

## **Independent Auditor's Report**

To the Board of Directors and Shareholders of  
Samsung Futures Inc.

We have audited the accompanying balance sheets of Samsung Futures Inc., (the "Company") as of March 31, 2003 and 2002, and the related statements of income, 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 financial statements referred to above present fairly, in all material respects, the financial position of Samsung Futures Inc. as of March 31, 2003 and 2002, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended in conformity with financial accounting standards generally accepted in the Republic of Korea.

Continued;

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

As discussed in Note 13 to the accompanying financial statements, the Company had revenues of ₩217 million and costs and expenses of ₩1,014 million with affiliated companies during the year ended March 31, 2003. Related receivables and payables as of March 31, 2003 amounted to ₩327 million and ₩5,173 million, respectively.

As discussed in Note 2 to the accompanying financial statements, for the property and equipment and intangible assets acquired on or after April 1, 2002, the Company changed its depreciation and amortization method from the half-year convention method to the monthly depreciation and amortization method to provide a better matching of revenues and expenses. This change resulted in a decrease in depreciation and amortization expense by ₩52 million and an increase in net income by ₩37 million, respectively, for the year ended March 31, 2003.

As discussed in Note 2 to the accompanying financial statements, the Korean Accounting Standards Board (“KASB”) 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 and Supervisory Board. SKFAS No. 2 through No. 9 become effective for fiscal years beginning after December 31, 2002 and earlier adoption of all provisions of each statement is permitted. The Company adopted SKFAS No. 7, “Capitalization of Financing Costs”, for the fiscal year 2002 and changed its accounting policy with respect to the treatment of financing costs that are directly attributable to the acquisition or development of assets which are under construction. In previous periods, the Company had capitalized such costs in accordance with the Financial Accounting Standards. The Company has now decided to expense, rather than capitalize, these expenditures. The change in accounting policy is applied prospectively in accordance with the requirements of the Statement. Under the prospective application, the new policy only applies to borrowing costs that are incurred after the date of the change in accounting policy. This change reduced property and equipment by ₩618 million, and resulted in a ₩434 million reduction in net income for the year ended December 31, 2002.

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

Seoul, Korea  
April 12, 2003

This report is effective as of April 12, 2003, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

SAMSUNG FUTURES INC.

BALANCE SHEETS  
March 31, 2003 and 2002

	Thousands of Won	
	2002	2001
ASSETS		
Current assets :		
Cash and cash equivalents (Note 3)	₩ 398,376	₩ 6,708,619
Short-term financial instruments (Notes 3)	1,000,000	800,000
Customer deposits in custody (Note 4)	79,195,740	63,331,137
Marketable securities (Note 5)	30,699,058	23,077,239
Short-term loans	10,000,000	603,970
Others	1,189,007	2,462,825
Total current assets	122,482,181	96,983,790
Long-term financial instruments (Note 3)	8,000	8,000
Equity investment in the Korea Futures Exchange	3,000,000	3,000,000
Long-term loans to employees	1,451,704	1,659,966
Guarantee deposits	1,362,115	545,199
Deferred income tax assets (Note 11)	103,712	-
Indemnity fund (Note 2)	4,855,864	3,203,649
Property and equipment, net of accumulated depreciation (Note 6)	1,258,626	1,950,516
Intangible assets	1,420,944	1,153,110
Total assets	₩ 135,943,146	₩ 108,504,230

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

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SAMSUNG FUTURES INC.

