

Daewoo Securities

Annual Report FY2004



Daewoo Securities takes a fresh step towards becoming a permanent leader of the Korean financial industry

As a leader of Korea's financial industry over the last 35 years, Daewoo Securities has been a pioneer in the domestic financial market, providing innovative, top-notch products and services. On the back of full support from customers and shareholders, we are now taking a fresh leap forward.

Embodied with endless passion and a spirit of challenge, we are marching towards a broader sky while striving to secure Daewoo Securities' presence as a leader in the industry.

Daewoo Securities devotes itself to delivering excellent value to clients and shareholders; to creating new guidelines by strictly adhering to the highest ethical standards; to generating outstanding performances and honing competitiveness based on stability, profitability, and productivity; and to pursuing new directions for Korea's financial industry.

Based on customer confidence and sound business principles, we strive to generate higher profits while ushering in and leading a new era in the securities industry. At Daewoo Securities, we are poised to go beyond being the top securities firm in Korea, to begin the race towards becoming a comprehensive financial service provider in an exciting new world.

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Financial Highlights

(in billions of KRW)

	FY2004	FY2003	FY2002
Operating Revenue	823.9	782.1	703.3
Operating Expenses	735.1	621.9	681.6
Operating Income	88.8	160.2	21.7
Ordinary Income	-148.9	132.8	-60.4
Net Income	-148.9	132.5	-60.4
Total Assets	5,048.3	4,057.5	3,399.1
Total Liabilities	3,754.9	2,812.6	2,310.0
Paid-in Capital	1,020.9	1,020.9	1,020.9
Total Shareholders' Equity	1,293.4	1,244.9	1,089.1
Market Capitalization	1,258.0	936.3	672.7
Total Number of Shares Outstanding (Shrs)	204,176,641	204,176,641	204,176,641
Common Stock (Shrs)	190,100,891	190,100,891	190,100,891
Preferred Stock (Shrs)	14,075,750	14,075,750	14,075,750
Share Price Fiscal Year High (Common Stock) (in KRW)	8,440	5,980	10,600
Fiscal Year Low (Common Stock) (in KRW)	2,855	3,270	2,800
BPS (in KRW)	6,804	6,549	5,729
PBR (x)	0.9	0.7	0.6
EPS (in KRW)	N/A	697	N/A
PER (x)	N/A	6.8	N/A
ROE (%)	-11.8	11.5	-5.2



“Forging ahead on our own path,
Our minds open to change
We set the ideas that others follow.”

Daewoo Securities is breaking new ground.

To Shareholders & Clients

We at Daewoo Securities have set a clear management goal of 'Regaining our pride as No.1 in the Korean securities industry.' Through a 'selection and focus' strategy, we have maximized efficiency and secured our No.1 stance in the industry in a very short period of time.

Dear Shareholders and Clients:

On behalf of Daewoo Securities, I would like to extend my sincere appreciation to you, our valued shareholders and clients, for your unwavering support and encouragement.

During fiscal 2004, we at Daewoo Securities set a firm management goal of 'Regaining our pride as No.1 in the Korean securities industry.' To achieve this goal, we came up with a set of measures, based on a 'selection and focus' strategy, which aims to maximize operational efficiency while securing competitiveness through focusing on our existing core business capacities.

As a consequence, we quickly regained the title of 'the No.1 securities firm in Korea' by increasing our market share in the brokerage sector, which, as a primary business in the securities industry, has served us well as a cash cow. In such fields as investment banking, wealth management, and stock dealing and trading, which carry great potential to become strong core businesses for securities companies, we have established and implemented mid- to long-term strategies aimed at securing the relevant systems and human resources.

We regained our title as the No.1 player in the Brokerage sector.

During the first half of 2004, Daewoo Securities' market share of the brokerage sector remained at around 6%, but with the concerted efforts of our employees to reinforce the Company's presence in the market, we placed first in retail brokerage with a market share of 8% in September of 2004. We continued to record a leading market share in the following months, achieving our goal of becoming the industry's top player in the brokerage sector. Especially in terms of the market share of our commission base, an indicator of the real profitability of a securities company, we became No.1 in the industry. We will continue to improve our operational performances and maintain a stable market share in 2005.

Daewoo Securities was able to increase its market share in the brokerage sector in such a short period of time largely due to several very effective strategies. First, we simplified and clarified the evaluation and compensation system for our sales staff, making it easier for them to concentrate and focus on their work, and this translated to improvements in efficiency and productivity. Secondly, we encouraged our managerial branch heads to participate in the sales field and to use their sales expertise to contribute to the Company's earnings. Lastly, we introduced a new graded margin system, which applies differentiated margins in accordance with the risk of each individual stock. Such a system allows us to tailor products individually, thus significantly enhancing customer satisfaction.

In fiscal 2005, building on the achievements of the previous year, we will focus not only on retail sales but also on the wholesale brokerage sector. To this end, we consolidated our Institutional Business Division, International Business Department and overseas operations into one Wholesale Business Division in early 2005 to reinforce our sales competitiveness in the wholesale sector.

In order to maintain Daewoo Securities' presence as a market leader, we will step up efforts to consistently nurture high-caliber sales personnel, to develop employee capabilities by enhancing sales and trading skills, and to increase client assets.



Awarded Grand Prize in Annual Maeil Economic Daily Securities Broker Awards

Awarded Grand Prize in 'The 7th Annual Maeil Economic Daily Securities Broker Awards' by the Maeil Economic Daily
_ January 2005

We maintain our No.1 presence in the Investment Banking sector.

As for corporate bonds and rights offerings, typical products of the investment banking sector, Daewoo Securities posted the best underwriting record in the industry in fiscal 2004, just as it did in 2003. In addition, we secured our position as the best Investment Bank by recording the best performances in the domestic industry in such structured products as ABS and Vessel Funds.

We believe that the outstanding performances achieved by Daewoo Securities' IB business were due to our ceaseless efforts to meet the various needs of issuers based on having the industry's best IB and sales capacities.

For instance, the 'Northeast Asia Vessel Fund,' the first of its kind in Asia, provided investors with an alternative investment vehicle under the low-interest-rate environment, and this fund made large contributions to the development of the nation's economy by attracting floating capital into the capital markets. Recognized for these achievements, we were honored with the 'Excellent New Financial Product Grand Award' by the Financial Supervisory Service in December of 2004.

Furthermore, the outstanding performances of our IB business were significant in the sense that Daewoo Securities did not have an affiliated issuance company to rely on, unlike many of our competitors, who were able to take advantage of affiliations with conglomerates or financial holding companies.

In fiscal 2005, Daewoo Securities will continue to be the No.1 player in the IB sector by developing new businesses and by boosting productivity through the expansion and upgrading of its professional human resources.



Won Gold Medal in the Dasan Finance Awards
Awarded Grand Prize in the securities sector of
'The 14th Dasan Finance Awards' by the Korea
Economic Daily _ December 2004



We generate stellar achievements in the Wealth Management business.

In order to make Daewoo Securities' wealth management business more substantial, we streamlined our operational system to boost the efficiency of our wealth management and focused on building a cost-effective infrastructure with the establishment of regional operation hubs. In addition, we strived to meet the various needs of customers so as to expand our client base through sales of diversified financial products such as CDs, bonds, RPs (Repurchase Agreement), commodity funds, and equity-linked securities (ELS).

As a result, the balance of sales of our wealth management products significantly increased in just a year from KRW4.4 trillion in the beginning of fiscal 2004 to more than KRW8.3 trillion at the end of fiscal 2004.

In fiscal 2005, we will continue to solidify the foundation of our wealth management business by adding premier clients through enhanced sales of strategic products and by placing a priority on launching market-leading products. At the same time, we are preparing thoroughly for our entry into the Retirement Pension Plan and Trust Business so as to establish a solid beachhead in these new business areas.

Our Credit rating has been upgraded to A-.

Korea Ratings (KR) and Korea Investors Service (KIS) each upgraded Daewoo Securities' credit rating to A- in October and November 2004, respectively, in recognition of the close partnership between Daewoo Securities and the Korea Development Bank and in view of Daewoo Securities' profit generation capacities, seen in its remarkable performances of the past year. With these upgrades, Daewoo Securities has fully recovered its credit rating level, after having dropped precipitously to CCC following the extreme difficulties of the Daewoo Group, Daewoo Securities' now-defunct parent, five years ago.



Awarded Deputy Prime Minister & Minister of Finance and Economy Grand Prize

Selected for Grand Prize for Best Underwriter of the Year in 'The 2nd IB Awards' by Moneytoday _ March 2005

Daewoo Securities' superiority is recognized at home and abroad.

Following Daewoo Securities' winning of the Grand Prize in the securities sector of 'The 14th Dasan Finance Awards' sponsored by the Korea Economic Daily in December 2004, the Company was honored as the Best Brokerage House in 'The 7th Annual Maeil Economic Daily Securities Broker Awards' in January 2005.

In March 2005, we won the Grand Prize of 'The 2nd IB Awards' by Moneytoday for our contributions to the development of the domestic IB industry. With this award, Daewoo Securities has received all three Deputy Prime Minister & Minister of Finance and Economy Awards, which are the most prestigious awards given in the Korean securities industry. Daewoo Securities' winning of all three awards provides ample proof of the Company's superior capabilities as the best securities firm in Korea.

Daewoo Securities' superb capabilities were acknowledged abroad, as well. For instance, in December 2004, we were honored as the Top Domestic Bond House at the 'IFR Asia Awards 2004' by Thomson Financial, a world-class financial research company.

We improved our financial structure and strengthened management transparency.

In fiscal 2004, Daewoo Securities realized a KRW204.8 billion loss on valuation of Hanaro Telecom shares in the income statement. This loss was reflected as a contra account in the capital adjustment of balance sheets after the shares were acquired in the restructuring process of the now-defunct Daewoo Group. Although the move led to a net loss in fiscal 2004, it did not cause any impact on Daewoo Securities' cash flow, as it was a simple change in the accounting treatment. With the move, our financial structure and business transparency were enhanced to provide a more stable foundation for operations. From this year forward, Daewoo Securities will seek to fully reflect its sales performances in its profits as recognized in our income statements, without being affected by non-operating factors.



Best Bond House in Korea

Awarded as 'Best Domestic Bond House' by IFR Asia (International Financing Review), an international financial magazine _ December 2004

To Shareholders & Clients

In the midst of financial convergence in the industry, such as Hana Bank's acquisition of Daehan Investment Securities and Dongwon Financial Holding's acquisition of Korea Investment & Securities, a host of powerful new competitors are likely to emerge at any time. In such a domestic financial environment of fierce and growing competition, Daewoo Securities will need to establish differentiated business strategies and hone its sales power in order to firmly maintain the No.1 position in the industry.

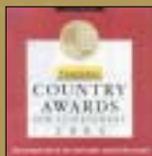
To this end, Daewoo Securities has set a new management goal for fiscal 2005, encapsulated in the phrase, "50% Up! All-Together," to actively respond to rapid changes in the financial markets and to maintain its No.1 position. While enhancing their teamwork, the employees and management of Daewoo Securities in all divisions are willing and determined to increase the quality and quantity of their performances by more than 50% to solidify the Company's position at the top of the industry.

To achieve our management goal, we will strengthen the capability of our sales personnel, expand our client base, reinforce our market leadership, and make efficient use of management resources.

We pledge that the employees and management of Daewoo Securities, powered by an eternal spirit of passion and challenge, will work together to maintain the Company's No.1 presence in the industry.

We look forward to your unwavering support and encouragement in 2005.

Thank you.



Best Broker in Korea

Selected as 'Best Domestic Broker' in the securities sector in 'Country Awards 2004' by FinanceAsia, a prestigious international financial magazine based in Hong Kong _ July 2004

"We pledge that the employees and management of Daewoo Securities, powered by an eternal spirit of passion and challenge, will work together to maintain the Company's No.1 presence in the industry."



CEO and President **Bok-Jo Sohn**

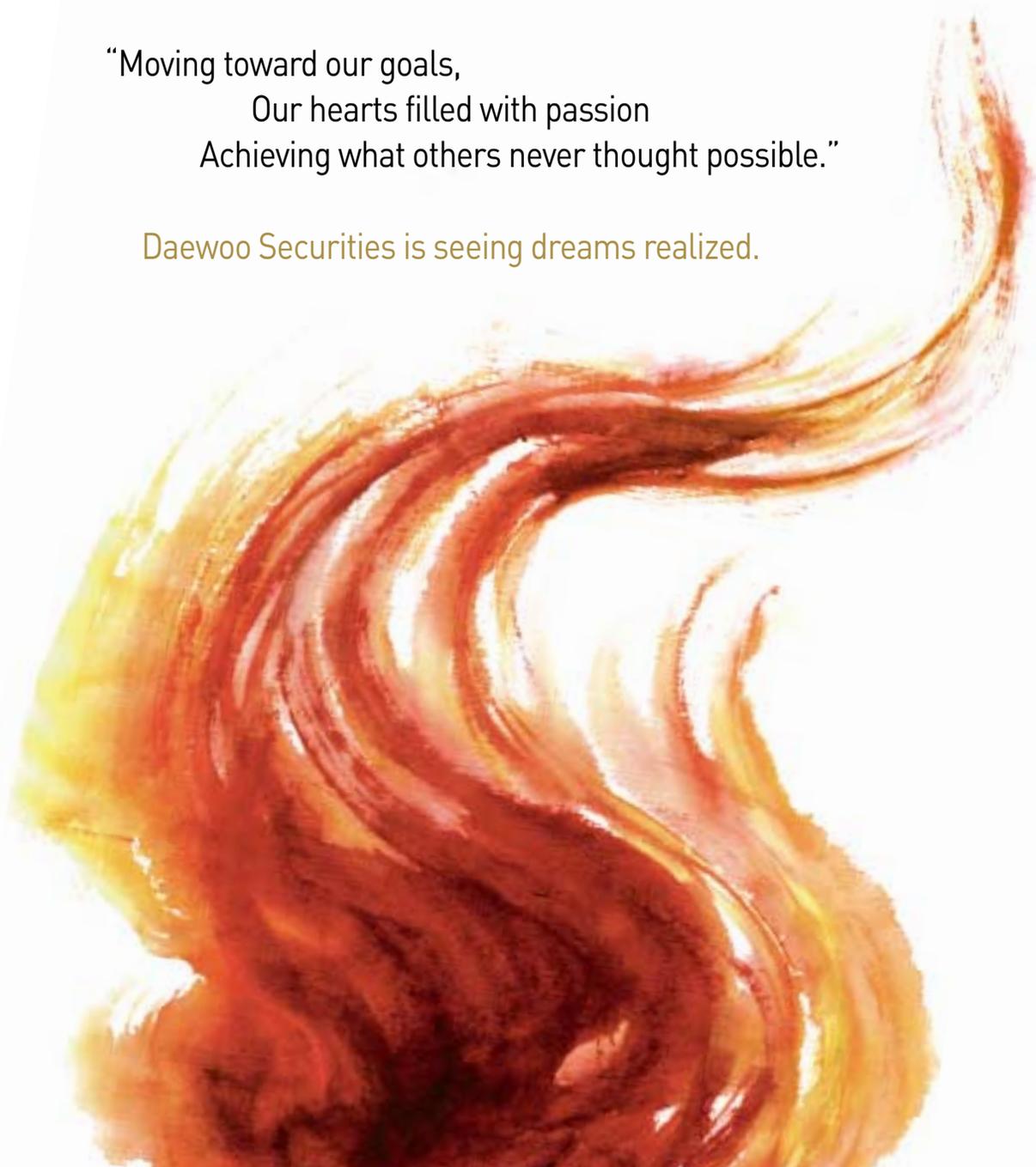


Awarded Excellent New Financial Product Grand Award by the Financial Supervisory Service

Awarded Excellent New Financial Product Grand Award for Vessel Fund by the Financial Supervisory Service _ December 2004

“Moving toward our goals,
Our hearts filled with passion
Achieving what others never thought possible.”

