109,632,580 thousand (2008 ₩116,745,033 thousand) and records the corresponding amount as accrued severance benefits. Also, the Company has funded 70% (2008 63%) of severance payable through severance insurance deposits with Hyundai Fire & Marine Insurance Co , Ltd and others

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12. Provision for Construction Warranties

Changes in provision for construction warranties for the years ended December 31, 2009 and 2008, are as follows

<i>(in thousands of Korean won)</i>	2009	2008
Beginning balance	₩ 13,570,622	₩ 10,815,877
Increase	7,390,528	9,553,974
Decrease	(4,415,409)	(6,799,229)
Ending balance	<u>₩ 16,545,741</u>	<u>₩ 13,570,622</u>

13. Income Taxes

Details of income tax expense for the years ended December 31, 2009 and 2008, consist of

<i>(in thousands of Korean won)</i>	2009	2008
Current income taxes	₩ 89,276,989	₩ 220,828,891
Deferred income tax due to temporary differences	49,518,039	(552,835,671)
Deferred income tax charged to equity	(16,599,036)	528,726,847
Income tax expense on sales of treasury stock	(693,346)	-
Income tax expense	<u>₩ 121,502,646</u>	<u>₩ 196,720,067</u>

The reconciliation between net income before income tax and income tax expense for the years ended December 31, 2009 and 2008, follows

<i>(in thousands of Korean won)</i>	2009	2008
Net income before tax	₩ 500,156,067	₩ 715,861,695
Income tax based on statutory rate (24.2%)	₩ 121,037,768	₩ 196,861,966
Adjustments		
Non-taxable income and expense	(2,538,232)	(725,915)
Others	3,003,110	584,016
Income tax expense	<u>₩ 121,502,646</u>	<u>₩ 196,720,067</u>
Effective tax rate	24.3%	27.5%
(income tax over net income before tax)		

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Changes in the temporary differences and related deferred tax assets and liabilities for the years ended December 31, 2009 and 2008, are as follows

2009	Temporary differences			Deferred tax assets (liabilities)	
	Beginning	Increase (decrease)	Ending	Current	Non-current
<i>(in thousands of Korean won)</i>					
Accrued income	₩ (51,089,521)	₩ 47,138,809	₩ (3,950,712)	₩ (955,353)	₩ -
Foreign currency translation	31,105,808	(13,411,776)	17,694,032	3,937,802	-
Valuation of currency forward	40,389,233	(84,428,774)	(44,039,541)	15,069,776	(25,727,345)
Depreciation	14,331,899	1,528,626	15,860,525	-	3,556,149
Equity-method investments	(37,839,443)	(16,339,187)	(54,178,630)	-	(18,324,688)
Impairment losses on property, plant, and equipment	8,344,350	-	8,344,350	-	1,835,757
Other expenses	14,002,354	(7,938,850)	6,063,504	1,333,971	-
Provisions	58,461,475	(41,771,521)	16,689,954	-	4,035,796
Valuation of available-for-sale securities ¹	(996,299,660)	(82,702,132)	(1,079,001,792)	-	(237,347,790)
Valuation of equity-method investments and others ¹	(13,600,820)	9,896,653	(3,704,167)	(35,864)	(2,307,556)
Others	11,220,444	1,247,185	12,467,629	2,527,751	703,220
	₩ (920,973,881)	₩ (186,780,967)	₩ (1,107,754,848)	₩ 21,878,083	₩ (273,576,457)

¹ Items charged to equity

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	2008	Temporary differences			Deferred tax assets (liabilities)	
		Beginning	Increase (decrease)	Ending	Current	Non-current
<i>(in thousands of Korean won)</i>						
Accrued income	₩	(28,357,940)	₩ (22,731,581)	₩ (51,089,521)	₩ (12,363,577)	₩ -
Foreign currency translation		-	31,105,808	31,105,808	6,884,513	-
Valuation of currency forward		11,902,171	28,487,062	40,389,233	28,471,013	(16,997,108)
Depreciation		13,218,673	1,113,226	14,331,899	-	3,177,950
Equity-method investments		(27,893,965)	(9,945,478)	(37,839,443)	-	(10,404,981)
Impairment losses on property, plant, and equipment		8,344,350	-	8,344,350	-	1,835,757
Other expenses		3,467,714	10,534,640	14,002,354	3,244,902	-
Provisions		10,815,877	47,645,598	58,461,475	-	14,147,677
Valuation of currency forward ¹		7,751,748	(7,751,748)	-	-	-
Valuation of available-for-sale securities ¹		(2,742,836,745)	1,746,537,085	(996,299,660)	(121,242)	(219,075,705)
Valuation of equity-method investments and others ¹		1,197,646	(14,798,466)	(13,600,820)	-	(3,895,227)
Others		(3,567,627)	14,788,071	11,220,444	2,079,783	835,910
	₩	(2,745,958,098)	₩ 1,824,984,217	₩ (920,973,881)	₩ 28,195,392	₩ (230,375,727)