BALANCE SHEETS, Continued

March 31, 2003 and 2002

	Thousands of Won	
	2002	2001
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term borrowings (Note 7)	₩ 17,400,000	₩ 7,700,000
Customer deposits	79,070,438	63,385,328
Accrued expenses	952,466	1,131,280
Other accounts payable	11,389	91,988
Income taxes payable	912,346	1,852,603
Current maturities of long-term debts (Note 7)	<u>5,000,000</u>	<u>-</u>
 Total current liabilities	 103,346,639	 74,161,199
 Long-term debt, net of current maturities (Note 7)	 -	 5,000,000
Deferred income tax liabilities (Note 11)	-	149,532
Accrued severance benefits (Note 8)	<u>147,210</u>	<u>90,091</u>
 Total liabilities	 <u>103,493,849</u>	 <u>79,400,822</u>
Commitments and contingencies (Note 9)		
Shareholders' equity :		
Common stock	25,000,000	25,000,000
Retained earnings (Note 10)		
Appropriated	722,999	704,006
Unappropriated	6,726,298	3,424,398
Capital adjustment :		
Discount on stock issuance	<u>-</u>	<u>(24,996)</u>
 Total shareholders' equity	 <u>32,449,297</u>	 <u>29,103,408</u>
 Total liabilities and shareholders' equity	 ₩ 135,943,146	 ₩ 108,504,230
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The accompanying notes are an integral part of these financial statements.

SAMSUNG FUTURES INC.

INCOME STATEMENTS

For the years ended March 31, 2003 and 2002

	Thousands of Won	
	2002	2001
Revenues :		
Commission income	₩ 19,196,676	₩ 20,219,631
Interest income	5,134,678	4,709,883
Other incomes	1,615,823	187,449
	<u>25,947,177</u>	<u>25,116,963</u>
Cost and expenses :		
Commission expense	4,582,262	4,200,757
Interest expense	2,344,627	1,709,557
General and administrative expenses (Note 15)	11,967,672	12,301,682
Other expenses	1,862,595	731,100
	<u>20,757,156</u>	<u>18,943,096</u>
Operating profit	5,190,021	6,173,867
Non-operating income (loss)	<u>(2,612)</u>	<u>64,111</u>
Ordinary profit	5,187,409	6,237,978
Extraordinary income	-	-
Extraordinary loss	-	-
Net income before income tax expense	5,187,409	6,237,978
Income tax expense (Note 11)	<u>1,841,520</u>	<u>2,202,949</u>
Net income	₩ 3,345,889	₩ 4,035,029
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Earnings per share (Note 12)	₩ 1,338	₩ 1,614
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The accompanying notes are an integral part of these financial statements.

SAMSUNG FUTURES INC.

STATEMENTS OF APPROPRIATIONS  
OF RETAINED EARNINGS  
For the years ended March 31, 2003 and 2002

Date of appropriation : May 29, 2003 (as proposed)  
for 2002 and May 30, 2002 for 2001

	Thousands of Won	
	2002	2001
Retained earnings before appropriations :		
Unappropriated retained earnings carried forward from the prior year	₩ 3,424,398	₩ 104,585
Net income	<u>3,345,889</u>	<u>4,035,029</u>
	<u>6,770,287</u>	<u>4,139,614</u>
Appropriations (Note 10) :		
Amortization of stock issue costs	24,996	24,996
Liability reserve	18,993	20,220
Reserve for business development	-	670,000
	<u>43,989</u>	<u>715,216</u>
Unappropriated retained earnings carried forward to the subsequent year	₩ 6,726,298	₩ 3,424,398
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The accompanying notes are an integral part of these financial statements.

SAMSUNG FUTURES INC.

STATEMENTS OF CASH FLOWS  
For the years ended March 31, 2003 and 2002

	Thousands of Won	
	2002	2001
Cash flows from operating activities (Note 14):		
Net income	₩ 3,345,889	₩ 4,035,029
Items not involving operating cash flows :		
Depreciation and amortization	1,419,901	1,268,392
Provision for severance benefits	340,566	305,308
Others	164,568	211,580
	<u>5,270,924</u>	<u>5,820,309</u>
Change in operating assets and liabilities :		
Increase in customer deposits in custody	(15,864,602)	(16,520,689)
Decrease(Increase) in accrued expenses	(178,813)	722,114
Increase(Decrease) in accounts payable	(80,598)	32,117
Increase in customer deposits	15,685,110	16,460,414
Payment for severance benefits	(76,261)	(75,010)
Decrease in income taxes payable	(940,258)	1,852,603
Deferred income tax assets (liabilities)	(253,244)	(182,754)
Others	1,066,632	(851,767)
	<u>1,066,632</u>	<u>(851,767)</u>
Net cash provided by operating activities	₩ 4,628,890	₩ 7,257,337

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

Continued;

SAMSUNG FUTURES INC.

