KOREA ELECTRIC POWER CORP
Form 6-K
May 31, 2005

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the Month of May 2005

KOREA ELECTRIC POWER CORPORATION

(Translation of registrant s name into English)

167, Samseong-dong, Gangnam-gu, Seoul 135-791, Korea
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F þ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____.

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This Report of Foreign Private Issuer on Form 6-K is deemed filed for all purposes under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, including by reference in the Registration Statement on Form F-3 (Registration No. 33-99550) and the Registration Statement on Form F-3 (Registration No. 333-9180).

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KOREA ELECTRIC POWER CORPORATION
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2003 and 2004

(With Independent Auditors Report Thereon)

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Independent Auditors Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
Korea Electric Power Corporation:

We have audited the accompanying consolidated balance sheet of Korea Electric Power Corporation and subsidiaries (the Company) as of December 31, 2004 and the related consolidated statements of income, change in stockholders equity and cash flows for the year then ended. 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 audit. The accompanying consolidated financial statements of the Company as of December 31, 2003, were audited by other auditors whose report thereon dated March 26, 2004, expressed an unqualified opinion on those statements. We did not audit the financial statements of Korea Southern Power Co., Ltd., Korea Midland Power Co., Ltd. and Korea South-East Power Co., Ltd. whose total assets constituted 13.1% of the total consolidated assets as of December 31, 2004, and whose total income constituted 9.82% of consolidated income before income tax for the year then ended. These financial statements were audited by other auditors whose reports have been furnished to us, and our report, insofar as it relates to the amounts included for Korea Southern Power Co., Ltd., Korea Midland Power Co., Ltd. and Korea South-East Power Co., Ltd., is based solely on the reports of the other auditors.

We conducted our audit 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 consolidated 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 and significant estimates used by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Korea Electric Power Corporation and subsidiaries as of December 31, 2004, and the consolidated results of their operations, the changes in their stockholders equity, and their cash flows for the year then ended in conformity with the Korea Electric Power Corporation Act, the Accounting Regulations for Government Invested Enterprises and accounting principles generally accepted in the Republic of Korea.

The accompanying consolidated financial statements have been translated into United States dollars solely for the convenience of the reader and have been translated on the basis set forth in note 2 to the consolidated financial statements.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 1(a) to the consolidated financial statements, in accordance with the restructuring plan by the Ministry of Commerce, Industry and Energy on January 21, 1999, the Company spun off its power generation division on April 2, 2001, resulting in the establishment of six new power generation subsidiaries. The Company has been contemplating the gradual privatization of the Company s power generation subsidiaries and distribution business. The privatization of power generation subsidiaries may result in change in pricing of electric power, operation organization, related regulations and general policies for supply and demand of energy. In addition, the Company was also planning to privatize its distribution business. However, the privatization of the Company s distribution business was discontinued according to the recommendation of the Korea Tripartite Commission on June 30, 2004.

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As discussed in note 1(b) to the consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized 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 consolidated financial statements are for use by those knowledgeable about Korean accounting principles, Korea Electric Power Corporation Act, the Accounting Regulations for Government Invested Enterprises, and Korean accounting procedures and auditing standards and their application in practice.

As discussed in note 29 to the consolidated financial statements, sales and purchases with related parties, including the six power generation subsidiaries, amounted to W367,148 million and W15,921,399 million, respectively, for the year ended December 31, 2004. Related receivables and payables amounted to W41,060 million and W1,340,110 million, respectively, as of December 31, 2004. In addition, the Company is providing debt guarantees to its foreign subsidiaries in amounts not exceeding US$254 million including KEPCO Ilijan Co.

The Company and its six power generation companies including Korea Hydro & Nuclear Power Co., Ltd. are jointly and severally liable for outstanding debts as of December 31, 2004 assumed by each company at the time of spin-off on April 2, 2001 under the Commercial Code of the Republic of Korea. The Company is providing joint and several liability guarantee for debts of its six power generation companies amounting to W1,101,550 million and the six power generation companies are providing such a guarantee for debts of the Company amounting to W328,103 million. In addition, the Korea Development Bank, one of the Company s major shareholders, is providing guarantees for some of the Company s foreign currency debt.

