

English Translation of a Report Originally Issued in Korean

**Investment Report
as of 30 September 2008**

Macquarie NPS REIT

14 November 2008

TO : Ministry of Land, Transport and Maritime Affairs

We submit the attached investment report as per the Article 37 of Real Estate Investment Company Act and the Article 40 of the Enforcement Decree, etc.

Company Name: Macquarie NPS REIT
Representative Director: Jae Young Sohn
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Section 1. General condition of the company

I . Overview of the company

1) Company Name: Macquarie NPS Real Estate Investment Company

2) Incorporation Date: 19 September, 2007

3) Address: 110 Sogong-Dong, Jung-Gu, Seoul

4) The purposes of the Company:

The purpose of the Company is to invest and manage its assets by any of the following means and distribute the proceeds from the investments to shareholders in accordance with Real Estate Investment Company Act (the "Act"):

1. acquisition, management, improvement and disposition of real estate;
2. development of real estate;
3. lease of real estate;
4. sale and purchase of securities;
5. deposit of funds with financial institutions; or
6. acquisition, management and disposition of rights related to the use of real estate, including the right of superficies and leasehold rights.

5) Size of Asset and Equity:

As of 30 September 2008,

Total Asset: 223.1 (Billion KRW)

Paid Equity: 10.00 (Billion KRW)

6) Listing: Not listed

7) Duration and Dissolution of Company as per AOI

1. Duration : 10th anniversary of incorporation date

2. Events causing Dissolution :

- a) Expiration of corporate life of the Company;
- b) With a resolution of the General Shareholders' Meeting;
- c) Merger;
- d) Bankruptcy;
- e) Court order or judgment of dissolution; or
- f) Notice of revocation of approval of incorporation under Article 42 of the Act.

2. History of Company

1) History of Company

A. Incorporation and change thereafter

- | | |
|----------------------|--|
| ①. 16 August 2007 | Pre-approval from Ministry of Land, Transport and Maritime Affairs (Formerly, Ministry of Construction and Transportation) |
| ②. 7 September 2007 | |
| ③. 12 September 2007 | IPO (KRW 32,100,000,000) |
| ④. 19 September 2007 | Inaugural Meeting |
| ⑤. 21 September 2007 | Incorporation (Paid-in Capital: KRW 107,000,000,000)
Asset Management Agreement (Macquarie Real Estate Korea Ltd., formerly known as Macquarie Property Advisors Korea Ltd.),
Custodian Agreement (Kookmin Bank),
Business Trustee Agreement (KEB Investor Services),
Final-Approval from Ministry of Land, Transport and Maritime Affairs (Formerly, Ministry of Construction and Transportation) |

B. Change of Company name : N/A

C. M&A : N/A

D. Major matters occurred related to management : N/A

2) Conglomerate by which the company is controlled

A. Introduction of Conglomerate : N/A

B. List of companies in the Conglomerate : N/A

C. Regulations specified in related laws. : N/A

3. Paid-in Capital

1) Change in Share Capital

(Unit: KRW, share)

Date	Cause	Increase / Decrease			Paid Equity	
		Type	Shares	Par Value per share		Subscription Price per share
21 Sep 2007	IPO	Common	5,350,000	5,000	20,000	26,750,000,000
27 May 2008	Share reduction with distribution	Common	17,850	5,000	20,000	26,660,750,000
27 May 2008	Share reduction without distribution	Common	3,332,150	5,000	-	10,000,000,000

2) Change in Paid-in Capital: N/A

3) Payment in kind: N/A

4. Shares

1) Total shares

【as of 30 Sep 2008】

Shares to be issued	Shares issued	Remaining unissued
21,400,000	2,000,000	19,400,000

2) Shares issued

【as of 30 Sep 2008】

Type of Shares	Type	Number of Shares	Share Capital (KRW)	Par value per share
Ordinary	Common	2,000,000	10,000,000,000	5,000
Sub total		2,000,000	10,000,000,000	

3) Treasury Stock Acquisition

Not applicable

4) Stock Option

Not applicable

5. Shares with voting rights

(Unit: Shares)