STATEMENTS OF CASH FLOWS, Continued  
For the years ended March 31, 2003 and 2002

	Thousands of Won	
	2002	2001
Cash flows from investing activities:		
Disposal of financial instruments	₩ -	₩ 1,600,000
Acquisition of financial instruments	(200,000)	(2,500)
Disposal of marketable securities	95,046,012	34,046,922
Acquisition of marketable securities	(102,832,140)	(36,705,679)
Payments for loans to employees	1,106,604	5,490,052
Proceeds from loans to employees	(10,294,372)	(6,311,388)
Proceeds from guarantee deposits	684	2,761,316
Payments for guarantee deposits	(817,600)	(709,973)
Deposits in indemnity fund	(1,652,215)	(1,524,046)
Acquisition of property and equipment	(173,853)	(1,021,103)
Proceeds from disposal of property and equipment	15,000	6,069
Increase in intangible assets	(837,253)	(764,692)
Net cash used in investing activities	(20,639,133)	(3,135,022)
Cash flows from financing activities :		
Proceeds from short-term borrowings	9,700,000	26,600,000
Repayment of short-term borrowings	-	(29,700,000)
Due to the Parent Company	-	5,000,000
Net cash provided by financing activities	9,700,000	1,900,000
Net increase (decrease) in cash and cash equivalent	(6,310,243)	6,022,315
Cash and cash equivalent at the beginning of the year	6,708,619	686,304
Cash and cash equivalent at the end of the year	₩ 398,376	₩ 6,708,619

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

SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS  
March 31, 2003 and 2002

1. The Company :

Samsung Futures Inc. (the "Company"), a majority-owned subsidiary of Samsung Life Insurance Co., Ltd. (the "Parent"), executes and clears futures and options on futures trades on behalf of institutional clients. Founded in 1992, the Company's principal office is based in Seoul, Korea and is a member of the Korea Futures Exchange, which commenced its trading in April 1999.

As of March 31, 2003, the Company currently performs all duties permitted by the Futures Trading Act, including the receipt of trust funds, and is required by relevant laws to report any changes in the paid-in-capital, major shareholders, members of the board of directors to the Financial Supervisory Commission.

The Company is required by the Futures Trading Act and the Supervisory Regulations to maintain its net capital ratio at or above 100%. It is also prohibited from owning securities issued by major investors and acting as a guarantor for another party.

As of March 31, 2003, the Company's capital totals ₩25,000 million and its shareholders are detailed as follows :

<u>Shareholders</u>	<u>Number of shares</u>	<u>Ownership percentage (%)</u>
Samsung Life Insurance Co., Ltd.	2,000,000	80.00
Samsung Securities Co., Ltd.	300,000	12.00
Samsung Fire & Marine Insurance Co., Ltd.	100,000	4.00
Samsung Life Public Welfare Foundation	50,000	2.00
Employee stock ownership association	36,297	1.45
Individual Shareholders	13,703	0.55
	<u>2,500,000</u>	<u>100.00</u>
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2. Summary of Significant Accounting Policies :

The significant accounting policies followed by the Company in the preparation of its financial statements in accordance with financial accounting standards of the Republic of Korea are summarized below.

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SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

2. Summary of Significant Accounting Policies, Continued:

Basis of Financial Statement Presentation -

The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with financial accounting standards generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. Certain information attached to the Korean language financial statements, that are not required for a fair presentation of the Company's financial position, results of operations and cash flows, are not presented in the accompanying financial statements.

Use of Estimates -

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from these estimates.

Revenue Recognition -

Revenue from consignment sales and securities trade are recognized at the contract date.

Cash and Cash Equivalents and Short-term Financial Instruments -

Cash and cash equivalents include cash on hand and in bank accounts with original maturities of three months or less. Investments which are readily convertible to cash within four to twelve months of purchase are classified in the balance sheet as short-term financial instruments. The cost of these investments approximates fair value.