¹ Items charged to equity

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Gross deferred tax assets (liabilities) before setting off are as follows

(in thousands of Korean won)	2009		2008	
	Current	Non-current	Current	Non-current
Deferred income tax assets	₩ 32,766,122	₩ 31,879,881	₩ 72,776,297	₩ 80,215,846
Deferred income tax liabilities	(10,888,039)	(305,456,338)	(44,580,905)	(310,591,573)
	<u>₩ 21,878,083</u>	<u>₩ (273,576,457)</u>	<u>₩ 28,195,392</u>	<u>₩ (230,375,727)</u>

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company'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, except for equity method investments which the Company has no plans of disposing in the expectable future.

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 22% tax rate was used for temporary differences expected to reverse in year 2012 and thereafter. As a result, deferred tax liabilities were lower by ₩24,782,003 thousand as compared to the amount using in the previous tax rate of 24.2%.

HYUNDAI MIPO DOCKYARD CO., LTD.
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14. Monetary Assets and Liabilities Denominated in Foreign Currencies

(in thousands of Korean won and in thousands of U S dollars)	2009		2008	
	US dollars ¹	Korean won equivalent	US dollars ¹	Korean won equivalent
Assets				
Cash and cash equivalents	\$ 239,113	₩ 279,188,893	\$ 102,236	₩ 128,561,605
Short-term financial instruments	151	176,122	594	747,043
Trade receivables	602,714	703,729,417	463,797	583,224,221
Other accounts receivable	5,105	5,961,131	20,223	25,429,953
Guarantee deposits	3,812	4,450,905	3,811	4,792,520
Liabilities				
Trade payables	23,216	27,107,518	35,056	44,083,153
Other accounts payable	59,785	69,804,753	15,698	19,740,158
Accrued expenses	79,486	92,807,937	100,085	125,856,404

¹ Monetary assets and liabilities denominated in various foreign currencies are translated into U S dollars

15. Retained Earnings

The Korean Commercial Code requires the Company to appropriate, as a legal reserve, an amount equal to minimum of 10% of annual cash dividends declared, until the reserve equals 50% of capital stock. This reserve is not available for dividends, but may be transferred to capital stock, or use to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

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

	2009	2008
Number of shares eligible for dividends Common stock	19,441,206	19,306,125
Dividend rate	60%	100%
Dividend amounts	₩ 58,323,618,000	₩ 96,530,625,000
Dividend payout ratio (Dividends/Net income)	15.4%	18.6%
Dividend yield ratio (Dividend per share/Market price)	2.8%	3.7%

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16. Treasury Stock

As of December 31, 2009, the Company has 558,794 treasury shares (2008 693,875 shares) mainly in relation to specified trust agreements for the Company's stock price support. The book value of these treasury shares amounts to ₩61,908,781 thousand (2008 ₩76,874,405 thousand).

In 2009, the Company provided 135,081 shares of treasury stock to employee stock ownership association and recognized gains on sale of treasury stock of ₩2,171,722 thousand excluding tax effect of ₩693,346 thousand as capital surplus.

17. Construction Contracts

The Company's contract balances and the related revenues recognized thereon for the years ended December 31, 2009 and 2008, are as follows:

(in thousands of Korean won)	2009			
	Beginning	Increase ¹	Revenue	Ending
Shipbuilding	₩ 16,406,028,041	₩ (1,451,355,655)	₩ 3,636,560,245	₩ 11,318,112,141
Others	55,914,727	18,488,884	74,403,611	-
	<u>₩ 16,461,942,768</u>	<u>₩ (1,432,866,771)</u>	<u>₩ 3,710,963,856</u>	<u>₩ 11,318,112,141</u>

(in thousands of Korean won)	2008			
	Beginning	Increase ¹	Revenue	Ending
Shipbuilding	₩ 11,215,890,862	₩ 8,846,613,826	₩ 3,656,476,647	₩ 16,406,028,041
Others	113,340,564	90,831,958	148,257,795	55,914,727
	<u>₩ 11,329,231,426</u>	<u>₩ 8,937,445,784</u>	<u>₩ 3,804,734,442</u>	<u>₩ 16,461,942,768</u>

¹ Includes new and additional contracts as well as amendments to existing contracts.