Category	Shares
1. Number of ordinary shares with voting rights [a-b]	[2,000,000]
a. Issued shares	2,000,000
b. Shares without voting rights	-

Category	Shares	
2. Shares of which voting right are restricted [a+b+c+d+e]	[-]	
a. restricted by Commercial Code	-	
b. restricted by Securities and Exchange Act	-	
c. restricted by Monopoly Regulation and Fair Trade Act	-	
d. restricted by Real Estate Investment Company Act	-	
e. restricted by other laws	-	
3. Shares of which voting right are restored	[2,000,000]	
Number of shares with voting rights [1-2+3]	[2,000,000]	

6. Dividend

1) Dividend Payment Method

The Company plans to pay, in principle, 100% of the distributable income of each fiscal year as dividend in cash. Actual dividend amount will be decided by the resolution of the general meeting of shareholders pursuant to the Commercial Code.

The Company will operate for ten years from September 19, 2007 (inception). The ordinary fiscal periods of the Company are from April 1 and October 1 to September 30 and March 31, respectively. However, the first fiscal period of the Company is from September 19, 2007 (inception) to March 31, 2008

Dividend is paid to the shareholders of the Company who are legally registered in the shareholders registry at the end of each fiscal year. M NPS REIT plans to pay dividend within one month from the date of approval by the general meeting of shareholders unless the dividend payment will be made in some other date followed by the decision from general shareholder's meeting.

2) Dividend Payment for the recent 5 fiscal years

[Par value per share: KRW 5,000]

(Unit: thousand KRW, %)

Category	FY 1	FY 2
Net Income	1,865,702	2,445,879
Earning per share	349	809
Distributable Income	3,401,608	3,981,786
Dividend in total	3,401,608	3,981,786
Payout Ratio	182.32	162.80
Dividend Rate	3.18	3.73
Annualized Dividend Rate	5.95	7.44

- Distributable Income : Net Income - Legal Reserves – Carry Forwarded Loss - Amortization of stock issuance costs

- Payout Ratio : Total Dividend / Net Income
- Dividend Rate : “Dividend in total / [(beginning paid-in capital + ending paid-in capital)/2]”
- Annualized Dividend Rate : Dividend Rate x 365 / Operating Periods

Section 2. Asset composition and details of changes

I . Total Asset Composition

1. Real Estate Investment Company

1) Total Asset Composition (all assets included)

(Unit: million KRW, %)

	Items	Preceding FY		Current FY		% of Total Asset	
		Total Amount	%	Total Amount	%		
Corporate Restructuring Real Estate	Property and Equipment	217,779	97.11	216,243	96.92	96.92	96.92
	Property Use Rights including the right of superficies, the right of leases	-	-	-	-	-	
	Real Estate Development Projects	-	-	-	-	-	
Other Real Estate	Property and Equipment	-	-	-	-	-	
	Property Use Rights including the right of superficies, the right of leases	-	-	-	-	-	
	Real Estate Development Projects	-	-	-	-	-	
Real Estate Related Securities		-	-	-	-	-	
Marketable Securities		-	-	-	-	-	
Deposits at Financial Institutions		6,463	2.88	6,764	3.03	3.03	
Other Assets		28	0.01	104	0.05	0.05	
Total Asset	Stock Owner's Equity	108,746	48.49	107,433	48.15	48.15	100.0
	Liabilities	115,524	51.51	115,678	51.85	51.85	

* Asset value is represented pursuant to the article 27 of Enforcement Decree of REIT Act, not from book value.