Daewoo Securities is seeing dreams realized.



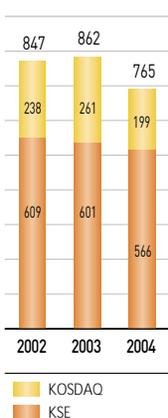
Stock Market Performance

In April 2004, the Korean stock market started off bullish, supported by the impressive 1Q04 earnings performances of domestic companies and their projections for further improvement. Yet, negative factors including concerns over a possible slowdown of the Chinese economy, and U.S. interest and oil price hikes slowed down further entry of investors into the market from the end of April 2004. The stock market remained bearish, with daily trading volume plummeting to KRW1.6 trillion in July 2004. In September, the market picked up again, largely driven by the entry of foreign investors for bargain hunting and by rising expectations of a recovery in domestic consumption amid introduction of economic stimulation measures by the government. At the end of February 2005, the KOSPI exceeded the 1,000pt-level for the first time since 2000. Entering March 2005, however, the index saw a correction on heavy profit-taking by foreign and institutional investors. The KOSPI closed at 965.68pt at fiscal year-end 2004.

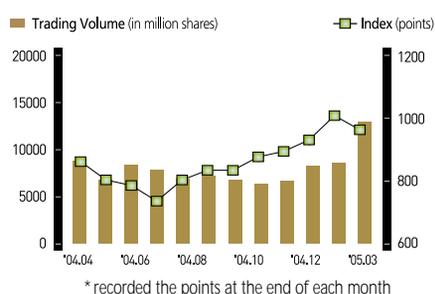
The KOSDAQ Index started off at 439.00pt in April 2004 and showed a continuous decline through the year, falling below the 400pt-level, on a lack of upward momentum and low trading value. However, from mid-December 2004, introduction of government measures to activate local venture firms largely attracted investors into the market, and the KOSDAQ Index rebounded, exceeding 400pt. It closed FY2004 at 455.03pt.

In FY2004, the trading value of Korean stock markets stood at KRW765.0 trillion, an 11.2% decrease compared to KRW861.6 trillion in FY2003. More specifically, trading value amounted to KRW566.3 trillion on the Korea Stock Exchange (KSE) and KRW198.7 trillion on the Korea Securities Dealers Automated Quotation (KOSDAQ), underscoring the lopsided trading trends seen in FY2003.

Annual Trading Value
(in trillions of KRW)



KOSPI



KOSDAQ Index



In FY2004, the trading volume of futures on the KOSPI200 Index increased by 9% YoY to KRW297.2 trillion, while options on the KOSPI200 Index fell 13% to KRW138.0 trillion. The weight of individual investors in both futures and options declined, while foreigners and securities companies participated heavily in futures and options, respectively.

As for the investment banking (IB) business, the size of stock issuance on the KSE and KOSDAQ decreased by 31.3% to KRW6.8 trillion in FY2004 from KRW9.9 trillion in FY2003. It is noted that the market of initial public offerings (IPO) continued to contract until the end of December 2004 when IPOs then drastically increased, helped by an increase in activity by venture firms in the KOSDAQ market. The issuance of corporate bonds amounted to KRW56 trillion, a 5.1% decrease from KRW59 trillion in FY2003, mainly due to a drop in corporate demand.

Meanwhile, the outstanding balance of beneficiary certificates in the market stood at KRW193 trillion as of March 2005, a 22.2% decrease from KRW158 trillion as of April 2004.

Balance Sheet

(in billions of KRW)

	FY2004	FY2003	FY2002
Current Assets	4,157	3,191	2,356
Non-current Assets	891	867	1,043
Total Assets	5,048	4,058	3,399
Current Liabilities	3,518	2,580	1,833
Long-term Liabilities	237	233	477
Total Liabilities	3,755	2,813	2,310
Capital Stock	1,021	1,021	1,021
Capital Surplus	251	251	251
Retained Earnings	50	198	65
Capital Adjustment	(29)	(225)	(248)
Total Shareholders' Equity	1,293	1,245	1,089
Total Liabilities & Shareholders' Equity	5,048	4,058	3,399

Assets

As of the end of FY2004, total assets amounted to KRW5,048.3 billion, up by 24.4% from KRW4,057.5 billion at year-end FY2003. In particular, total current assets increased by 30.3% YoY to KRW4,157.2 billion in FY2004, and total non-current assets grew by 2.8% to KRW891.1 billion during the same period.

>> Current Assets

Short-term securities amounted to KRW2,028.7 billion, up by 22.5% from KRW1,655.8 billion a year earlier, due to increases in holdings of government and public bonds. In the meantime, the amount of unsold beneficiary certificates (BC) decreased by 49.8% YoY to KRW222.9 billion. Due to the active issuance of ELS (Equity Linked Securities) and stock warrant securities, structured securities sharply increased by over 1,000% to KRW572.1 billion in FY2004 from KRW49.4 billion in FY2003.

>> Non-current Assets

Investment securities recorded an increase of 12.4% YoY to KRW505.1 billion as available-for-sale securities increased by 18.7%. Investment assets and tangible fixed assets decreased by 5.9% and 5.0% to KRW109.8 billion and KRW249.4 billion, respectively. Other non-current assets recorded a 30.2% decrease to KRW26.8 billion.

Liabilities

Total liabilities increased by 33.5% to KRW3,754.9 billion in FY2004 from KRW2,812.6 billion in the previous fiscal year. Of this amount, total current liabilities rose 36.3% to KRW3,517.9 billion, and total long-term liabilities increased by 1.9% to KRW236.9 billion.

>> Current Liabilities

Structured securities sold recorded KRW868.7 billion, up by 280.7% YoY in FY2004, boosted by active issuances of ELS (Equity Linked Securities) and stock warrant securities. The balance of bonds sold under reverse resale agreements increased by 44.4% to KRW1,036.5 billion, while other current liabilities decreased by 25.3% to KRW444.0 billion in FY2004.

>> Long-term Liabilities

In FY2004, the reserve for severance and retirement benefits increased to KRW35.9 billion from KRW32.4 billion in FY2003, including KRW1 billion worth of unguaranteed bonds issued in commemoration of the Company's credit rating upgrade.

Shareholders' Equity

Total shareholders' equity amounted to KRW1,293.4 billion, a 3.9% increase from the previous fiscal year's KRW1,244.9 billion. Although no change was made in capital stock and the capital surplus, retained earnings decreased by 75.0% to KRW49.6 billion as the Company recognized a loss on impairment of Hanaro Telecom shares in the income statement. Capital adjustments in FY2004 decreased by KRW197.0 billion to KRW27.8 billion as gains on valuation of available-for-sale investments increased.

Income Statement

>> Business Overview

(in billions of KRW)

	FY2004	FY2003	FY2002
Stock brokerage	112,998	126,431	126,754
Bonds brokerage	78,515	56,765	50,143
Corporate bond underwriting	4,451	8,228	6,930
Client assets in beneficiary certificates	4,630	2,870	3,310
Assets in custody*	34,662	16,673	14,602

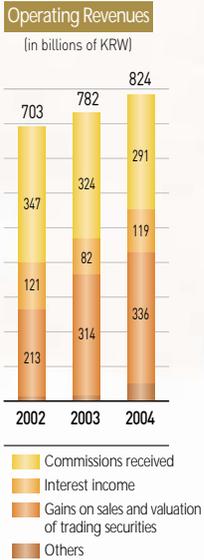
*Assets in custody are valued at substitute price of securities and refer to securities in custody (including beneficiary certificates) and deposits.

>> Overview of Profit and Loss

(in billions of KRW)

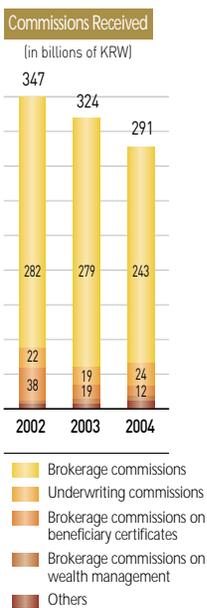
	FY2004	FY2003	FY2002
Operating revenues	824 (100%)	782 (100%)	703 (100%)
Commissions received	291 (35.3%)	323 (41.3%)	347 (49.4%)
Interest and dividends	121 (14.7%)	85 (10.9%)	127 (18.0%)
Gain on sales of trading securities	69 (8.4%)	92 (11.8%)	27 (3.8%)
Gain on derivatives transactions	258 (31.3%)	135 (17.3%)	170 (24.1%)
Gain on valuation of trading securities	8 (1.0%)	87 (11.1%)	16 (2.3%)
Others	76 (9.2%)	59 (7.5%)	17 (2.4%)
Operating expenses	735 (100%)	622 (100%)	682 (100%)
Commissions expenses	29 (3.9%)	29 (4.7%)	26 (3.8%)
Interest expenses	90 (12.2%)	90 (14.5%)	87 (12.8%)
Loss on sales of trading securities	68 (9.3%)	35 (5.6%)	63 (9.2%)
Loss on derivatives transactions	210 (28.6%)	121 (19.5%)	157 (23.0%)
Loss on valuation of trading securities	26 (3.5%)	7 (1.1%)	20 (2.9%)
Selling and administrative expenses	282 (38.4%)	318 (51.1%)	330 (48.4%)
Others	31 (4.2%)	23 (3.7%)	0

Operating Revenues



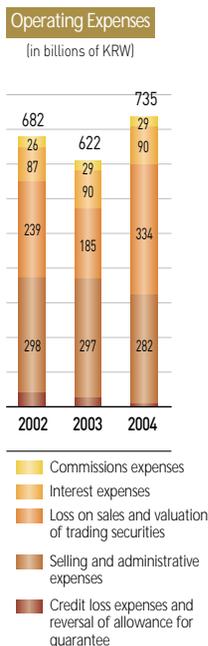
Commissions received amounted to KRW291.3 billion in FY2004, representing a 10.0% slide from KRW323.5 billion in FY2003. Despite the increasing market share of the Company, brokerage commissions decreased by 13.1% YoY to KRW242.7 billion, mainly due to a decline in the stock market's trading value. As the Company's primary market share expanded, underwriting fees recorded KRW23.7 billion, 27.3% up from the previous fiscal year. Commissions on beneficiary certificates fell 36.5% to KRW11.8 billion due to the downward trend of commissions all across the market. Backed by active sales of 'MasterWrap,' the Company's discretionary wrap account product, wrap commissions skyrocketed by 299.3% to KRW6.2 billion.

Interest income in FY2004 increased 44.2% YoY to KRW118.5 billion, and net interest income turned to black, helped by reduced interest expenses following the redemption of subordinated bonds. Interest on bonds rose 83.6% to KRW85.6 billion mainly due to an increase in holdings of bonds.



Gain/loss related to trading securities and gain/loss on structured securities transactions turned to red from the previous fiscal year, posting losses of KRW16.2 billion and KRW13.5 billion, respectively. Meanwhile, gain/loss on structured securities sold transactions turned to black, recording KRW31.9 billion. Gain/loss on securities sold reduced the size of losses to record a net loss of KRW0.2 billion, while net gain/loss on derivatives posted an expanded loss of KRW0.6 billion.

Operating Expenses



Commissions expense decreased by 2.0% YoY to KRW28.8 billion in FY2004. Trading commissions and investment consultant fees declined by 15.3% and 26.5%, respectively, while other commissions recorded a 78.3% rise to KRW8.7 billion. Despite a decline in interest expense on debenture, interest expenses posted in-line with FY2003 at KRW89.6 billion in FY2004, due to higher repurchase agreement (RP) interest amid increased RP issuances.

Operating expenses in FY2004 recorded an increase of 18.2% YoY to KRW735.1 billion on increasing securities-related losses, including loss on sales and valuation of trading securities, loss on structured securities transactions, loss on structured securities transactions sold, and loss on derivatives transactions.

Selling and administrative expenses decreased by 11.3% YoY to KRW282.3 billion in FY2004. Labor costs fell by 1.3% to KRW159.7 billion, and depreciation expenses and advertising expenses dropped by 51.7% and 24.0% to KRW12.7 billion and KRW12.5 billion, respectively. In addition, credit loss expenses decreased by 60.5% to KRW8.2 billion.