Marketable Securities -

Marketable securities are stated at fair value.

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SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

2. Summary of significant accounting policies, Continued :

Indemnity Fund -

In accordance with Article 27 of the Futures Trading Act, the Company, as a member of the Korea Futures Exchange, is required to reserve an indemnity fund, up to ₩15 billion (total indemnity fund : up to ₩100 billion) in order to compensate for losses arising from the default of obligations with respect to futures trading.

The Company can reserve the indemnity fund within 50 percent by the government bonds, the bonds of the corporation which is founded by the special law and the financial guarantee of a bank.

As of March 31, 2003, the Company reserves the indemnity fund up to ₩5,765 million by the cash of ₩4,856 million and the financial guarantee of ₩909 million.

Property and Equipment and Related Depreciation -

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

	<u>Estimated Useful Lives-years</u>
Vehicles	4
Furniture and office equipment	4 - 40

For the property and equipment acquired on or after April 1, 2002, the Company changed its depreciation method from the half-year convention method to monthly depreciation method to improve matching of revenues and expenses. As a result of this change, depreciation expense was decreased by approximately ₩9 million and net income after income tax expense was increased by approximately ₩7 million for the year ended March 31, 2003.

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SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

2. Summary of significant accounting policies, Continued :

Property and Equipment and Related Depreciation, Continued -

SKFAS No. 2 through No. 9 become effective for fiscal years beginning after December 31, 2002 and earlier adoption of all provisions of each statement is permitted. The Company adopted SKFAS No. 7, "Capitalization of Financing Costs", for the fiscal year 2002 and changed its accounting policy with respect to the treatment of financing costs that are directly attributable to the acquisition or development of assets which are under construction. In previous periods, the Company had capitalized such expenditures in accordance with the Financial Accounting Standards. The Company has now decided to expense, rather than capitalize, these expenditures. The change in accounting policy is applied prospectively in accordance with the requirements of the Statement. Under the prospective application, the new policy only applies to borrowing costs that are incurred after the date of the change in accounting policy. This change reduced property, plant and equipment by ₩618 million, and resulted in a ₩434 million reduction in net income for the year ended December 31, 2002.

Maintenance and Repairs -

Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Software Development Costs -

Development costs incurred for new products or technologies which can be clearly identified, measured and have probable future economic benefits are capitalized. Capitalized development costs are amortized using the straight-line method over the rational period from the utilization of such assets.

The Costs incurred in connection with obtaining software are recorded as intangible asset and are amortized using the straight-line method over four years.

For the intangible asset acquired on or after April 1, 2002, the Company changed its amortization method from the half-year convention method to the monthly amortization method to provide a better matching of revenues and expenses. This change resulted in a decrease in amortization expense by ₩43 million and an increase in net income by ₩30 million, respectively, for the year ended March 31, 2003.

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SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

2. Summary of significant accounting policies, Continued :

Foreign Currency Translation .

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the rate prevailing at the balance sheet date (in the case of U.S. Dollars, US\$1 = ₩1,252.9). The resulting exchange losses and gains are recognized in current operations.

Accrued Severance Benefits -

Employees and directors with more than 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 which would be payable assuming all eligible employees terminated their employment as March 31, 2003 and 2002 amounted to ₩759 million and ₩494 million, respectively .

Severance pay expense is calculated based on the net change in the accrued severance benefits liability assuming the termination of all eligible employees' employment as of the beginning and end of the accounting period.

Accrued severance benefits are funded at approximately 79.8% as of March 31, 2003 through a severance insurance plan to guarantee retirement grants of employees with Samsung Fire & Marine Insurance Co., Ltd. The amounts funded under this insurance plan are classified as a deduction to the accrued severance benefits liability. Subsequent accruals are to be funded at the discretion of the Company.

In accordance with the National Pension Act of the Republic of Korea, a certain portion of accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits liability. The contributed amounts shall be refunded from the National Pension Fund to employees upon their retirement.