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Details of the Company's contracts on the ongoing projects are as follows

2009 <i>(in thousands of Korean won)</i>	Shipbuilding	Repairing and Others	Total
Cumulative construction cost	₩ 4,482,316,684	₩ 68,107,915	₩ 4,550,424,599
Cumulative construction income	5,208,658,314	94,722,292	5,303,380,606
Advances	1,920,293,300	-	1,920,293,300
Billed amount	14,953,291	12,035,206	26,988,497
Unbilled amount	684,746,508	-	684,746,508

2008 <i>(in thousands of Korean won)</i>	Shipbuilding	Repairing and Others	Total
Cumulative construction cost	₩ 3,890,749,904	₩ 114,371,724	₩ 4,005,121,628
Cumulative construction income	4,662,195,238	151,958,996	4,814,154,234
Advances	2,658,902,464	8,785,883	2,667,688,347
Billed amount	3,075,550	23,577,083	26,652,633
Unbilled amount	610,046,549	5,433,124	615,479,673

Changes in provision for construction loss are as follows

<i>(in thousands of Korean won)</i>	2008	2008
Beginning balance	₩ 44,890,853	₩ -
Increase	144,213	44,890,853
Decrease	(44,890,853)	-
Ending balance	<u>₩ 144,213</u>	<u>₩ 44,890,853</u>

18. Value Added Information

<i>(in thousands of Korean won)</i>	2009	2008
Salaries and wages	₩ 231,726,604	₩ 234,144,098
Severance benefits	14,226,320	24,561,197
Employee benefits	42,716,093	42,637,921
Rent	5,728,358	5,473,388
Depreciation	42,244,077	43,528,336
Taxes and dues	4,879,560	3,834,150
	<u>₩ 341,521,012</u>	<u>₩ 354,179,090</u>

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19. Comprehensive Income

<i>(in thousands of Korean won)</i>	2009	2008
Net income	₩ 378,653,421	₩ 519,141,628
Other comprehensive income and expense		
Gain on valuation of available-for-sale securities ¹	64,515,424	(1,211,453,927)
Changes in equity-method investees with accumulated comprehensive income ²	(5,624,606)	13,267,529
Changes in equity-method investees with accumulated comprehensive expense ³	(2,687,965)	1,372,983
Valuation of currency forward ⁴	-	5,620,017
Comprehensive income	<u>₩ 434,856,274</u>	<u>₩ (672,051,770)</u>

¹ Includes income tax effects of (-)₩18,186,707 thousand (2008 ₩535,083,157 thousand)

² Includes income tax effects of ₩1,587,671 thousand (2008 (-)₩3,741,924 thousand)

³ Includes income tax effects of ₩ - (2008 (-)₩520,787 thousand)

⁴ Includes income tax effects of ₩ - (2008 (-)₩2,131,731 thousand)

20. Earnings Per Share

	2009	2008
Net income attributable to common stock	₩ 378,653,421 thousand	₩ 519,141,628 thousand
Weighted average number of common stock outstanding ¹	<u>19,340,913 shares</u>	<u>19,306,333 shares</u>
Basic earnings per share	<u>₩ 19,578</u>	<u>₩ 26,890</u>

¹ Weighted average number of common stock is as follows

<i>(in shares)</i>	2009	2008
Beginning	20,000,000	20,000,000
Weighted average number of treasury shares	<u>(659,087)</u>	<u>(693,667)</u>
Weighted average number of common stock outstanding	<u>19,340,913</u>	<u>19,306,333</u>

As there are no diluted securities outstanding as of December 31, 2009 and 2008, diluted earnings per share is identical to basic earnings per share

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21 Supplemental Cash Flow Information