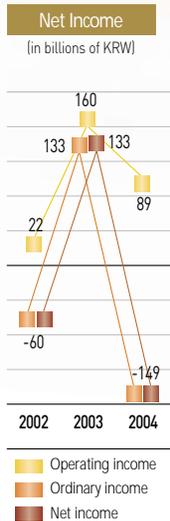
Non-operating Profit and Extraordinary Gain/Loss

Non-operating income significantly dropped to KRW24.0 billion from FY2003. Gain on equity-method valuation fell 35.7% YoY to KRW3.9 billion, and gain on the disposition of available-for-sale securities decreased by 82.5% to KRW0.6 billion. Total non-operating expenses in FY2004 rose 137.3% to KRW261.8 billion because the Company recognized a KRW204.8 billion loss on impairment of Hanaro Telecom shares in the income statement. Non-operating expenses other than loss on impairment of securities mostly decreased. FY2004 saw no extraordinary gain or loss.

Income Tax Expenses

No income tax expenses were applicable in FY2004 as losses from the Daewoo Group crisis in 1999 were carried over. Deferred tax payments were not accounted for due to uncertainty in their realization.

Operating Income, Ordinary Income and Net Income



Operating income fell 44.6% YoY to KRW88.8 billion in FY2004. As the company recognized a KRW204.8 billion loss on impairment of Hanaro Telecom shares in the income statement, ordinary income turned to red, marking a loss of KRW148.9 billion. Accordingly, net income for FY2004 turned to red, posting a net loss of KRW148.9 billion.

Risk Management

As the financial environment becomes more advanced and complex, there is a growing need to protect the shareholders' equity of a company. Daewoo Securities is committed to building a systematic and advanced risk management system in order to maximize shareholder's value. To this end, a risk governance organization consisting of the CEO, Risk Management Committee, Risk Management Department, and Risk Managers actively manages the risks involved in the Company's asset management.

The Risk Management Department is responsible for establishing and implementing risk management policies and monitoring the Company's risks. It is an independent department that reports to management both regularly and on an ad-hoc basis. Additionally, the Company objectively analyzes market risks using the Kamakura Risk Manager (KRM) module, and uses a proprietary Enterprise Risk Manager (ERM) program to calculate a variety of risk indicators. In light of the increasing emphasis on operational risk, a special department was designated for the effective management and control of operational risk. In addition, the Company runs a simulation team, expanding its professional risk management to deal with high-risk OTC derivatives with a separate risk management process.

The Company has established a procedural checklist of internal controls for each department and engages in a variety of training programs and seminars on risk management with a focus on the coming introduction of Basel II. Furthermore, the Company will apply two of the three methods recommended by BIS (Bank for International Settlements), namely the Standardized Approach (SA) and the Internal Measurement Approach (IMA), to quantify and assess the Company's operational risk. With deregulation enabling securities companies to broaden their business scope into credit derivatives, the Company is searching for the most effective and efficient systems and methods to build a proper risk management system. It also plans to establish a credit risk management system to objectively assess and manage the risks involved in the management of credit derivatives.

Capital Adequacy Ratio

As of March 31 2005, net working capital amounted to KRW962.0 billion and risk-weighted assets recorded KRW209.1 billion. Accordingly, the capital adequacy ratio posted 460.1%, a 25.4%p decrease from 577.0% recorded at the end of FY2003.

“Inspiring a better present,
Our eyes invigorated by the scene
Becoming the ideal partner.”

Daewoo Securities is creating possibilities.





Report of Independent Auditors

SAMIL PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS 

Samil PricewaterhouseCoopers
Kukje Center Building, 191 Hankangro 2ga, Yongsanku
Seoul 140-702, KOREA (Yongsan P.O. Box 266, 140-600)

To the Board of Directors and Shareholders of
Daewoo Securities Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of Daewoo Securities Co., Ltd. (the "Company") as of March 31, 2005 and 2004, and the related non-consolidated statements of operations, appropriations of retained earnings 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 accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Daewoo Securities Co., Ltd. as of March 31, 2005 and 2004, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Report of Independent Auditors

Without qualifying our opinion, we draw your attention to the following matters.

As discussed in Note 22 to the non-consolidated financial statements, as of March 31, 2005, the Company has appealed the decision of a lower court on a case filed by 13 financial institutions regarding their demand that the Company redeem beneficiary certificates amounting to ₩600,799 million at their carrying value, which the Company rejected but instead offered to redeem the certificates at their fair value. These certificates' value declined, causing the fair value to be lower than its carrying value. The Company argued that according to the Investment Trust Act, it is the customer who should bear any loss from these certificates. During the year ended March 31, 2004, the Company recognized losses of ₩131,537 million, recorded as non-operating expenses, based on a lower court's decision ordering the Company to redeem the certificates at their carrying value. Although the Company has appealed this decision, a provision for losses from this case amounting to ₩6,547 million was recorded during the year ended March 31, 2005. As the ultimate outcome of this appeal cannot yet be presently determined, no adjustment has been made to the non-consolidated financial statements.

As discussed in Note 4 to the non-consolidated financial statements, after the Daewoo Group bankruptcy in 1999, the Company repurchased beneficiary certificates related to Daewoo Group's bonds from customers, which amounted to ₩197,074 million as of March 31, 2005. For the valuation of the beneficiary certificates, the Company uses the prices which are announced by the investment trust management companies. Further, in consideration of the recoverable value of commercial papers issued by Seoul Guarantee Insurance Company as a refund of Daewoo bonds, the Company recognized a write-down of the carrying amounts of the beneficiary certificates as of the balance sheet date. In this regard, the Company classified those beneficiary certificates as current assets in accordance with the Financial Accounting Standards of the Republic of Korea, as the management of the Company believes that since the beneficiary certificates were evaluated down to their fair value, these would easily be convertible to cash.

However, the actual amount and timing of the recovery of those beneficiary certificates may have been affected by the unstable economic conditions in Korea and the normalization of companies formerly referred to as the Daewoo Business Group. As of the date of this report, the ultimate effect on the financial statements of these uncertainties cannot presently be determined. Accordingly, no adjustment has been made in the accompanying non-consolidated financial statements related to such uncertainties.

As discussed in Note 30 to the non-consolidated financial statements, the Company provides its services to and purchases certain materials from affiliated companies. For the years ended March 31, 2005 and 2004, the Company's operating revenue from affiliated companies amounted to ₩6,288 million and ₩5,573 million and the Company's operating expenses from affiliated companies amounted to ₩17,270 million and ₩14,253 million, respectively. Related receivables amounted to ₩82,743 million and ₩128,013 million and related payables amounted to ₩407,897 million and ₩203,714 million, as of March 31, 2005 and 2004, respectively.

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

Seoul, Korea, April 22, 2005

The image shows a handwritten signature in black ink that reads "Samil PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

This report is effective as of April 22, 2005, 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 non-consolidated 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.

“Walking side by side,
Our arms wide open and accepting
Seeing the future today.”

Daewoo Securities is connecting to the world.



Non-Consolidated Balance Sheets | March 31, 2005 and 2004

	in millions of Korean won	
	2005	2004
ASSETS		
Current assets :		
Cash and bank deposits (Notes 3 and 9)	₩ 136,155	₩ 156,457
Deposits (Note 3)	1,095,655	1,048,025
Short-term investment securities (Notes 4 and 9)	2,028,699	1,655,823
Structured securities (Note 5)	572,117	49,351
Options purchased (Note 8)	-	40
Loans receivable, net (Notes 6 and 13)	146,736	174,233
Other current assets, net (Notes 7, 8, 9 and 13)	177,843	106,678
Total current assets	4,157,205	3,190,607
Long-term investment securities (Notes 9, 10 and 14)	505,102	449,266
Long-term deposits (Notes 3 and 9)	79	147
Long-term loans receivable, net (Notes 11 and 13)	12,722	18,176
Guarantee deposits (Note 9)	89,350	91,615
Other investments	6,592	6,193
Troubled loans receivable, net (Notes 9, 12, 13 and 14)	9,006	18,873
Collective fund for default loss (Note 3)	12,729	12,146
Property, plant and equipment, net of accumulated depreciation (Note 15)	249,434	262,653
Intangible assets, net (Note 16)	6,072	7,827
Total assets	₩ 5,048,291	₩ 4,057,503

(continued)

Non-Consolidated Balance Sheets | March 31, 2005 and 2004

	in millions of Korean won	
	2005	2004
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Note 17)	₩ 20,000	₩ 20,000
Bonds sold under resale agreements	1,036,486	717,663
Deposits from customers (Note 18)	1,144,951	1,012,964
Securities sold	3,755	3,453
Structured securities sold (Note 5)	868,683	228,160
Accrued expenses (Note 9)	29,646	36,617
Guarantee deposits received	6,096	7,557
Current portion of long-term debts (Note 19)	200,000	449,947
Derivative instruments liabilities (Note 8)	148	1,965
Others (Note 9)	208,147	101,820
Total current liabilities	3,517,912	2,580,146
Debentures, net of discount on debentures issued (Note 19)	1,000	-
Subordinated debentures, net of discount on debentures issued (Note 19)	200,000	200,000
Allowance for guarantees (Note 20)	-	62
Reserve for severance and retirement benefits (Note 21)	35,946	32,365
Total liabilities	3,754,858	2,812,573
Commitments and contingencies (Note 22)		
Shareholders' equity		
Capital stock, par value per share: ₩5,000, Authorized: 600,000,000 shares, Issued and outstanding (Note 23):		
Common stock: 190,100,891 shares	950,504	950,505
Preferred stock: 14,075,750 shares	70,379	70,379
Capital surplus (Note 23)	250,724	250,724
Retained earnings (Note 24)	49,614	198,093
Capital adjustments (Note 26)	(27,788)	(224,771)
Total shareholders' equity	1,293,433	1,244,930
Total liabilities and shareholders' equity	₩ 5,048,291	₩ 4,057,503

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

Non-Consolidated Statements of Operations | Years Ended March 31, 2005 and 2004

	in millions of Korean won	
	2005	2004
Operating revenue (Note 30)		
Commissions received	₩ 291,251	₩ 323,441
Interest income	118,464	82,142
Dividends income	2,470	3,303
Distribution income	35,392	9,781
Gain on sales of marketable securities	69,381	92,368
Gain on valuation of trading securities	7,918	86,965
Gain on structured securities transactions	24,769	11,811
Gain on valuation of securities sold	198	33
Gain on structured securities sold transactions	62,292	7,193
Gain on valuation of reserves for claim of customers' deposit-trust	40,652	47,018
Gain on derivatives transactions	171,040	116,112
Other operating income	62	1,945
	823,889	782,112
Operating expenses (Note 30)		
Commission expense	28,774	29,354
Interest expenses	89,609	89,642
Loss on sales of trading securities	67,804	34,657
Loss on valuation of marketable securities	25,745	6,799
Loss on structured securities transaction	38,259	4,450
Loss on valuation of trading securities sold	437	814
Loss on structured securities transaction sold	30,358	21,727
Loss on derivatives transactions	171,672	116,223
Selling and administrative expenses (Note 32)	282,288	318,204
Others	106	-
	735,052	621,870
Operating income	88,837	160,242
Other income (expenses)		
Rental income	7,872	7,872
Gain on equity method valuation, net (Note 10)	3,892	6,049
Gain on disposal of equity method securities, net	2,848	-
Loss on foreign currency transactions, net	(2,001)	(3,156)
Loss on foreign exchange translation, net	(1,173)	(1,867)
Loss on impairment of investment securities (Note 10)	(210,572)	(1,138)
Loss on disposal of property, plant and equipment, net	2,998	1,354
Loss on disposal of investment securities, net (Note 10)	(4,517)	(7,578)
Gain on recovery of receivables written-off	2,734	3,007
Donations	(92)	(77)
Loss on contingency provision (Note 22)	(40,492)	(85,937)
Others, net	725	54,076
	(237,778)	(27,395)
Ordinary income (loss)	(148,941)	132,847
Extraordinary loss	-	332
Net income (loss)	₩ (148,941)	₩ 132,515
Per share data (in Korean won) (Note 28)		
Basic ordinary income (loss) per share	₩ (783)	₩ 699
Basic earnings (loss) per share	(783)	697

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

Non-Consolidated Statements of Appropriations of Retained Earnings | Years Ended March 31, 2005 and 2004

(Dates of Appropriations: May 27, 2005 and June 11, 2004 for the years ended March 31, 2005 and 2004, respectively)

	in millions of Korean won	
	2005	2004
Retained earnings before appropriations		
Unappropriated retained earnings carried over from the prior year	₩ 194,093	₩ 43,663
Effect of valuation of equity method investments (Note 10)	461	149
Net income (loss)	(148,941)	132,515
	45,613	176,327
Transfers from voluntary reserves		
Transfer from reserve for losses on securities transactions	-	17,766
Appropriations of retained earnings		
Reserve for losses on securities transactions	0	0
Unappropriated retained earnings carried forward to the subsequent year	₩ 45,613	₩ 194,093