Stock Issue Costs -

Accounting principles generally accepted in the Republic of Korea requires stock issue costs to be usually deducted from contributed capital in excess of par value, as a reduction in the proceeds from the sale of securities. In case there are no paid-in capital in excess of par value to offset the costs, the costs are reported in a separate component of shareholders' equity (capital adjustment-discount on stock issuance) and are amortized as appropriation of retained earnings, over three years.

Continued;

SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

2. Summary of significant accounting policies, Continued:

Income Tax Expense -

The Company accounts for income taxes using the deferred method of accounting. Under this method, the future tax effects of temporary differences between the financial and tax bases of assets and liabilities are reflected in the balance sheet at year end. Current income taxes comprise corporate tax and resident tax payable in the current year.

Earnings Per Share -

Earnings per share are computed based on earnings available to common shareholders, using the weighted average number of common shares outstanding during the year.

Application of the Statements of Korean Financial Accounting Standards -

The Korean Accounting Standards Board ("KASB") 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 and Supervisory Board. SKFAS No. 2 through No. 9 (except for SKFAS No. 7) become effective for the Company on April 1, 2003, and the Company plans to adopt these statements in its financial statements for the year ending March 31, 2004.

SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

3. Cash and Cash Equivalents, Long-term and Short-term Financial Instruments:

Cash and cash equivalents, long-term and short-term financial instruments as of March 31, 2003 and 2002 comprise the following :

	Annual Interest	Thousands of Won	
	Rates (%)	2002	2001
<b>(1) Cash and cash equivalents</b>			
Cash on hand	-	₩ 855	₩ 517
Passbook accounts	1.0	97,521	59,694
Money Market Fund	-	-	42,800
Time deposits	4.5	300,000	600,000
Commercial Paper	-	-	5,000,000
Other bank deposits	-	-	1,005,608
		₩ 398,376	₩ 6,708,619
<b>(2) Short-term financial instruments</b>			
Time deposits	4.1 - 4.7	₩ 1,000,000	₩ 300,000
Other financial instruments	-	8,000	508,000
		1,008,000	808,000
Less : portion classified as non-current		(8,000)	(8,000)
		₩ 1,000,000	₩ 800,000

As of March 31, 2003 and 2002, bank deposits amounting to ₩8,000 thousand, respectively, are subject to restrictions on withdrawal

4. Customer Deposits in Custody -

In accordance with Article 49-2 of the Futures Trading Act, the Company, as a member of the Korea Futures Exchange, is required to secure money deposited from customers in connection with futures trading or other money belonging to customers separately from the Company's own property with a securities finance company as stated in Article 145 of the Securities and Exchange Act. The deposits bear an annual interest of approximately 4.4%. These Deposits are subject to restrictions on withdrawal.

SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

5. Marketable Securities :

Marketable securities as of March 31, 2003 and 2002 consist of the following (in thousands of Korea Won):

	Interest Rates(%)	2002		2001	
		Acquisition cost	Fair value	Book value	Book value
Equity investments	-	₩ 86,768	₩ 76,889	₩ 76,889	₩ -
Bond with warrants	-	993	993	993	993
Bank debentures	5.04 – 5.86	30,015,718	29,627,276	29,627,276	20,016,525
Government and public bonds	-	964,185	993,900	993,900	-
Beneficiary certificates -	-	-	-	-	3,059,721
		₩ 31,067,664	₩ 30,699,058	₩ 30,699,058	₩ 23,077,239

As of March 31, 2003, bank debentures and government and public bonds of ₩4,700 million (at nominal value) are pledged to the Korea Futures Exchange as trading margin in accordance with the Article 26 of Futures Trading Act, and bank debentures of ₩26,300 million (at nominal value) are pledged as collateral for short-term borrowings from the Korea Securities Finance Corporation (See Note 7).