As discussed in notes 1(f), 1(w), 20 and 28 to the consolidated financial statements, in October 2004, Korea Accounting Standard Board issued Statement of Korea Accounting Standards (SKAS) No. 17 *Provision and Contingent Liability & Asset* . In January 2005, the Company decided to early adopt SKAS No. 17. Under this standard, the Company retrospectively adjusted the liability for decommissioning costs at the estimated fair value using discounted cash flows to settle the asset retirement obligations of dismantlement of the nuclear power plants, spent fuel and radioactive waste and the same amount was recognized as a utility asset. Due to the adoption of this standard, the Company re-measured the liability for decommissioning costs and reflected the cumulative effect of an accounting change up to prior year into the beginning balance of retained earnings. This accounting change, which was recorded as of January 1, 2004, resulted in an increase in its utility plant, net of W1,504,173 million, liability for decommissioning costs of W556,088 million, deferred income tax liabilities of W260,723 million and retained earnings of W687,362 million, respectively. As allowed by this standard, the 2003 financial statements were not restated. For the year ended December 31, 2004, net income increased by W107,969 million applying this new standard.

As discussed in note 1(d) to the consolidated financial statements, KEPCO China International Ltd. and Jiaozuo KEPCO Power Company Ltd. were newly included in consolidated subsidiaries during 2004.

Seoul, Korea
April 16, 2005

This report is effective as of April 16, 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 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.

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Korea Electric Power Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2003 and 2004

(In millions of Korean Won and in thousands of U.S. dollars)

	Won		U.S. dollars (note 2)
Assets	2003	2004	2004
Property, plant and equipment (notes 1, 3, 5, 17 and 31):	W71,454,684	83,000,316	$ 80,185,795
Less: accumulated depreciation	(16,875,523)	(24,008,733)	(23,194,602)
Less: construction grants	(2,758,789)	(3,182,366)	(3,074,454)
	51,820,372	55,809,217	53,916,739
Construction in-progress	9,550,651	7,516,932	7,262,035
	61,371,023	63,326,149	61,178,774
Investments and others:			
Long-term investment securities (note 6)	1,529,120	1,545,512	1,493,104
Long-term loans (note 7)	287,139	322,889	311,940
Long-term other accounts receivable, less discount on present value of W35,576 in 2003 and nil in 2004 and allowance for doubtful accounts of W16,013 in 2003 and nil in 2004 (note 21)	214,044	88	85
Deferred income tax assets	1,352,449	1,307,650	1,263,308
Currency and interest rate swaps (note 23)	131,429	314,755	304,082
Intangible assets (note 4)	515,993	611,958	591,207
Other non-current assets (notes 8 and 18)	242,094	256,571	247,870
	4,272,268	4,359,423	4,211,596
Current assets:			
Cash and cash equivalents (notes 9 and 18)	2,050,636	1,669,497	1,612,885
Trade receivables, less allowance for doubtful accounts of W33,732 in 2003 and W38,660 in 2004 (notes 18 and 29)	1,605,355	1,705,741	1,647,900
Other accounts receivable, less allowance for doubtful accounts of W14,521 in 2003 and W22,721 in 2004 and discount on present value of nil in 2003 and W14,125 in 2004 (notes 18, 21 and 29)	458,360	494,347	477,584
Short-term investment securities (note 6)	161,596	52,168	50,399
Short-term financial instruments (note 18)	119,000	158,968	153,577
Inventories (notes 5 and 10)	1,447,998	1,708,031	1,650,112
Other current assets (notes 7, 11 and 18)	241,036	179,361	173,279

	6,083,981	5,968,113	5,765,736
Total assets	W71,727,272	73,653,685	$ 71,156,106

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Korea Electric Power Corporation and Subsidiaries