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

Non-Consolidated Statements of Cash Flows | Years Ended March 31, 2005 and 2004

	in millions of Korean won	
	2005	2004
Cash flows from operating activities		
Net income (loss)	₩ (148,941)	₩ 132,515
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Provision for severance and retirement benefits	13,330	12,675
Depreciation	12,738	26,366
Provision for doubtful accounts	8,235	20,872
Loss from trading securities valuation	25,745	6,799
Loss on disposal of investment securities, net	4,517	7,578
Loss on impairment of investment securities	210,572	1,138
Loss on foreign exchange translation, net	1,174	996
Gain on disposal of equity method securities, net	(2,848)	-
Gain on trading securities valuation	(7,918)	(86,965)
Gain on equity method valuation, net	(3,892)	(6,049)
Amortization of present value discounts	(2,049)	(5,853)
Loss on contingency provision	40,527	2,800
Gain on valuation of reserve for claims of customers' trust deposits	(40,652)	(47,018)
Others	(19,489)	539
	239,990	(66,122)
Changes in operating assets and liabilities		
Decrease (increase) in deposits with Korea Securities Finance Corporation	(6,977)	177,460
Increase in trading securities	(464,461)	(753,337)
Decrease (increase) in accounts receivable	(39,604)	2,352
Increase in accrued income	(7,602)	(7,852)
Increase in prepaid income tax	(6,431)	(2,539)
Decrease in troubled loans	10,080	13,302
Increase in bonds sold under resale agreements	318,822	628,419
Increase (decrease) in deposits from customers	131,988	(253,043)
Increase in structured securities sold	676,101	207,467
Increase (decrease) in accrued expenses	(6,978)	11,675
Payments of severance and retirement benefits	(9,814)	(3,701)
Others	(498,952)	3,278
	96,172	23,481
Net cash provided by operating activities	187,221	89,874

(continued)

Non-Consolidated Statements of Cash Flows | Years Ended March 31, 2005 and 2004

	in millions of Korean won	
	2005	2004
Cash flows from investing activities		
Proceeds from (payment for) call loans, net	98,300	(116,500)
Payment for brokers' loans, net	(70,987)	(37,962)
Disposal of investment securities	8,865	67,170
Proceeds from long-term deposits	6	53
Proceeds from long-term loans	6,688	8,222
Disposal of property, plant and equipment	11,923	14,115
Acquisition of investment securities	(3,088)	(3,950)
Payment for long-term loans	(1,207)	(1,826)
Payment for guarantee deposits	(10,509)	(11,710)
Acquisition of property, plant and equipment	(8,444)	(5,437)
Others	9,929	10,362
Net cash provided by (used in) investing activities	41,476	(77,463)
Cash flows from financing activities		
Decrease in call money, net	-	(45,000)
Decrease in short-term borrowings, net	-	(58,000)
Issuance of subordinated debentures	201,000	200,000
Repayment of subordinated current portion of long-term debts	(450,000)	(201,679)
Net cash used in financing activities	(249,000)	(104,679)
Decrease in cash and cash equivalents	(20,303)	(92,268)
Cash and cash equivalents		
Beginning of the year	156,457	248,725
End of the year	₩ 136,154	₩ 156,457

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

Notes to Non-Consolidate Financial Statements

1. The Company

Daewoo Securities Co., Ltd. (the "Company") was originally incorporated in September 1970 under the name of Dong Yang Securities Co., Ltd. The Company was organized pursuant to the laws of the Republic of Korea to engage in securities trading. In September 1975, the Company's shares were listed on the Korea Stock Exchange, and its outstanding capital stock as of March 31, 2005 amounted to ₩1,020,883 million (Note 23). The Company changed its name to Daewoo Securities Co., Ltd. and merged with Sambo Securities Co., Ltd. on December 19, 1983, and has 116 branches as of March 31, 2005.

Pursuant to the resolution of the Board of Directors in 2000, Korea Development Bank became the major shareholder of the Company by acquiring all the unsubscribed shares of common stock.

As of March 31, 2005, the Company's major shareholders are as follows:

	Number of shares	Percentage of ownership [%]
Korea Development Bank	74,309,252	39.09
Hermes Pensions	3,412,900	1.80
BBH-GMO EMG MKT FD	2,623,200	1.38
The Capital Guardian EMP	2,105,080	1.11
Employees	1,261,519	0.66
Others	106,388,940	55.96
	190,100,891	100.00

Under its Articles of Incorporation, the Company is authorized to issue nonvoting preferred stock up to 50% of its issued common stock (Note 23).

Under its Articles of Incorporation, the Company is authorized to issue convertible debentures and debentures with stock purchase options up to ₩1,200,000 million each. Starting from the date of incorporation up to March 31, 2005, convertible debentures amounting to ₩150,000 million and subordinated convertible debentures amounting to ₩250,000 million have been issued. Convertible debentures amounting to ₩141,460 million have been converted into common stock, and convertible debentures amounting to ₩8,540 million have been redeemed. In addition, subordinated convertible debentures amounting to ₩250,000 million have been converted into common stock.

Under its Articles of Incorporation, the Company is also authorized to grant stock options to the Company's employees and directors up to 15% of issued common stock. As of March 31, 2005, the number of granted stock options is 293,000 shares (Note 25).

According to the Supervisory Regulation on Securities Companies prescribed by the Korean Securities and Exchange Law, the Company is restricted to own securities issued by related parties, as well as in providing surety obligations or loans to related parties. The Company has not violated these regulations as of March 31, 2005.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below:

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. 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 non-consolidated financial statements are for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, or cash flows, is not presented in the accompanying non-consolidated financial statements.

Accounting Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 2 through No. 9 became applicable to the Company on April 1, 2003, the Company adopted these Standards in its financial statements covering periods beginning on or after this date. And as SKFAS Nos. 10, 12 and 13 became applicable to the Company on April 1, 2004, the Company adopted these Standards in its financial statements as of and for the year ended March 31, 2005.

Investment Securities

The cost of trading securities is determined by the moving-average method, and available-for-sale securities sold are stated at market value. If the cost of trading securities and market value of available-for-sale securities are different from the fair value, these are carried at fair value. The amount of the difference is recognized as valuation gains or losses in current operations.

Trading securities, other than bonds and beneficiary certificates, are recorded at the closing price indicated by the relevant stock markets on the balance sheet date. If no closing price exists at the balance sheet date, the most recently available closing price is applied. Bonds are stated at fair value determined using the basic earnings rate published by bond pricing institutions, including the Korea Securities Dealers Association. Beneficiary certificates are stated at net realizable value considering the price published by investment trust management companies.

Derivatives

The Company records assets and liabilities related to derivatives in the accompanying balance sheets at market value. Resulting net valuation gains or losses are included in operating revenues or expenses.

Stock index (interest rate) futures are recorded as assets and liabilities in the balance sheets. Losses or gains on the sale or settlement of stock index (interest rate) futures are recorded as operating expenses or revenue.

As of the beginning of the derivative contract, stock index options are stated at their long position or short position value. Losses or gains on the sale of stock index options or valuation of stock index options are recorded as operating expenses or revenue, respectively.

Equity Linked Securities

Equity linked securities are recorded as assets at the issuance price, and equity linked securities sold are recorded as a liability at the purchase price. Gains or losses upon redemption are recorded as a gain or loss on the redemption, and the difference with the estimated value and the book value at the balance sheet date is recorded as a gain or loss on valuation.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on the estimated recoverable amount of the accounts. However, if an allowance for doubtful accounts provided pursuant to supervisory regulations enacted by the Korean Financial Supervisory Commission is more than the estimated recoverable amount of the accounts, the Company recognizes the provision computed based on the supervisory regulations.

In accordance with the supervisory regulations provided by the Korean Financial Supervisory Commission, the Company classifies accounts receivable including loans into the following five categories (Note 13).

Classification	Ratio of allowance for bad debts
Current	over 0.5%
Special mention	over 2%
Substandard	over 20%
Doubtful	over 75%
Loss	100%

Valuation of Assets and Liabilities at Present Value

Pursuant to the Supervisory Regulations for Security Companies provided by the Korean Financial Supervisory Commission, if the difference between the nominal value and present value, as discounted at an appropriate interest rate, is material, troubled loans restructured unfavorably under workout plans or other similar restructuring agreements are recorded at their present value. Discounts are amortized using the effective interest rate method and recognized as interest income over the term of the related accounts. Up to the prior fiscal year, the Company presented the difference between the nominal value and present value as present value discount, and amortized the difference using the effective interest rate method. Effective April 1, 2004, the Company reclassified the said difference under the allowance for doubtful accounts to conform with the new requirements of SKFAS No.13.

Investment Securities

The acquisition cost of available-for-sale securities are reported using the moving-average method, and are stated at the fair value of every year end. Securities that are not publicly traded and which the fair value cannot be reasonably measured are recorded at acquisition cost. If the investee's net book value declines and is not expected to recover, the acquisition cost is adjusted to recoverable amount, and the difference between the original acquisition cost and the recoverable amount is charged to current operations as impairment loss of available-for-sale securities .

Debt securities that do not have a market price are recorded at the discounted future cash flow, which is measured by a reasonable valuation model.

Unrealized holding gains and losses on available-for-sale investments are charged to capital adjustments. The accumulated gains and losses shall be realized when the relevant securities are disposed of or impaired.

Investments in equity securities of companies over which the Company exercises a significant control or influence are recorded using the equity method of accounting. Differences between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee are amortized over a period up to five years using the straight-line method. Under the equity method, the Company records changes in its proportionate ownership in the net 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 book value of the investee.

The Company discontinues the equity method of accounting for investments in equity method investees when the Company's share in the accumulated losses of the investees equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the investees equal its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Unrealized profit arising from sales by the Company to equity method investees is fully eliminated. Unrealized profit arising from sales by the equity method investees to the Company or sales between equity method investees is also eliminated considering the percentage of ownership.

Foreign currency financial statements of equity method investees are translated into Korean won using the exchange rates in effect as of the balance sheet date for assets and liabilities, and the annual average exchange rates for income and expenses. Any resulting translation gain or loss is included in the capital adjustments account, a component of shareholders' equity.

For most of investments in affiliates, the equity method of accounting is applied based on the most recent available unaudited financial statements of affiliates since audit procedure for affiliates were not yet completed as of the date of this audit report. In this respect, the Company reviewed these unaudited financial statements that significant transactions or accounting events were duly included and assessed in order to verify the reliability of the financial statements. Accordingly, management of the Company believes that the effect of using the unaudited financial statements is adequate for the purpose of accounting these subsidiaries and affiliates based on equity method. If any differences were found subsequently in the audited financial statements of subsidiaries and affiliates, the management of the Company would not expect any material effect on the Company's financial statements.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment on property, plant and equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as described below:

	Estimated useful lives
Buildings	40 years
Vehicles	4 years
Furniture and equipment	4 years

Routine maintenance and repairs are charged to current operations as incurred. Betterments and renewals, enhancing the value of the assets over their recently appraised value, are capitalized.

The Company assesses the potential impairment of property, plant and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets would be recorded in current operations up to the cost of the assets, net of accumulated depreciation before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

Intangible Assets

Intangible assets are stated at cost, including incidental expenses, net of accumulated amortization. Amortization is computed using the straight-line method over the following estimated useful lives:

	Estimated useful lives
Development costs	4 years
Software	4 years
Others	5 years

An impairment loss on intangible assets is recognized when the book value of the assets exceeds the recoverable value of the assets due to obsolescence and a sharp decline in market value.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the exchange rate in effect at the balance sheet date (₩1,024.3: US\$1 as of March 31, 2005; ₩1,153.6: US\$1 as of March 31, 2004). Resulting exchange gains or losses are recognized in current operations (Note 9).

Bonds Sold under Repurchase Agreements

Under the repurchase agreements, the Company recorded bonds sold under repurchase agreements at the amount of bonds sold, and such bonds are included in current liabilities. In addition, the Company recorded the difference between the repurchase price and the price of the bonds sold as interest from bonds sold under repurchase agreements.

Meanwhile, under the resale agreements, the bonds purchased under resale agreements are stated at acquisition cost and are included in current assets. The Company recorded the difference between the bonds' resale price and their acquisition cost as interest from bonds purchased under resale agreements.

Securities Sold

When the securities borrowed from the Korea Securities Depository and disclosed in the notes to the non-consolidated balance sheets are sold, the Company records the securities sold as liabilities. When the Company repurchases the securities sold for the discharge to the Korea Securities Depository, the difference between the selling price and the repurchase cost of the securities sold is recognized as short-term gains or losses on disposal of securities. The securities borrowed which are not repurchased are stated at fair market value at the balance sheet date and valuation gains or losses are reported in current operations.

Other short sales of securities not through the Korea Securities Depository are recorded in the same method as the securities borrowed from the Korea Securities Depository.

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 with the Company as of the balance sheet date.

The Company has made deposits to the National Pension Fund in accordance with the National Pension Funds Law. The use of the deposit is restricted to the payment of severance benefits. Accordingly, accrued severance benefits in the accompanying balance sheet are presented net of this deposit (Note 21).

Income Taxes

The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial reporting and income tax purposes. Deferred tax assets and liabilities are computed on such temporary differences by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Deferred tax assets are recognized when it is almost certain that such deferred tax assets will be realized. The total income tax provision includes the current tax expense under applicable tax regulations and the change in the balance of deferred tax assets and liabilities during the year.

Stock Options

Compensation costs for stock options granted to employees and directors are recognized on the basis of fair value. Under the fair value basis method, compensation costs for stock option plans are determined using the option-pricing model, and the Company recognizes an equal amount of compensation expense over the vesting period. During the year ended March 31, 2004, the Company applies the method of compensating the amount of the difference between the exercise price and the stock price at the exercise date in providing compensation from stock options granted to its employees and directors. Accordingly, the Company changed its method of estimating the compensation costs from the fair value basis method to the intrinsic value basis method. As the difference in compensation costs due to this change was treated prospectively, stock options amounting to ₩1,764 million in the capital adjustments account as of March 31, 2003, was fully reversed and recognized as a non-operating income for the year ended March 31, 2004 (Note 25).

3. Restricted Cash and Deposits

Restricted cash and deposits as of March 31, 2005 and 2004, consist of the following:

	(in millions of Korean won)	
	2005	2004
Reserve for claims of customers' deposits	₩ -	₩ 700
Reserve for claims of customers' trust deposits	1,091,508	1,046,570
Deposits for futures and options	4,147	755
Long-term deposits	79	148
Collective fund for default loss	12,729	12,146
	₩ 1,108,463	₩ 1,060,319

According to the Regulation on Securities Industry prescribed by the Korean Securities and Exchange Law, the Company is required to deposit with the Korean Securities Finance Corporation (KSFC) and other banks the amount of deposits from customers for the customers' claims.

Long-term deposits are subject to withdrawal restrictions for opening checking accounts under the Investment Advisor Act.