6. Property and Equipment :

Property and equipment as of March 31, 2003 and 2002 comprise the following:

	Thousands of Won	
	2002	2001
Vehicles	₩ 42,376	₩ 56,054
Furniture and office equipment	3,862,961	3,698,683
	3,905,337	3,754,737
Less : accumulated depreciation	(2,646,711)	(1,804,221)
	1,258,626	1,950,516

SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

7. Borrowings :

Borrowings as of March 31, 2003 and 2002 comprise the following:

	Annual Interest Rates (%)	Thousands of Won	
		2002	2001
(1) Short-term borrowings			
Subordinated loan:			
Koram Bank	6.53	₩ -	₩ 5,000,000
General term loan:			
Korea Securities Finance Corp.	4.5	17,400,000	2,700,000
		₩ 17,400,000	₩ 7,700,000
		=====	=====
(2) Long-term borrowings			
Subordinated loan:			
Samsung Life Insurance Co., Ltd.	7.6	₩ 5,000,000	₩ 5,000,000
Less : Current maturities		(5,000,000)	-
		₩ -	₩ 5,000,000
		=====	=====

Certain marketable securities are pledged as collateral for the general term loan (See Note 5).

The subordinated loan agreements contain certain restrictions on the repayment of such loans and the requirements for maintenance of certain financial conditions. The subordinated debt from the Parent Company matures in November 2003.

8. Accrued Severance Benefits:

Accrued severance benefits as of March 31, 2003 and 2002 comprise of the following:

	Thousands of Won	
	2002	2001
Balance at beginning of the year	₩ 494,276	₩ 263,978
Provision for severance benefit	340,566	305,308
Actual severance payments	(76,261)	(75,010)
	758,581	494,276
Cumulative deposits to National Pension Fund	(5,789)	(8,366)
Severance insurance deposits	(605,582)	(395,819)
Balance at end of the year	₩ 147,210	₩ 90,091

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SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

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9. Commitment and Contingencies :

The Company has entered into bank overdraft agreements with two banks for borrowings up to maximum of ₩ 9 billion.

In connection with the indemnity fund requirement under the Futures Trading Act, Koram Bank has provided a financial guarantee in the amount of ₩909 million to the Korea Futures Exchange and the Company pays to the guarantor 1% guarantee fee in exchange for the guarantee (See Note 2).

As of March 31, 2003, the Company has the professional indemnity insurance for the financial institution in the amount of ₩300 million.

As of March 31, 2003, the Company has deposited customer securities totaling approximately ₩501,498 million with the Korea Futures Exchange .

The Company entered into an agreement with Koram bank for the contracts of forward exchange within USD 20 million. As of March 31, 2003, there was no outstanding forward contract.

As of March 31, 2003, the Company has entered into Government Bond futures contracts for transactions. For the year ended March 31, 2003, the Company recognized gain of ₩7 million and loss of ₩6 million for the valuation of futures contracts.

As of March 31, 2003, the Company has pledged two blank notes and two notes amounting to ₩17,400 million to financial institutions as collateral for borrowings.

In response to generally unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Company may be either directly or indirectly affected by these generally unstable economic conditions and the reform program described above. The accompanying non-consolidated financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

10. Retained Earnings :

Retained earnings as of March 31, 2003 and 2002 comprise the following :

	Thousands of Won	
	2002	2001
Appropriated:		
Liability reserve (A)	₩ 52,999	₩ 34,006
Reserve for business development (B)	670,000	670,000
Unappropriated:	6,726,298	3,424,398
	₩ 7,449,297	₩ 4,128,404
	=====	=====

(A) In accordance with Article 50 of the Futures Trading Act, the Company is required to provide a liability reserve for the amount that equals to the less of its disposable retained earnings or 0.1% of its commission income. The liability reserve should be used to indemnify the customers from any losses that may be incurred due to the default of obligations, violation of laws or negligence by its officers or employees during the course of carrying out futures business, and unused portion can be reversed in three fiscal years.

(B) Pursuant to the Korean tax laws, the Company is allowed to claim a tax deduction in determining taxable income for the amounts of retained earnings appropriated to reserve for business development. These amounts are not available for dividends until used for the specified purposes or reversed.