Consolidated Balance Sheets, Continued

December 31, 2003 and 2004

(In millions of Korean Won and in thousands of U.S. dollars, except share data)

	Won		U.S. dollars (note 2)
Liabilities and Shareholders' Equity	2003	2004	2004
Stockholders equity:			
Common stock of W 5,000 par value Authorized - 1,200,000,000 shares Issued and outstanding - 640,748,573 shares in 2003 and 2004 (note 12)	W 3,203,743	3,203,743	$ 3,095,105
Capital surplus (notes 3 and 12)	14,544,520	14,543,916	14,050,735
Retained earnings:			
Appropriated (note 13)	17,899,939	19,554,340	18,891,257
Unappropriated	2,331,549	3,585,495	3,463,912
Capital adjustments (note 14)	(325,384)	(408,311)	(394,465)
Minority interest in consolidated subsidiaries	127,569	123,099	118,924
Total shareholders equity	37,781,936	40,602,282	39,225,468
Long-term liabilities:			
Long-term borrowings (notes 17 and 29)	15,813,509	15,072,766	14,561,652
Accrual for retirement and severance benefits, net (note 19)	635,049	886,367	856,311
Liability for decommissioning costs (note 20)	5,091,070	6,259,369	6,047,115
Reserve for self-insurance	87,926	93,352	90,186
Currency and interest rate swaps (note 23)	215,100	366,508	354,080
Deferred income tax liabilities	1,446,570	1,667,842	1,611,286
Other long-term liabilities	515,839	445,731	430,616
	23,805,063	24,791,935	23,951,246
Current liabilities:			
Trade payables (notes 18 and 29)	755,248	759,411	733,660
Other accounts payable (notes 18 and 29)	870,919	848,199	819,437
Short-term borrowings (notes 16 and 17)	210,169	413,609	399,584
Current portion of long-term debt (note 17)	6,625,916	4,227,710	4,084,349
Income tax payable	809,479	1,105,515	1,068,027
Accrued expenses (note 18)	317,868	256,218	247,530
Dividends payable (note 15)	2,324	2,501	2,416
Other current liabilities (notes 18 and 22)	548,350	646,305	624,389

	10,140,273	8,259,468	7,979,392
Total liabilities	33,945,336	33,051,403	31,930,638
Commitments and contingencies (note 30)			
Total shareholders equity and liabilities	W71,727,272	73,653,685	$ 71,156,106

See accompanying notes to consolidated financial statements.

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Korea Electric Power Corporation and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2002, 2003 and 2004

(In millions of Korean Won and in thousands of U.S. dollars, except earnings per share)

	Won			U.S. dollars (note 2)
	2002	2003	2004	2004
Operating revenues:				
Sale of electricity (note 29)	W20,406,404	21,834,288	23,346,910	$ 22,555,222
Other operating revenues	959,271	940,306	608,752	588,109
	21,365,675	22,774,594	23,955,662	23,143,331
Operating expenses (notes 24, 25 and 29):				
Power generation, transmission and distribution costs	13,405,043	14,391,644	16,533,729	15,973,074
Purchased power	1,207,381	1,383,818	1,411,131	1,363,280
Other operating costs	545,867	539,104	249,206	240,755
Selling and administrative expenses	1,160,601	1,236,230	1,294,122	1,250,239
	16,318,892	17,550,796	19,488,188	18,827,348
Operating income	5,046,783	5,223,798	4,467,474	4,315,983
Other income (expense):				
Interest income (note 31)	90,929	99,897	89,221	86,196
Interest expense (note 31)	(1,016,422)	(829,743)	(737,839)	(712,819)
Gain (loss) on foreign currency transactions and translation, net	511,950	(206,572)	866,191	836,819
Donations	(121,379)	(185,805)	(151,982)	(146,828)
Equity income of affiliates (notes 6 and 31)	94,853	96,866	130,595	126,167
Gain on disposal of investments, net	433,151	45,244	16,585	16,023
Loss on disposal of property, plant and equipment, net	(10,991)	(14,918)	(11,186)	(10,807)
Valuation gain (loss) on currency and interest rate swaps, net (note 23)	64,008	(93,490)	(169,241)	(163,502)
Other, net	77,976	(25,388)	199,971	193,188
	124,075	(1,113,909)	232,315	224,437
Ordinary income	5,170,858	4,109,889	4,699,789	4,540,420