Pursuant to the Korean Securities and Exchange Law, a collective fund for default loss is funded for compensating the loss resulting from breaching the regulations covering securities listed on the stock exchange.

4. Short-Term Investment Securities

Short-term investment securities as of March 31, 2005 and 2004, consist of the following:

	(in millions of Korean won)	
	2005	2004
Stock	₩ 121,456	₩ 75,804
Government and public bonds	1,395,992	882,883
Corporate bonds	270,218	237,444
Unsold beneficiary certificates	197,074	418,977
Other beneficiary certificates	25,788	24,595
Negotiable commercial papers	16,120	16,120
Securities in foreign currency	2,050	-
	₩ 2,028,698	₩ 1,655,823

As of March 31, 2004, certain government and public bonds, and corporate bonds amounting to ₩1,052,848 million (2003: ₩719,769 million) are classified as bonds sold under repurchase.

As of March 31, 2004, certain government and public bonds, and corporate bonds amounting to ₩72,050 million (2003: ₩44,212 million) are pledged as collaterals for futures and options trading with Korea Exchange Co. and others. Bonds with a market value of ₩63,803 and a substitution value of ₩60,536 million are pledged as collateral to Hana Bank and others to guarantee daily borrowing transactions. Stocks and bonds with a market value of ₩30,757 million and a substitution value of ₩24,873 million are pledged with the Korea Securities Depository to guarantee securities borrowing transactions.

Notes to Non-Consolidate Financial Statements

After the Daewoo Group bankruptcy in 1999, the Company repurchased beneficiary certificates related to Daewoo Group's bonds from customers which have not been terminated by the investment trust management companies and which amounted to ₩197,074 million as of March 31, 2005. For the valuation of the beneficiary certificates, the Company uses the prices announced by the investment trust management companies. However, the Company recognized a write-down of these beneficiary certificates by ₩336 million due to the negotiable commercial papers and bonds issued by Seoul Guarantee Insurance Co., Ltd. and others. In this regard, the Company classified those beneficiary certificates as current assets in accordance with the Financial Accounting Standards of the Republic of Korea, as the management of the Company believes that since the beneficiary certificates were evaluated down to their fair value, these would easily be convertible to cash.

Trading securities as of March 31, 2005, include corporate bonds amounting to ₩271,920 million issued by local credit card and capital companies, which are experiencing difficulties in their operations. Accordingly, those bonds are also difficult to trade in the market. Among these securities the Company owns corporate bonds issued by LG Card Co., Ltd. amounting to ₩25,750 million in its face amount. However, these bonds except those that are recorded at fair value, are classified as below substandard. A loss on valuation amounting to ₩4,763 million, 20% of the bonds, has been charged to operations in the accompanying non-consolidated financial statements for the year ended March 31, 2005. The ultimate effect of this matter cannot presently be determined. Accordingly, these non-consolidated financial statements do not contain any adjustments in consideration of this uncertainty regarding these bonds.

5. Structured Securities and Structured Securities Sold

The Company uses the long and short position for over-the-counter stock index option as a hedge for equity-linked securities (ELS), and recognized these as warrant securities.

Structured securities and structured securities sold as of March 31, 2005 and 2004, consist of the following:

	(in millions of Korean won)	
	2005	2004
Structured securities		
Warrant securities	₩ 16,708	₩ 11,295
ELS	555,409	38,056
	₩ 572,117	₩ 49,351
Structured securities sold		
Warrant securities sold	₩ 29,999	₩ 10,444
ELS sold	838,683	217,716
	₩ 868,682	₩ 228,160

6. Loans Receivable

The Company's loans receivable as of March 31, 2005 and 2004, consist of the following:

	(in millions of Korean won)		
	2005		
	Gross amount	Allowance for doubtful accounts	Carrying value
Call loans	₩ 18,200	₩ -	₩ 18,200
Brokers' loans	128,986	645	128,341
Short-term loans receivable	8	1	7
Other loans receivable	378	188	190
	₩ 147,572	₩ 834	₩ 146,738

	(in millions of Korean won)		
	2004		
	Gross amount	Allowance for doubtful accounts	Carrying value
Call loans	₩ 116,500	₩ -	₩ 116,500
Brokers' loans	57,999	290	57,709
Short-term loans receivable	28	4	24
	₩ 174,527	₩ 294	₩ 174,233

7. Other current assets

The Company's other current assets as of March 31, 2005 and 2004, consist of the following:

	(in millions of Korean won)		
	2005		
	Gross amount	Allowance for doubtful accounts	Carrying value
Receivables	₩ 87,145	₩ 17,355	₩ 69,790
Accrued income	28,957	4,087	24,870
Advance payments	12,341	-	12,341
Prepaid expenses	5,168	-	5,168
Prepaid income tax	12,701	-	12,701
Derivatives instruments assets	152	-	152
Others	53,335	514	52,821
	₩ 199,799	₩ 21,956	₩ 177,843

	(in millions of Korean won)		
	2004		
	Gross amount	Allowance for doubtful accounts	Carrying value
Receivables	₩ 45,964	₩ 9,251	₩ 36,713
Accrued income	21,379	1,310	20,069
Advance payments	31,254	-	31,254
Prepaid expenses	5,146	-	5,146
Prepaid income tax	6,269	-	6,269
Derivatives instruments assets	2,431	-	2,431
Others	5,405	609	4,796
	₩ 117,848	₩ 11,170	₩ 106,678

8. Derivatives

Derivatives as of March 31, 2005 and 2004, consist of the following:

	(in millions of Korean won)				
	2005				
	Contract amount outstanding	Aggregate gain on valuation	Aggregate loss on Valuation	Valuation amount	Purpose
Stock index futures (Long position)	₩ 1,820	₩ -	₩ -	₩ 1,820	Trading
Stock index option (Short position)	15	(4)	-	11	Trading
Interest rate futures (Short position)	193,000	-	642	193,642	Trading
Currency forward (Long position)	15,814	108	(35)	15,887	Hedging
Currency forward (Short position)	15,814	(35)	108	15,887	Hedging
	1,831	(10)	5	1,826	Trading

Notes to Non-Consolidate Financial Statements

The currency forward is agreed with Korea Development Bank as a hedge for the interest and repayments at maturity of customers' offshore bonds.

	(in millions of Korean won)				
	2004			Valuation amount	Purpose
	Contract amount outstanding	Aggregate gain on valuation	Aggregate loss on Valuation		
Stock index futures (Short position)	₩ 57,142	₩ -	₩ 361	₩ 57,503	Trading
Stock index futures (Long position)	117	-	(77)	40	Trading
Stock index option (Short position)	4,179	(1,288)	264	3,155	Trading
Interest rate futures (Short position)	147,180	-	262	147,442	Trading
Currency forward (Long position)	69,092	10	(1,965)	67,137	Hedging
Currency forward (Short position)	86,250	(2,421)	-	83,829	Hedging

The Company has pledged trading securities amounting to ₩80,344 million (2004: ₩57,888 million) on a substitution price basis as collateral for futures and options trading to Korea Exchange Co. as of March 31, 2005.

9. Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of March 31, 2005 and 2004 comprise the following:

	(in millions of Korean won, in thousands of U.S. dollars)					
	2005			2004		
	US\$	₩		US\$	₩	
Assets						
Bank deposits	US\$ 197	₩ 202		US\$ 17,043	₩ 19,661	
Long-term deposits	38	39		88	102	
Guarantee deposits	-	-		8	9	
Accounts receivable	-	-		159	183	
Short-term investment securities	2,003	2,050		-	-	
Long-term investment securities	1,588	1,480		-	-	
Other non-current assets	-	-		9,285	10,712	
Accrued income	1,512	1,549		-	-	
	US\$ 5,338	₩ 5,320		US\$ 26,583	₩ 30,667	
Liabilities						
Accounts payable	US\$ -	₩ -		US\$ 2,536	₩ 2,925	
Accrued expenses	440	451		-	-	
	US\$ 440	₩ 451		US\$ 2,536	₩ 2,925	

The above assets and liabilities are composed of multiple currencies and converted into U.S. dollars using the exchange rates in effect as of March 31, 2005 and 2004.

10. Long-Term Investment Securities

Long-term investment securities as of March 31, 2005 and 2004, consist of the following:

Available for sales	Percentage of Ownership(%) March 31, 2005	(in millions of Korean won)			
		2005		2004	
		Acquisition cost	Fair value	Book value	Book value
Non-marketable equity securities					
Daewoo Capital CRV Co., Ltd. ¹	23.97%	₩ 60,498	₩ 60,897	₩ 60,498	₩ 60,498
Korea Securities Finance Corp.	4.05%	13,788	20,585	13,788	13,788
Korea ECN Securities Co., Ltd. ²	3.13%	800	369	385	800
Yuongheung Iron and Steel Co., Ltd. ²	2.18%	3,605	910	642	3,338
Korea Securities Depository	2.31%	1,217	7,828	1,217	1,217
Korea Securities Computer Corp.	4.07%	1,097	5,172	1,097	1,097
Korea Exchange	3.23%	2,344	38,947	2,344	-
Others ²	-	40,805	3,145	2,792	2,590
		124,154	137,853	82,763	83,328
Marketable equity Securities					
Hanaro Telecom Inc. ^{2,3}	2.60%	243,352	34,380	34,380	39,480
Keangnam Enterprises Co., Ltd. ²	-	-	-	-	82
KP Chemical Co., Ltd. ²	-	-	-	-	4,051
Cell Biotech Co., Ltd.	0.15%	126	64	64	140
Hanchang Co., Ltd.	-	-	-	-	124
Hynix Semiconductor. Inc	1.3	73,611	75,447	75,447	-
		317,089	109,891	109,891	43,877
Investments in partnerships ⁴					
Korea Stock Exchange	-	-	-	-	1,784
Stock Market Stabilization Fund	13.97%	-	12,870	12,870	11,982
MIC2003-2 Investment Union No.13	0.64%	500	500	500	350
Shinbo Investment No.5	-	-	-	-	500
Others	-	1	1	1	-
		501	13,371	13,371	14,616
Bonds					
		208,841	208,203	208,203	204,586
Other investments					
		-	-	-	2,570
		₩ 650,585	₩ 469,318	₩ 414,228	₩ 348,977

Securities in Affiliated companies	Percentage of Ownership(%) March 31, 2005	(in millions of Korean won)			
		2005		2004	
		Acquisition cost	Fair value	Book value	Book value
KDB Asset Management Co., Ltd (formerly Seoul Investment Trust Co., Ltd.)					
	29.24%	₩ 17,350	₩ 15,638	₩ 15,638	₩ 23,229
Daewoo Securities (Europe) Ltd.	100.00%	18,628	21,174	21,174	23,423
Daewoo Securities (America) Inc.	100.00%	9,621	11,166	11,166	12,977
Daewoo Securities (Hong Kong) Ltd.	100.00%	7,775	14,245	14,245	16,396
Uz Daewoo Bank	61.11%	4,747	6,457	6,457	7,285
Shanghai Woosang Investment Consulting Co., Ltd.					
	-	-	-	-	786
Optimal Access Inv.	100.00%	3,845	15,162	15,162	12,005
Delta Info-Comm Co., Ltd.	-	-	-	-	4,187
Daewoo Securities CRV No.1	33.33%	7,000	7,032	7,032	-
		₩ 68,966	₩ 90,874	₩ 90,874	₩ 100,288

¹ Even though the Company can exercise significant influence over Daewoo Capital CRV Co., Ltd., this investee is not classified as an equity-method investee in accordance with the Interpretation Example on Korea Financial Accounting Standards 2002-5.

² Accumulated impairment loss as of March 31, 2005 and 2004, consist of the following:

Notes to Non-Consolidate Financial Statements

	Acquisition Cost	(in millions of Korean won)	
		Accumulated Amount of Impairment Loss	
		2005	2004
Hanaro Telecom Inc.	₩ 243,352	₩ 204,772	₩ -
Daehan Investment & Securities Co., Ltd.	21,659	21,659	21,659
Korea Investment & Securities Co., Ltd.	13,928	13,928	13,928
Yuongheung Iron and Steel Co., Ltd.	3,338	2,963	-
Daewoo Finance India	2,717	2,717	2,717
Prudential Investment & Securities Co., Ltd.	2,598	2,598	2,598
KP Chemical Co., Ltd.	3,574	1,406	-
Keangnam Enterprises Co., Ltd.	764	631	-
Shubur Corp.	518	518	518
Ameth	500	500	500
Tong Yang Orion Investment Securities Co, Ltd.	500	500	500
Koreacondo	498	498	498
Korea ECN Securities Co., Ltd.	800	415	-
Advanced Digital Technology Co., Ltd.	491	369	-
Others	1,017	1,033	1,017
	₩ 296,254	₩ 254,507	₩ 43,935

³ The shares of stock of Hanaro Telecom Inc. are provided to Korea Exchange and Korea Securities Depository as collateral for futures and option sales, and borrowed securities sales.

⁴ The Stock Market Stabilization Fund was valued at net asset value. However, investments in partnerships, except for The Stock Market Stabilization Fund, were valued at the acquisition value because their fair value could not be reasonably estimated.

In accordance with SKFAS No. 8, the corporate bonds were valued at their fair value. The information used in calculating the fair value are as follows:

	(in millions of Korean won)			
	Face amount	Discount rate	Date of maturity	Valued amount
Daewoo Capital CRV Private Placement Bonds (PPB)	₩ 206,723	5.13%	April 11, 2005	₩ 206,723
RBS-1 Bonds	278	5.02%	March 2014	210
RBS-2 Bonds	1,840	4.79%	May 2014	1,270

The maturity date of the above PPB is within a year. However, the PPB's half-annual rollover has been settled, and the PPB is recorded as investment securities.