Significant transactions not affecting cash flows are as follows

<i>(in thousands of Korean won)</i>	2009	2008
Transfer to property, plant and equipment from construction-in-progress	₩ 48,377,541	₩ 72,159,634
Valuation of investment securities ¹	64,515,424	(1,211,453,927)
Valuation of equity-method investment ¹	(5,624,606)	13,267,529
Valuation of currency forward ¹	-	10,809,857

¹ Items charged to accumulated other comprehensive income and expense under equity

22. Related Party Transactions

Details of the parents and subsidiaries are as follows

Ultimate parent	Hyundai Heavy Industries Co., Ltd
Parent company	Hyundai Samho Heavy Industries Co., Ltd
Subsidiaries	Hyundai Vinashin Shipyard Co., Ltd
	Hi Investment & Securities Co., Ltd
	Hi Asset Management Co., Ltd

Significant transactions, which occurred in the normal course of business with related companies and their related balances, are as follows

<i>(in thousands of Korean won)</i>	2009			
	Sales	Purchases	Receivables	Payables
Parent company	₩ 46,745,900	₩ 408,348,829	₩ 111,830,947	₩ 95,972,475
Subsidiaries	63,294,688	246,026,168	264,242,261	56,732,619
Equity-method investees	-	-	-	-
Others	251,669	20,835,071	38,534	3,537,629
	<u>₩ 110,292,257</u>	<u>₩ 675,210,068</u>	<u>₩ 376,111,742</u>	<u>₩ 156,242,723</u>

<i>(in thousands of Korean won)</i>	2008			
	Sales	Purchases	Receivables	Payables
Parent company	₩ 55,299,298	₩ 523,029,989	₩ 122,748,015	₩ 119,513,125
Subsidiaries	47,090,431	98,818,357	296,516,854	11,994,286
Equity-method investees	-	209,073	-	24,603
Others	115,003	22,126,770	-	1,924,092
	<u>₩ 102,504,732</u>	<u>₩ 644,184,189</u>	<u>₩ 419,264,869</u>	<u>₩ 133,456,106</u>

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Receivables are presented net of bad debt allowance of ₩1,118,695 thousand (2008 ₩1,227,480 thousand) The reversal of allowance for doubtful accounts of ₩108,785 thousand was recorded during the year

The compensation for key management amounts to ₩828,522 thousand (2008 ₩1,168,284 thousand) Key management refers to the directors who have significant control and responsibilities on the Company's operations and business

23. Segment Information

Financial information by segments follows

(in thousands of Korean won)	2009		2008	
	Sales	Operating Income	Sales	Operating Income
Shipbuilding	₩ 3,636,560,245	₩ 364,734,240	₩ 3,656,476,647	₩ 507,430,770
Repairing and others	74,403,611	22,391,212	148,257,795	29,264,829
	<u>₩ 3,710,963,856</u>	<u>₩ 387,125,452</u>	<u>₩ 3,804,734,442</u>	<u>₩ 536,695,599</u>

Geographical segment information follows

(in thousands of Korean won)		Korea	Europe	Asia	Others	Total
2009	₩	21,035,718	₩ 2,558,576,139	₩ 948,694,080	₩ 182,657,919	₩ 3,710,963,856
2008		24,457,317	1,942,539,054	1,667,177,795	170,560,276	3,804,734,442

24. Derivatives

The Company has entered into currency forward contracts with Korea Exchange Bank and others to manage exposures to fluctuations in cash flow due to foreign currency risk The fair value of each derivative is assessed by the forward exchange rate from the banks Details of currency forward contracts outstanding as of December 31, 2009, are as follows

Contract date	Maturity date ¹	Amounts	Contract exchange rate ¹
May 16, 2006 - Dec 23, 2009	Oct 16, 2010	US\$ 2,990,533 thousand	₩ 974 21/US\$ 1 00

¹ Weighted average based on the contract amounts

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As of December 31, 2009, net firm commitments assets amount to ₩517,907,877 thousand and net currency forward liabilities amount to ₩595,388,107 thousand For the year ended December 31, 2009, net gain on valuation of currency forward amounts to ₩144,251,200 thousand and sales adjustments amount to ₩68,854,651 thousand

Also, the realized gain and loss on foreign currency forward transactions recognized upon the expiration of contracts during the year amounted to ₩15,426,835 thousand and ₩111,415,742 thousand, respectively

25. Commitments and Contingencies

Commitments with financial institutions as of December 31, 2009, are as follows

(in thousands of Korean won and in thousands of U S dollars)