Income taxes (note 26)	(2,103,792)	(1,763,271)	(1,795,170)	(1,734,296)
Income before minority interest	3,067,066	2,346,618	2,904,619	2,806,124
Minority interest in net income of consolidated subsidiaries	(18,961)	(23,193)	(22,097)	(21,348)
Net income	3,048,105	2,323,425	2,882,522	2,784,776
Ordinary and basic earnings per share (note 27)	4,770	3,686	4,576	4,421
Diluted earnings per share (note 27)	W 4,770	3,677	4,510	$ 4,357

See accompanying notes to consolidated financial statements.

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Korea Electric Power Corporation and Subsidiaries

Consolidated Statements of Stockholders Equity

For the years ended December 31, 2002, 2003 and 2004

(In millions of Korean Won and in thousands of U.S. dollars)

	Won					
	Common stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
Balances at January 1, 2002	W3,200,504	14,905,237	15,298,791	(43,465)	172,059	33,533,126
Net income			3,048,105			3,048,105
Dividends declared			(351,432)			(351,432)
Gain on disposal of treasury stock		(310)				(310)
Gain on disposal of subsidiary s common stock		(423,949)	423,949			
Changes in minority interests					19,620	19,620
Changes in equity interests		2,143		(2,143)		
Changes in treasury stock				7,940		7,940
Changes in unrealized losses on available-for-sale securities				(19,050)		(19,050)
Changes in unrealized losses on investments in affiliates				(51,607)		(51,607)
Changes in translation adjustments of foreign subsidiaries				(30,854)		(30,854)
Disposal of subsidiary s common stock				982	(83,606)	(82,624)
Other				224		224
Balances at December 31, 2002	3,200,504	14,483,121	18,419,413	(137,973)	108,073	36,073,138
Net income			2,323,425			2,323,425
Dividends declared			(511,350)			(511,350)
Issuance of common stock for non-cash assets	3,239	11,425				14,664
Gain on disposal of treasury stock		5,604				5,604
Issuance of convertible bond		45,171				45,171
Changes in minority interests					19,496	19,496

Changes in treasury stock				(178,710)		(178,710)
Changes in unrealized losses on available-for-sale securities				4,820		4,820
Changes in unrealized losses on investments in affiliates				4,519		4,519
Changes in translation adjustments of foreign subsidiaries				(14,968)		(14,968)
Changes in losses on valuation of derivatives				(3,072)		(3,072)
Other		(801)				(801)
Balances at December 31, 2003	W3,203,743	14,544,520	20,231,488	(325,384)	127,569	37,781,936

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Korea Electric Power Corporation and Subsidiaries

Consolidated Statements of Stockholders Equity

For the years ended December 31, 2002, 2003 and 2004

(In millions of Korean Won and in thousands of U.S. dollars)

	Won					
	Common stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
Balances at January 1, 2004	W3,203,743	14,544,520	20,231,488	(325,384)	127,569	37,781,936
Net income			2,882,522			2,882,522
Dividends declared			(661,537)			(661,537)
Cumulative effect of accounting change (note 28)			687,362			687,362
Change in capital surplus		(5)				(5)
Gain on disposal of treasury stock		(599)				(599)
Changes in treasury stock				(12,881)		(12,881)
Changes in unrealized losses on available-for-sale securities				1,140		1,140
Changes in unrealized losses on investments in affiliates				3,111		3,111
Changes in translation adjustments of foreign subsidiaries				(49,592)		(49,592)
Changes in losses on valuation of derivatives						