Gain or loss on valuation of available for sales investments for the years ended March 31, 2005 and 2004, are as follows:

	(in millions of Korean won)			
	Gain on valuation of available for sale investments			
	Beginning Balance	Valuation	Gain or Loss	Ending Balance
Marketable equity securities	₩ -	₩ 1,837	₩ -	₩ 1,837
Investments in partnerships	11,982	888	-	12,870
	₩ 11,982	₩ 2,725	₩ -	₩ 14,707

	(in millions of Korean won)			
	Loss on valuation of available for sale investments			
	Beginning Balance	Valuation	Gain or Loss	Ending Balance
Marketable equity securities	₩ 211,807	₩ 4,256	₩ (211,801)	₩ 4,262
Corporate bonds	2,136	(1,989)	-	147
	₩ 213,943	₩ 2,267	₩ (211,801)	₩ 4,409

As of March 31, 2005 and 2004, the investment securities in affiliated companies valued using the equity method are as follows:

	(in millions of Korean won)						
	2005						
	Beginning balance	Acquisition	Valuation gain (loss)	Retained earnings	Capital adjustment	Dividends, Disposal, Capital reduction	Ending balance
KDB Asset Management Co., Ltd (formerly Seoul Investment Trust Co., Ltd.)	₩ 23,229	₩ -	₩ (1,380)	₩ -	₩ (6,212)	₩ -	₩ 15,638
Daewoo Securities (Europe) Ltd.	23,423	-	408	-	(2,657)	-	21,174
Daewoo Securities (America) Inc.	12,977	-	(386)	-	(1,425)	-	11,166
Daewoo Securities (Hong Kong) Ltd.	16,396	-	(333)	-	(1,818)	-	14,245
Uz Daewoo Bank	7,285	-	805	461	(1,519)	(576)	6,457
Shanghai Woosang Investment Consulting Co., Ltd.	786	-	(129)	-	171	(828)	-
Optimal Access Inv.	12,005	-	4,874	-	(1,717)	-	15,162
Delta Info-Comm. Co., Ltd.	4,187	-	-	-	(99)	(4,088)	-
Daewoo Securities CRV No.1	-	7,000	32	-	-	-	7,032
	₩ 100,288	₩ 7,000	₩ 3,891	₩ 461	₩ (15,276)	₩ (5,492)	₩ 90,874

	(in millions of Korean won)				
	2004				
	Beginning balance	Valuation gain (loss)	Retained earnings	Capital adjustment	Ending balance
KDB Asset Management Co., Ltd (formerly Seoul Investment Trust Co., Ltd.)	₩ 21,158	₩ 2,071	₩ (1)	₩ 1	₩ 23,229
Daewoo Securities (Europe) Ltd.	25,683	(229)	-	(2,031)	23,423
Daewoo Securities (America) Inc.	14,468	(354)	-	(1,137)	12,977
Daewoo Securities (Hong Kong) Ltd.	17,929	(129)	-	(1,404)	16,396
Uz Daewoo Bank	6,058	1,723	65	(561)	7,285
Shanghai Woosang Investment Consulting Co., Ltd.	1,138	(269)	-	(83)	786
Optimal Access Inv.	8,106	4,543	85	(729)	12,005
Delta Info-Comm. Co., Ltd.	5,452	(1,307)	-	42	4,187
	₩ 99,992	₩ 6,049	₩ 149	₩ (5,902)	₩ 100,288

For the six affiliates, the equity method of accounting is applied based on the most recent available unaudited financial statements of affiliates since audit procedure for affiliates were not yet completed as of the date of this audit report. In this regard, the Company ascertained that the significant transactions and accounting events were included in these unaudited financial statements, and that these statements are reliable. Accordingly, management of the Company believes that the effect of using the unaudited financial statements is adequate for the purpose of accounting these subsidiaries and affiliates using the equity method. If any differences were found subsequently in the audited financial statements of subsidiaries and affiliates, the management of the Company would not expect any material effect on the Company's financial statements.

Changes in valuation gain (loss) on the investment securities in affiliated companies recorded as capital adjustment as of March 31, 2005 and 2004, are as follows:

	(in millions of Korean won)			
	Beginning Balance	Increase	Decrease	Ending Balance
For the year ended March 31, 2005	₩ 10,161	₩ (15,348)	₩ (72)	₩ (5,115)
For the year ended March 31, 2004	₩ 16,063	₩ (5,902)	₩ -	₩ 10,161

Notes to Non-Consolidate Financial Statements

11. Long-Term Loans Receivable

Long-term loans receivable as of March 31, 2005 and 2004, consist of the following:

	(in millions of Korean won)		
	2005		
	Gross amount	Allowance for doubtful accounts	Carrying value
Long-term loans receivable	₩ 13,753	₩ 1,031	₩ 12,722

	(in millions of Korean won)		
	2004		
	Gross amount	Allowance for doubtful accounts	Carrying value
Long-term loans receivable	₩ 18,665	₩ 489	₩ 18,176

12. Troubled Loans

Troubled loans as of March 31, 2005 and 2004, consist of the following:

	(in millions of Korean won)		
	2005		
	Gross amount	Allowance for doubtful accounts	Carrying value
Advances for customers			
Advances for payment on bonds guarantee	₩ 111,206	₩ 103,484	₩ 7,722
Advances for payment on loss compensation	7,926	6,989	937
Advances for payment for others	8,786	8,486	300
Dishonored bonds	16,059	16,059	-
Dishonored bills receivable	122	120	2
Others	20,253	20,208	45
	₩ 164,352	₩ 155,346	₩ 9,006

	(in millions of Korean won)		
	2004		
	Gross amount	Allowance for doubtful accounts	Carrying value
Advances for customers			
Advances for payment on bonds guarantee	₩ 108,637	₩ 94,986	₩ 13,651
Advances for payment on loss compensation	6,676	5,419	1,257
Advances for payment for others	9,357	8,889	468
Dishonored bonds	16,511	16,511	-
Dishonored bills receivable	6	4	2
Others	56,721	53,226	3,495
	₩ 197,908	₩ 179,035	₩ 18,873

13. Allowances for Bad Debts

Pursuant to supervisory regulations provided by the Korean Financial Supervisory Commission, the Company classifies receivables, including loans to customers, into the following five categories, and provides an allowance for bad debts for each classification. The details as of March 31, 2005 and 2004, are as follows:

	(in millions of Korean won)					
	2005					
	Current	Special mention	Substandard	Doubtful	Loss	Total
Loans to customers	₩ 128,990	₩ -	₩ 3	₩ -	₩ 1	₩ 128,994
Accounts receivable from customers	70,076	-	-	257	16,812	87,145
Accrued income	24,996	-	-	-	3,961	28,957
Other loans	-	-	378	-	-	378
Advance payments	-	-	737	-	-	737
Long-term loans	12,787	-	-	-	966	13,753
Advances for customers	715	1,815	7,729	8,786	108,874	127,919
Dishonored bill receivable	-	6	-	-	116	122
Dishonored bonds	-	-	-	-	16,059	16,059
Others (investment assets)	-	-	-	-	20,208	20,208
	₩ 237,564	₩ 1,821	₩ 8,847	₩ 9,043	₩ 166,997	₩ 424,272

	(in millions of Korean won)					
	2004					
	Current	Special mention	Substandard	Doubtful	Loss	Total
Loans to customers	₩ 58,023	₩ -	₩ -	₩ -	₩ 4	₩ 58,027
Accounts receivable from customers	36,813	-	-	478	8,672	45,963
Accrued income	20,173	-	-	-	1,206	21,379
Advance payments	-	-	-	-	609	609
Long-term loans	18,267	-	-	-	398	18,665
Advances for customers	1,908	1,815	13,702	17,182	90,063	124,670
Troubled loans	-	-	6	-	16,511	16,517
Others (investment assets)	-	-	-	24,434	32,242	56,676
	₩ 135,184	₩ 1,815	₩ 13,708	₩ 42,094	₩ 149,705	₩ 342,506

The allowance for doubtful accounts and percentage to total receivables as of the end of the last three years are as follows:

Year end	(in millions of Korean won)		
	Receivable balances	Allowance for doubtful accounts ¹	Rates
March 31, 2003	₩ 652,087	₩ 228,221	35.00%
March 31, 2004	342,506	190,988	55.76%
March 31, 2005	424,272	179,167	42.23%

¹ The amount includes the present value discount account.

14. Present Value Discount Account

Pursuant to the Supervisory Regulations for Security Companies provided by the Korean Financial Supervisory Commission, if the difference between the nominal value and present value, as discounted at an appropriate interest rate, is material, troubled loans restructured unfavorably under workout plans or other similar restructuring agreements are recorded at their present value, with the difference between the nominal value and present value presented as an allowance account.

As of March 31, 2005 and 2004, troubled loans and investments, which were restructured by reorganization plans, approved by the court or agreed to by creditors, comprise the following:

	(in millions of Korean won)				
	2005				
	Period	Discount rate (%)	Nominal value	Present value	Difference
Troubled loans	January 1999 - December 2010	10.0~ 14.0	₩ 6,751	₩ 5,709	₩ 1,042

Notes to Non-Consolidate Financial Statements

(in millions of Korean won)					
2004					
	Period	Discount rate (%)	Nominal value	Present value	Difference
Troubled loans	January 1999 ~ December 2011	8.0 ~ 14.0	₩ 14,088	₩ 11,037	₩ 3,051
Long-term investments	December 2001 ~ September 2018	5.2	2,570	2,010	560
			₩ 16,658	₩ 13,047	₩ 3,611

15. Property, Plant and Equipment

As of March 31, 2005 and 2004, accumulated depreciation is distributed as follows:

(in millions of Korean won)			
2005			
			2004
Accumulated depreciation of buildings	₩	25,066	₩ 22,704
Accumulated depreciation of vehicles		24	48
Accumulated depreciation of furniture and equipment		132,668	137,050
	₩	157,758	₩ 159,802

Changes in property, plant and equipment for the years ended March 31, 2005 and 2004, are as follows:

(in millions of Korean won)					
2005					
	Beginning balance	Acquisition	Disposal	Depreciation	Ending balance
Land	₩ 128,627	₩ 2	₩ (4,524)	₩ -	₩ 124,105
Buildings	116,019	120	(4,312)	(3,399)	108,428
Vehicles	30	31	-	(19)	42
Furniture and equipment	17,803	8,291	(89)	(9,320)	16,685
Others	174	-	-	-	174
	₩ 262,653	₩ 8,444	₩ (8,925)	₩ (12,738)	₩ 249,434

(in millions of Korean won)						
2004						
	Beginning balance	Acquisition	Disposal	Depreciation	Others	Ending balance
Land	₩ 136,936	₩ -	₩ (8,309)	₩ -	₩ -	₩ 128,627
Buildings	123,753	-	(4,174)	(3,560)	-	116,019
Vehicles	57	-	(5)	(22)	-	30
Furniture and equipment	35,422	5,437	(272)	(22,784)	-	17,803
Others	174	-	-	-	-	174
Construction-in-progress	603	-	-	-	(603)	-
	₩ 296,945	₩ 5,437	₩ (12,760)	₩ (26,366)	₩ (603)	₩ 262,653

As of March 31, 2005, the values of the Company's land, as announced by the Korean local government for property tax assessment purposes, is approximately ₩113,799 million (2004: ₩104,346 million).

As of March 31, 2005, a portion of Company's buildings is leased to the Korea Development Bank and pledged as collateral for the guarantee for rent liabilities, up to a maximum of ₩34,540 million.

In accordance with the Asset Revaluation Law, the Company revalued a substantial portion of its property, plant and equipment on July 1, 1998. The asset revaluation surplus amounting to ₩101,623 million was recognized and offset against accumulated deficit for the year ended March 31, 2000.

As of March 31, 2005, buildings are insured against fire and other casualty losses up to approximately ₩136,602 million.

16. Intangible Assets

Changes in intangible assets as of March 31, 2005 and 2004, are as follows:

	(in millions of Korean won)			
	2005			
	Development costs	Software	Others	Total
Beginning balance	₩ 5,497	₩ 2,129	₩ 201	₩ 7,827
Acquisition	1,161	1,657	-	2,818
Amortization	(3,198)	(1,275)	(100)	(4,573)
Ending balance	₩ 3,460	₩ 2,511	₩ 101	₩ 6,072
Accumulated amortization	₩ 9,636	₩ 3,440	₩ 402	₩ 13,478

	(in millions of Korean won)			
	2004			
	Development costs	Software	Others	Total
Beginning balance	₩ 5,200	₩ 2,090	₩ 301	₩ 7,591
Acquisition	2,994	1,022	-	4,016
Amortization	(2,697)	(983)	(100)	(3,780)
Ending balance	₩ 5,497	₩ 2,129	₩ 201	₩ 7,827
Accumulated amortization	₩ 6,438	₩ 2,166	₩ 301	₩ 8,905

For the years ended March 31, 2005, the Company recorded amortization of intangible assets amounting to ₩4,574 million (2004: ₩3,780 million) as a selling and administrative expense.

17. Short-Term Borrowings

Short-term borrowings as of March 31, 2005 and 2004, consist of the following:

	Present annual interest rate (%)	(in millions of Korean won)	
		2005	2004
Borrowing from Korean Securities Financial Corporation	3.20	₩ 20,000	₩ 20,000

18. Deposits from Customers

Deposits from customers as of March 31, 2005 and 2004, consist of the following:

	(in millions of Korean won)	
	2005	2004
Customers' deposits for brokerage	₩ 1,019,636	₩ 867,710
Customers' deposits for futures and options trading	84,104	88,875
Customers' deposits for savings	35,817	42,046
Customers' deposits for beneficiary certificates	2,862	11,892
Others	2,533	2,441
	₩ 1,144,952	₩ 1,012,964

Notes to Non-Consolidate Financial Statements

19. Debentures and Long-Term Borrowings

Debentures and long-term borrowings as of March 31, 2005 and 2004, consist of the following:

	Annual interest rate [%]	Terms of redemption	(in millions of Korean won)	
			2005	2004
Debentures and Subordinated debentures ¹	4.50~5.32	June 30, 2005~December 30, 2009	₩ 401,000	₩ 650,000
Less: Current portion of long-term debts		June 30, 2005	(200,000)	(450,000)
			₩ 201,000	₩ 200,000

¹ The redemption of subordinated debentures will be performed only after other indebtednesses are already settled in case the Company goes into bankruptcy.