Financial Institution	Details		Limit amount
Korea Exchange Bank and others	Bank overdraft	₩	120,000,000
	Usance L/C	US\$	393,533

As of December 31, 2009, the Company is provided with guarantees of US\$ 103,939 thousand from financial institutions for the raw materials purchasing

As of December 31, 2009, the Company is provided with guarantees of US\$ 3,445,275 thousand from financial institutions for the shipbuilding advances and in relation to the guarantees, the Company pledged its ships under construction and raw materials as collaterals Also, the Company is provided with guarantees of ₩3,426,696 thousand for warranties

As of December 31, 2009, the Company has guaranteed the borrowings of Hyundai Vinashin Shipyard Co , Ltd amounting to US\$ 33,500 thousand

As of December 31, 2009, the Company is a defendant in three lawsuits regarding contract of ship building, involving claims of US\$ 33,447 thousand The Company assessed and recognized the amount on the financial statements based on objective estimates For the claims above, the Company's management believes that the ultimate outcome of these lawsuits will not have a material impact on the Company's financial position and operations

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26. Interim Results

Operating results for the three-month periods ended December 31, 2009 and 2008, are as follows

<i>(in thousands of Korean won, except per share amounts)</i>	2009	2008
Sales	₩ 845,935,112	₩ 1,148,295,428
Operating income	116,484,880	113,823,796
Net income	93,986,542	98,132,730
Earnings per share	4,834	5,083

27. Selling and Administrative Expenses

<i>(in thousands of Korean won)</i>	2009	2008
Salaries and wages	₩ 17,958,644	₩ 19,045,406
Bonuses	16,517,275	16,263,499
Severance benefits	3,831,233	4,429,491
Travel expense	281,573	393,437
Supplies expense	204,480	240,679
Commissions and fees	2,825,747	3,244,363
Taxes and dues	1,724,660	1,344,544
Communication charges	215,035	225,604
Welfare expense	8,339,590	8,479,428
Vehicles maintenance expense	1,501,470	1,569,442
Repair expense	481,823	2,085,518
Insurance expense	1,323,776	1,843,840
Advertising expense	763,152	2,665,518
Training expense	86,210	299,633
Entertainment expense	271,212	370,681
Rental expense	687,232	689,233
Depreciation expense	5,566,691	5,334,581
Warranty expense	14,143,856	13,142,070
Bad debts expense	-	3,198,063
Technical development expense	4,809,461	5,513,987
Others	622,968	532,698
	<u>₩ 82,156,088</u>	<u>₩ 90,911,715</u>

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28. Approval of Financial Statements

The December 31, 2009, financial statements of the Company were approved by the Board of Directors on January 28, 2010

29. Preparation for K-IFRS Adoption

The Company plans to adopt the Korean International Financial Reporting Standards (K-IFRS) starting 2011. In this regard, the Company organized a task force for its K-IFRS adoption and conducted employee training. The preparation plan and status on the progress of K-IFRS adoption implemented an accounting system is reported to the Company's management periodically.

30. Reclassification of Prior Period Financial Statements

Certain amounts in the December 31, 2008, financial statements have been reclassified to conform to the December 31, 2009 financial statement presentation. These reclassifications have no effect on previously reported net income or shareholders' equity.

**Report of Independent Accountants'
Review of Internal Accounting Control System**

To the President of
HYUNDAI MIPO DOCKYARD CO , LTD

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of HYUNDAI MIPO DOCKYARD CO , LTD (the "Company") as of December 31, 2009. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2009, the Company's IACS has been designed and is operating effectively as of December 31, 2009, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a Company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A Company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Our review is based on the Company's IACS as of December 31, 2009, and we did not review management's assessment of its IACS subsequent to December 31, 2009. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users

Samil PricewaterhouseCoopers

March 4, 2010

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Audit Committee of HYUNDAI MIPO DOCKYARD CO , LTD

I, as the Internal Accounting Control Officer ("IACO") of HYUNDAI MIPO DOCKYARD CO , LTD ("the Company"), assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2009

The Company's management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating 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 purposes. I, as the IACO, applied the IACS standards for the assessment of design and operations of the IACS

Based on the assessment on the operation of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2009, in all material respect, in accordance with the IACS standards

January 28, 2010

Sul Kwang Woo, Internal Accounting Control Officer

Choi Won Gil, Chief Executive Officer