11. Income Tax Expense :

The statutory income tax rate applicable to the Company including resident surtax is approximately 29.7% for the year ended March 31, 2003. Income taxes for the years ended March 31, 2003 and 2002 comprise the following :

	Thousands of Won	
	2002	2001
Current income taxes	₩ 2,094,764	₩ 2,087,361
Deferred income taxes	(253,244)	115,588
Income tax expense	₩ 1,841,520	₩ 2,202,949
	=====	=====

Continued;

SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

11. Income Tax Expense, Continued:

The following table reconciles the expected amounts of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company :

	Thousands of Won			
	2002		2001	
Income before taxes	₩	5,187,409	₩	6,237,977
Statutory tax rate		29.7%		29.7%
Expected taxes at statutory rate		1,540,660		1,852,679
Non-deductible expenses		300,860		350,270
Actual taxes	₩	1,841,520	₩	2,202,949
Effective tax rate		35.5%		35.3%

Components of deferred taxes as of March 31, 2003 are as follows:

	Thousands of Won		
	Beginning balance	Increase (Decrease)	Ending balance
Accrued interest income	₩ (151,975)	₩ 145,243	₩ (6,732)
Unrealized holding gains or losses from marketable securities	6,231	103,244	109,475
Other	(3,788)	4,757	969
Net deferred income tax assets (liabilities)	₩ (149,532)	₩ 253,244	₩ 103,712

The Company periodically assesses its ability to recover deferred tax assets. In the event of a significant uncertainty regarding the Company's ultimate ability to recover such assets, a valuation allowance is recorded to reduce the assets to its estimated net realizable value.

SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

12. Earnings per share :

Earnings per share for the years ended March 31, 2003 and 2002 were calculated as follows :

	Thousands of Won			
	2002		2001	
Net income available for common stock	₩	3,345,889	₩	4,035,029
Weighted average number of shares outstanding during the year		2,500,000		2,500,000
Earnings per share in Korean Won	₩	1,338	₩	1,614
	=====		=====	

13. Related Party Transactions :

Significant transactions with related parties for the years ended March 31, 2003 and 2002 and the related receivables and payables at March 31, 2003 and 2002 are summarized as follows :

	Thousands of Won							
	2002				2001			
	Revenues	Costs and expenses	Receivables	Payables	Revenues	Costs and expenses	Receivables	Payables
amsung Life Insurance Co., Ltd.	₩ 110,810	₩ 827,579	₩ 327,424	₩ 5,150,959	₩ 467,226	₩ 464,150	₩ 829,572	₩ 5,149,918
amsung Co., Ltd.	-	4,450	-	-	-	4,697	-	-
amsung Securities Co., Ltd.	6,137	6,260	-	-	189,058	2,565	-	-
amsung Fire & Marine Insurance Co., Ltd.	99,724	83,899	-	-	23,965	11,588	-	-
amsung SDS Co., Ltd.	-	56,499	-	3,789	-	39,009	-	3,706
amsung Everland Co., Ltd.	-	727	-	-	-	-	-	-
amsung Networks Inc.	-	17,379	-	10,330	-	4,302	-	-
Other affiliated companies within the Samsung Group	-	17,031	-	7,942	-	67,300	-	10,767
	₩ 216,671	₩ 1,013,824	₩ 327,424	₩ 5,173,020	₩ 680,249	₩ 593,611	₩ 829,572	₩ 5,164,391
	=====	=====	=====	=====	=====	=====	=====	=====

SAMSUNG FUTURES INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
March 31, 2003 and 2002

14. Statement of Cash Flows :

Non-cash transactions for the years ended March 31, 2003 and 2002 are as follows:

	Thousands of Won	
	2002	2001
Amortization of stock issuance costs	₩ 24,997	₩ 24,997
Transfer of construction in progress to other property and equipment	-	904,898

15. Value Added Information :

The accounts and amounts, included in general and administrative expenses, needed for computation of value added for the years ended March 31, 2003 and 2002 are as follows:

	Thousands of Won	
	2002	2001
Salaries and Wages	₩ 5,016,879	₩ 6,135,297
Provision for severance benefits	340,566	305,308
Employee benefits	493,842	373,814
Rents	659,051	338,396
Depreciation and amortization	1,419,901	1,268,392
Taxes and dues	674,068	733,222