Details of debentures as of March 31, 2005, consist of the following:

	Issue Price	Amounts	Annual interest rate [%]	(in millions of Korean won)
				Creditor
31st subordinated bond	₩ 200,000	₩ 200,000	Floating rate (5.30)	Korea Development Bank
32nd bond	1,000	1,000	Fixed rate (4.50)	Public offering
33rd subordinated bond	200,000	200,000	Floating rate (5.32)	Korea Development Bank
	₩ 401,000	₩ 401,000		

The annual maturities of long-term borrowings and debentures outstanding as of March 31, 2005, are as follows:

	(in millions of Korean won)		
	Debentures	Subordinated Debentures	Total
April 1, 2007 ~ March 31, 2008	₩ 1,000	₩ -	₩ 1,000
April 1, 2009 ~ March 31, 2010	-	200,000	200,000
	₩ 1,000	₩ 200,000	₩ 201,000

20. Allowance for Guarantees

As of March 31, 2004, the details of guarantees offered by the Company and the related allowance were as follows:

	(in millions of Korean won)	
	Guaranteed amount	Allowance
Current	₩ -	₩ -
Special mention	3,122	62
Substandard	-	-
Doubtful	-	-
Loss	-	-
Total	₩ 3,122	₩ 62

There are no guarantees outstanding as of March 31, 2005.

21. Reserve for Severance and Retirement Benefits

Changes in reserve for severance and retirement benefits as of March 31, 2005 and 2004, are as follows:

	(in millions of Korean won)	
	2005	2004
Beginning balance	₩ 32,743	₩ 23,769
Provisions	13,330	12,675
Severance payments	(9,814)	(3,701)
	36,259	32,743
Less: Deposits to the National Pension Fund for severance and retirement benefits	(313)	(378)
	₩ 35,946	₩ 32,365

22. Commitments and Contingencies

As of March 31, 2005, the borrowing agreements between the Company and the financial institutions are as follows:

	(in millions of Korean won)		
	Financial institutions	Interest rate	Limit
Bank overdraft	Shinhan and others	0.4 ~ 0.9%	₩ 185,000
Margin borrowings	Korea Securities Finance	3.45%	₩ 234,108
General borrowings	Korea Securities Finance	3.45%	Total of ₩1,530,000 and balance of trust deposits
Other borrowings	Korea Securities Finance	3%	Total of ₩500,000 and balance of subscription deposits

The Company has entered into foreign currency forward contracts agreement with the Korea Development Bank and others to hedge the exposure to changes in foreign exchange rates. Forward contracts outstanding as of March 31, 2005 are as follows:

Position	Contract numbers	Contract amount	Contract Rate ¹	Contract date	Due date
Short	14	US\$ 17,438,135.38	1,011.85	February 22, 2005~ March 29, 2005	May 19, 2005~ September 12, 2005
Long	8	US\$ 15,640,648.94	1,011.07	March 2, 2005~ March 29, 2005	May 19, 2005~ September 12, 2005

¹ Weighted-average contract rate.

As of March 31, 2005, the Company contracted 1,745 treasury bond futures and 29 stock index futures. For the year ended March 31, 2005, the Company recognized losses on settlement of futures amounting to ₩642 million. In addition, the Company contracted 440 stock index options as of March 31, 2005. For the year ended March 31, 2005, the Company recognized gain on valuation of options amounting to ₩4 million.

As of March 31, 2004, the Company's total bond guarantee amounted to ₩3,122 million. As of March 31, 2005, no bond guarantee is outstanding.

As of March 31, 2005, the Company has pledged two notes amounting to ₩254,108 million to Korea Securities Finance and judgment of nullification of twelve checks has been in progress.

As of March 31, 2005, the Company has been sued in a number of cases with a total claim amount of ₩39,503 million, excluding the claims for the compensation loss on the beneficiary certificates mentioned below. The ultimate outcome of the cases cannot presently be determined and accordingly, no adjustment has been made in the accompanying non-consolidated financial statements.

Notes to Non-Consolidate Financial Statements

As of March 31, 2005, the Company has appealed the decision of a lower court on a case filed by 13 financial institutions regarding their demand that the Company redeem beneficiary certificates amounting to ₩600,799 million at their carrying value, which the Company rejected and instead offered to redeem the certificates at their fair value. These certificates' value declined, causing the fair value to be lower than its carrying value. The Company argued that according to the Investment Trust Act, it is the customer who should bear any loss from these certificates. During the year ended March 31, 2004, the Company recognized losses of ₩131,537 million, recorded as non-operating expenses, based on a lower court's decision ordering the Company to redeem the certificates at their carrying value. Although the Company has appealed this decision, a provision for losses from this case amounting to ₩6,547 million was recognized during the year ended March 31, 2005. As the ultimate outcome of this appeal cannot yet be presently determined, no adjustment has been made to the non-consolidated financial statements.

As of March 31, 2005, an US\$ 87 million case filed by the Company against the Korea Investment Trust Management and Securities Company regarding the Company's claim for a performance of an obligation related to certain offshore funds, is pending on an appeal by the defendant. As the initial court decision handed down on March 18, 2004, was favorable to the Company, it recognized a ₩57,117 million income for the year ended March 31, 2004, representing the difference between the amount partially collected and the book value of the right being claimed on the offshore funds.

For the year ended March 31, 2005, Daewoo Securities Europe Ltd., a subsidiary, recorded a provision for losses of ₩20,100 million for a case filed by Chohung Bank against it regarding certain transactions on offshore funds. The bank is claiming for accrued interest of US\$14,600 thousand. As of balance sheet date, this case is still pending.

During the year ended March 31, 2004, the Company entered into the contract for the sale of the shares of stock and the transfer of the right of management related to Daewoo Bank (Hungary) Ltd. ("DBH") with Korea Development Bank. According to the contract, the Company will provide guarantees for a certain portion of contingent losses arising from off-balance sheet liabilities ("ordinary contingent liabilities") of DBH for two years from the date of the transfer of management. Under the contract, the Company should provide the whole amount of guarantees for losses arising from off-balance sheet liabilities due to DBH's intentional or material negligence, and the excess amount over HUF 2,500,000 (equivalent to ₩13 million) per transaction due to unintentional or immaterial negligence.

In addition, as for contingencies ("specific contingent liabilities") agreed upon in the contract, the Company should settle the difference between the fixed amount of losses and the allowance provided amounting HUF 970,275,000 (equivalent to ₩5,210 million) when the contingent situations cease to exist.

23. Capital Stock and Capital Surplus

Capital stock and capital surplus as of March 31, 2005, consist of the following:

Number of shares		Capital stock		Capital surplus
Common stock	Preferred stock	Common stock	Preferred stock	(Paid-in capital in excess of par value)
190,100,891	14,075,750	₩ 950,504	₩ 70,379	₩ 250,724

Preferred stock is non-participating, non-cumulative and non-voting. The Company can issue preferred stock that can be converted into common stock within a limited period of time.

24. Retained Earnings

Retained earnings as of March 31, 2005 and 2004, consist of the following:

	Reference	(in millions of Korean won)	
		2005	2004
Reserve for loss on securities transactions	(A)	₩ -	₩ 17,765
Reserve for loss on futures trading responsibility	(B)	-	-
Reserve for financial structural improvement	(C)	4,000	4,000
Unappropriated		45,614	176,328
		₩ 49,614	₩ 198,093

(A) In accordance with the former Korean Securities and Exchange Law, the Company has provided a reserve for losses on securities transactions until March 31, 2001. However, the accumulated reserve for losses on securities transactions should be transferred to unappropriated retained earnings within three years starting from the date the related regulations were abolished. If any, the reserve may be transferred to common stock or used to offset accumulated deficit.

(B) The Korean Futures Trading Act requires the Company to appropriate available retained earnings as a reserve for losses on futures trading every fiscal year. If available retained earnings are more than 0.1% of brokerage commissions, the reserve for losses on futures trading should be equal to 0.1% of brokerage commissions. This reserve is supposed to be utilized to compensate for the losses of the assigner, which the Company's directors and employees are accountable for, if any. Unless this reserve is utilized over three fiscal years after its provision, it should be transferred to unappropriated retained earnings.

(C) In accordance with the resolution of the Company's Board of Directors dated June 11, 2004, the Company transferred a reserve for losses on securities transactions amounting to ₩17,766 million, and provided ₩26,330 for a reserve for loss on futures trading.

25. Stock Options

The Company granted stock options to some of its directors and employees are as follows:

	Provision 1	Provision 2
Dates of provision	June 2000	August 2001
Option type	Distribution of cash	Distribution of cash
Number of shares granted	340,000 shares	98,000 shares
Number of shares lapsed	135,000 shares	10,000 shares
Number of shares as of the balance date	205,000 shares	88,000 shares
Condition	Service until June 2003	Service until August 2003
Exercise price	₩ 7,000	₩ 8,900
Period of exercise	June 3, 2003 ~ June 2, 2010	August 24, 2003 ~ August 23, 2008

As the type of stock option changed from the issuance of new shares of stock or the distribution of cash to the distribution of cash pursuant to the resolution made by the Board of Directors' meeting held on June 18, 2003, the method of estimating compensation costs also changed from the fair value basis method to the intrinsic value basis method. This change decreased the compensation expense by ₩92 million and increased non-operating income by ₩1,764 million, in the aggregate, increased net income by ₩1,856 million for the year ended March 31, 2004.

26. Capital Adjustments

Capital adjustments as of March 31, 2005 and 2004, are as follows:

	(in millions of Korean won)	
	2005	2004
Treasury stock	₩ (32,970)	₩ (32,970)
Loss on valuation of available for sale investments (Note 9)	10,298	(201,961)
Others (Note 9)	(5,115)	10,161
	₩ (27,787)	₩ (224,770)

As of March 31, 2005, the Company owned 1,796,320 shares of preferred stock as treasury stock.

Notes to Non-Consolidate Financial Statements

27. Income Taxes

There are no income taxes for the years ended March 31, 2005 and 2004.

The following table reconciles the Company's income (loss) before taxes to taxable income (loss carryforwards) for the years ended March 31, 2005 and 2004:

	(in millions of Korean won)	
	2005	2004
Income (loss) before taxes	₩ (148,941)	₩ 132,515
Permanent differences	3,119	2,355
Temporary differences	248,877	(165,283)
Loss carry-forwards	₩ 103,055	₩ (30,413)

The details of deferred taxes as of and for the years ended March 31, 2005 and 2004, are as follows:

	(in millions of Korean won)				
	2005				Deferred income tax assets
	Beginning balance	Increases	Decreases	Ending balance	
Accrued interest receivables	₩ (14,057)	₩ (18,302)	₩ (14,057)	₩ (18,302)	(5,033)
Gain on valuation of trading securities	(134,501)	(8,371)	(23,912)	(118,960)	(32,714)
Loss on valuation of trading securities	103,189	26,198	2,454	126,933	34,907
Loss on impairment of investment securities	43,806	210,572	210	254,168	69,896
Gain on valuation of investment securities (stock market stabilization fund)	(8,425)	-	(8,425)	-	-
Loss on contingency provision	2,800	40,492	-	43,292	11,905
Present value discount account	3,611	-	2,570	1,041	286
Affiliated company securities	(17,231)	(3,465)	5,023	(25,719)	(7,073)
Land revaluation surplus	(46,818)	-	(2,009)	(44,809)	(12,322)
Allowance for payment guarantees	62	-	62	-	-
Accrued severance benefits	19,268	4,159	-	23,427	6,443
Gain on valuation of structured securities	(1,973)	14,293	(1,973)	14,293	3,931
Loss on valuation of structured securities sold	4,526	(35,578)	4,526	(35,578)	(9,784)
Others	5,635	984	179	6,440	1,771
Accumulated temporary differences	(40,108)	230,982	(35,352)	226,226	62,213
Operating loss carry-forwards	898,500	-	305,890	592,610	162,968
	₩ 858,392	₩ 230,982	₩ 270,538	₩ 818,836	225,181
Less : Valuation allowance					(225,181)
					₩ -

	(in millions of Korean won)				
	2004				Deferred income tax assets
	Beginning balance	Increases	Decreases	Ending balance	
Accrued interest receivables	₩ (4,006)	₩ (13,866)	₩ (3,815)	₩ (14,057)	₩ (4,175)
Gain on valuation of trading securities	(47,796)	(87,156)	(451)	(134,501)	(36,988)
Loss on valuation of trading securities	122,562	6,346	25,719	103,189	28,377
Loss on impairment of investment securities	42,669	1,137	-	43,806	12,047
Gain on valuation of investment securities (stock market stabilization fund)	(8,425)	-	-	(8,425)	(2,317)
Loss on contingency provision	45,600	2,800	45,600	2,800	770
Present value discount account	9,464	-	5,853	3,611	993
Affiliated company securities	(201)	(6,049)	10,981	(17,231)	(4,739)
Land revaluation surplus	(46,910)	-	(92)	(46,818)	(12,875)
Allowance for payment guarantees	2,007	-	1,945	62	17
Accrued severance benefits	13,839	5,429	-	19,268	5,299
Gain on valuation of structured securities	-	(1,973)	-	(1,973)	(543)
Loss on valuation of structured securities sold	-	4,526	-	4,526	1,245
Others	7,958	(5)	2,318	5,635	1,550
Accumulated temporary differences	136,761	(88,811)	88,058	(40,108)	(11,339)
Operating loss carry-forwards	853,213	45,287	-	898,500	247,088
	₩ 989,974	₩ (43,524)	₩ 88,058	₩ 858,392	235,749
Less : Valuation allowance					(235,749)
					₩ -

Due to the uncertainty of the Company's future operations, management concluded that the Company will not realize all benefits of the loss carryforwards. Accordingly, a valuation allowance amounting to ₩225,181 million (2004: ₩235,749 million) has been provided against these deferred tax assets as of March 31, 2005.

The maturities of the future tax effects of temporary differences and operating loss carryforwards that were not recognized as deferred income tax assets as of March 31, 2005, are as follows:

	(in millions of Korean won)		
	Temporary difference and others	Deferred income tax assets	Carryforward expiration
Deferred tax assets from temporary differences	₩ 226,226	₩ 62,213	-
Deferred tax assets from undisposed accumulated deficit			
March 31, 2001	458,333	126,042	March 31, 2006
March 31, 2002	36,651	10,079	March 31, 2007
March 31, 2003	72,822	20,026	March 31, 2008
March 31, 2004	24,804	6,821	March 31, 2009
	592,610	162,968	
	₩ 818,836	₩ 225,181	

28. Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the years ended March 31, 2005 and 2004. Ordinary income (loss) per share is computed by dividing ordinary income (loss), after the adjustment from extraordinary gains or losses and related income taxes, by the weighted-average number of common shares outstanding for the years ended March 31, 2005 and 2004.

Ordinary income (loss) per share and earnings (loss) per share for the years ended March 31, 2005 and 2004, are calculated as follows:

	(in Korean won)	
	2005	2004
Ordinary income (loss)	₩ (148,941,189,035)	₩ 132,847,445,211
Weighted-average number of common shares outstanding	190,100,891	190,100,891
Ordinary income (loss) per share	₩ (783)	₩ 699

	(in Korean won)	
	2005	2004
Net income (loss)	₩ (148,941,189,035)	₩ 132,515,459,407
Weighted-average number of common shares outstanding	190,100,891	190,100,891
Earnings (loss) per share	₩ (783)	₩ 697

As dilutive securities have no dilutive effect, diluted earnings (loss) per share is identical to basic earnings(loss) per share and the diluted ordinary income(loss) per share to the basic ordinary income(loss) per share.

The diluted securities outstanding for the year ended March 31, 2005, are as follows:

	Exercise Price Per share	Period of Exercise	Number of Shares to be Issued
Stock option	₩ 7,000	From June 3, 2003 to June 2, 2010	205,000
Stock option	8,900	From August 24, 2003 to August 23, 2008	88,000

29. Offshore Funds

As of March 31, 2005, the Company has invested its offshore funds of US\$3,306 thousand into Optimal Access Inv. - Malaysia for a 100% ownership. As of March 31, 2005, this subsidiary's net asset value is US\$14,802 thousand (2004: US\$10,407 thousand).

Notes to Non-Consolidate Financial Statements

30. Related Party Transactions

Significant transactions with related parties for the years ended March 31, 2005 and 2004, and the related balances as of March 31, 2005 and 2004, are summarized as follows:

	(in millions of Korean won)			
	2005			
	Revenue	Expenses	Receivables	Payables
Daewoo Securities (Europe) Ltd.	₩ -	₩ 784	₩ -	₩ 64
Daewoo Securities (America) Inc.	-	1,658	-	117
Daewoo Securities (Hong Kong) Ltd.	-	1,106	-	187
Optimal Access Inv.	117	-	-	-
Pacific portfolio investment (L) Ltd.	48	-	-	-
The Korea Development Bank	6,123	13,722	82,743	407,529
	₩ 6,288	₩ 17,270	₩ 82,743	₩ 407,897

	(in millions of Korean won)			
	2004			
	Revenue	Expenses	Receivables	Payables
Daewoo Securities (Europe) Ltd.	₩ -	₩ 344	₩ -	₩ 64
Daewoo Securities (America) Inc.	-	1,226	-	114
Daewoo Securities (Hong Kong) Ltd.	-	995	-	103
The Korea Development Bank	5,573	11,688	128,013	203,433
	₩ 5,573	₩ 14,253	₩ 128,013	₩ 203,714

31. Value Added Information

Value added information for the years ended March 31, 2005 and 2004, consists of the following:

	(in millions of Korean won)	
	2005	2004
	₩	
Wages and salaries	85,676	87,822
Provision for severance benefits	13,330	12,675
Employee benefits	60,679	61,254
Rent	14,974	14,760
Depreciation	12,738	26,366
Taxes and dues	8,478	4,885
	₩ 195,875	₩ 207,762

32. Selling and Administrative Expenses

Selling and administrative expenses for the years ended March 31, 2005 and 2004, are the following:

	(in millions of Korean won)	
	2005	2004
	₩	
Salaries	85,676	87,822
Other benefits for employees	60,679	61,254
Computer system operation expenses	21,926	25,304
Rental expenses	14,974	14,760
Advertising expenses	12,474	16,413
Depreciation	12,738	26,366
Credit loss expense	8,235	20,872
Others	65,586	65,413
	₩ 282,288	₩ 318,204

33. Operating Results for the Final Interim Period

Significant operation results for the three-month periods ended March 31, 2005 and 2004, are as follows:

	(in millions of Korean won)	
	2005	2004
Operating income	₩ 270,041	₩ 255,707
Operating income, net	63,967	107,865
Ordinary income	37,532	163,812
Net income	37,532	163,756
Ordinary income per share (in Korean won)	197	862
Earnings per share (in Korean won)	197	861

34. Subsequent event

On April 14, 2005, the Company acquired 543,193 shares of Hynix Semiconductors, Inc. in exchange for unsold beneficiary certificates worth ₩7,333 million. This acquisition was recorded as available-for-sale securities.

35. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the years ended March 31, 2005 and 2004 are as follows:

	(in millions of Korean won)	
	2005	2004
Impairment of available-for-sale securities	₩ -	₩ 17,400
Transfer from available-for-sale securities to other non-current assets	267	17,000
Transfer from other non-current assets to available-for-sale securities	15,066	751
Write-off of other non-current assets	17,957	35,412
Write-off of accrued income	49	-
Transfer from advanced payment to development costs	493	-
Transfer from guarantee deposits to receivable	1,578	-
Transfer from other non-current assets to Advances for customers	28,394	-
Transfer from other non-current assets to securities	-	786
Transfer from construction in-progress to property, plant and equipment	-	603
Reclassification of subordinated bonds	200,000	450,000
	₩ 263,804	₩ 521,952

36. Approval of Financial Statements

The accompanying non-consolidated financial statements as of and for the year ended March 31, 2005, will be approved by the Board of Directors on May 9, 2005.

37. Reclassification of prior year financial statement presentation

Certain amounts in the non consolidated financial statements as of and for the year ended March 31, 2004, have been reclassified to conform to the March 31, 2005 financial statement presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

38. Additional disclosures required by Enforcement Decree of Regulation on supervision of securities

	(in millions of Korean won)	
	2005	2004
Securities in custody		
Trustor securities in custody	₩ 28,503,133	₩ 16,349,656
Saver securities in custody	266,219	293,769
Beneficiary securities in custody	4,629,815	2,870,368
Others	117,536	249,387
	33,516,703	19,763,180
Negotiable certificates of deposits in custody	16,867	73,539
Guarantees on bonds	-	3,122
Deposits in foreign currencies on exchange	3,585	997
Derivatives contracts		
Contracts on interest rates		
Contracts on interest rate futures sold	193,000	147,180
	193,000	147,180
Contracts on currencies		
Contracts on currency forwards purchased	15,814	69,092
Contracts on currency forwards sold	17,645	86,250
	33,459	155,342
Contracts on stock and stock index		
Contracts on stock and stock index futures purchased	1,820	-
Contracts on stock and stock index futures sold	-	57,142
Contracts on stock and stock index options purchased	-	117
Contracts on stock and stock index options sold	15	4,179
	1,835	61,438
	228,294	363,960
Lending and borrowing securities		
Lending securities in the form of stocks	18,599	34,667
Borrowing securities in the form of stocks	18,599	34,667
	37,198	69,334
Receivable write-offs	5,230	33,745



Report on the Review of Internal Accounting Control System

SAMIL PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS 

Samil PricewaterhouseCoopers
Kukje Center Building, 191 Hankangro 2ga, Yongsanku
Seoul 140-702, KOREA (Yongsan P.O. Box 266, 140-600)

To the President of
Daewoo Securities Co., Ltd.

We have reviewed the management's report on the operations of the internal accounting control system ("IACS") of Daewoo Securities Co., Ltd. (the "Company") as of March 31, 2005. In accordance with Article 2-2 of the Act on External Audit for Stock Companies (the "External Audit Law") of the Republic of Korea, the Company's management is responsible for reporting on the design and operations of its IACS ("IACS report"). Our responsibility is to review the management's the IACS report and issue a report based on our review.

We conducted our review in accordance with Article 2-3 of the External Audit Law. Our review included inquiries of management and employees, inspection of related documents and check of the operations of the Company's IACS. We did not perform an audit of the Company's IACS and accordingly, we do not express an audit opinion.

Based on our review, no material weakness in the design or operations of the Company's IACS under Article 2-2 of the External Audit Law as of March 31, 2005, has come to our attention.

This report applies to the Company's IACS in existence as of March 31, 2005. We did not review the Company's IACS after March 31, 2005. This report has been prepared for Korean regulatory purposes pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

As this report is based on Interim Guidelines on Auditors' Review and Report on Management's IACS Report, issued by the Korean Audit Standards Committee on March 29, 2005, it applies only from that date until the date the Final Standards for Management's IACS Report and the Final Standards for Auditors' Review and Report on Management's IACS Report become effective. A review based on the final standards may have different results and accordingly, the content of any updated report may be different.

Samil PricewaterhouseCoopers
April 22, 2005

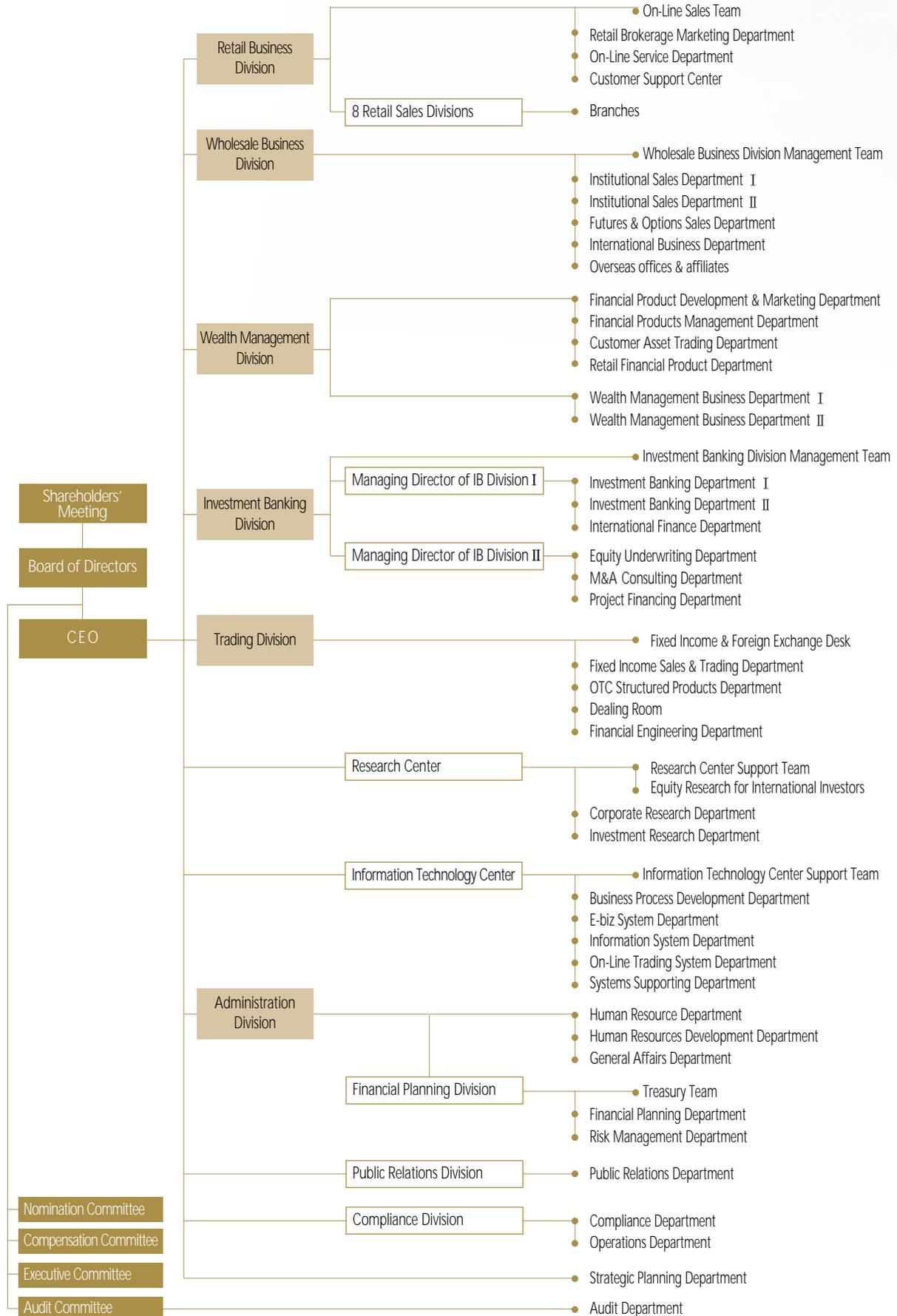


Notice to Readers

This report is annexed in relation to the audit of the financial statements as of March 31, 2005, and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Organization

- 19 Divisions, 2 Centers
 - 40 Departments, 16 Teams
 - 116 Branches, 1 Office



Overseas Network



Company	Address	Telephone No.
Daewoo Securities (Europe) Ltd.	41st Fl., Tower 42, 25 Old Broad Street, London EC2N 1HQ, U.K.	4420-7982-8000
Daewoo Securities (America) Inc.	600 Lexington Avenue, Suite 301, New York, NY10022, U.S.A.	1-212-407-1000
Daewoo Securities (Hong Kong) Ltd.	Suite 816-819, Jardine House, 1 Cannaught Place, Central, H.K., China	852-2845-6332
UzDaewoo Bank	1 Pushkin Street, Tashkent, 700000, zbekistan	998-71-1208000