2) Total Asset Composition (excluding paid-in capital and subscription capital at the time of incorporation)

(Unit: million KRW, %)

Items		Preceding FY		Current FY		% of Total Asset	
		Total Amount	%	Total Amount	%		
Corporate Restructuring Real Estate	Property and Equipment	217,779	97.11	216,243	96.92	96.92	96.92
	Property Use Rights including the right of superficies, the right of leases	-	-	-	-	-	
	Real Estate Development Projects	-	-	-	-	-	
Other Real Estate	Property and Equipment	-	-	-	-	-	
	Property Use Rights including the right of superficies, the right of leases	-	-	-	-	-	
	Real Estate Development Projects	-	-	-	-	-	
Real Estate Related Securities		-	-	-	-	-	
Marketable Securities		-	-	-	-	-	
Deposits at Financial Institutions		6,463	2.88	6,764	3.03	3.03	
Other Assets		28	0.01	104	0.05	0.05	
① Total Asset	Stock Owner's Equity	108,746	48.49	107,433	48.15	48.15	100.0
	Liabilities	115,524	51.51	115,678	51.85	51.85	

3) Status of assets purchased with funds from the paid-in capital at the time of incorporation

Not applicable

4) Status of assets purchased with funds from the newly-paid-in capital after the incorporation

Not applicable

II. Change in Total Assets

1. Real Estate Transaction

(Unit: thousand KRW)

Building	Location	Purpose	Asset Type	Purchase Price
ING Center	53 Sunwha-dong, Jung-gu, Seoul	Office	Land/Building	156,544,163
RS Building	60 Yangpyung-dong -3ga, Youngdeungpo-gu, Seoul	Office	Land/ Building	62,771,072
Total Asset Value				219,315,235

2. Marketable Securities Transaction related to real estate

Not applicable

3. Marketable Securities

Not applicable

4. Cash/Cash Equivalent in Financial Institutions

(Unit: million KRW)

Financial Institutions	Kind	Interest	Current balance
Kookmin Bank	MMDA	4.50%	4,364
Kookmin Bank	Time Deposit	5.80%	2,400
Total			6,764

Section 3. Status of each properties under management

I . Status of each property under management; Present condition, price, rent and primary lessees for each real estate held

1. Overview of portfolio

Name	Location	Construction Completed Year	Acquisition Date	Interest bearing Debt and Mortgage
ING Center	53 Sunwha-dong, Jung-gu, Seoul	2006	1 Oct 2007	Interest bearing Debt : 8,732 KRW Million Total of Kun-Mortgage : 97,500 KRW Million
RS Building	60 Yangpyung-dong - 3ga, Youngdeungpo-gu, Seoul	1996	1 Oct 2007	Interest bearing Debt : 1,043 KRW Million Total of Kun-Mortgage : 39,000 KRW Million

* Total Kun-Mortgage amount is related to the interest bearing debt and lease key money deposits from tenants.

2. Price of each portfolio

(Unit: KRW million)

Portfolio	Acquisition amount		Capital expenditures		Revaluation gain/loss		Property Value			Cumulative Depreciation	Book Value
	Land	Building	Land	Building	Land	Building	Land	Building	Total		
ING Center	66,284	90,261	-	-	-	-	66,284	90,261	156,544	2,257	154,287
RS Building	30,159	32,612	-	-	-	-	30,159	32,612	62,771	815	61,956
Total	96,443	122,873	-	-	-	-	96,443	122,873	219,315	3,072	216,243

3. Lease status

Portfolio	Gross Leasable Area(m ²)	Leased Area(m ²)	Occupancy Rate (%)	Annual Rent (KRW million)	Number of Lease Contracts	Average annual rent per m ² (1,000 KRW)
ING Center	34,173	34,173	100.00	8,254	5 (ING Life etc.)	242
RS Building	21,415	21,415	100.00	4,281	1 (Renault Samsung Automotive)	200
Sub total	55,588	55,588	100.00	12,628	6	227

II. Matters relating to development of real estate

Not applicable

Section 4. Total income amount, income structure and yield
(From 01 Apr 2008 to 30 Sep 2008)

I . Total Income Amount and Income Structure

1. Income amount by investment assets

Category		Amount (in KRW million)	% of total income	Notes
Real Estate	Rental Income	6,573	74.63	
	Income/Loss from Sale	-	-	
	Other Income related to Real Estate	2,096	23.80	
Marketable Securities	Income/Loss from Sale	-	-	
	Revaluation Income/Loss	-	-	
	Interest Income/ Dividend	-	-	
Other Income		138	1.57	
Total Income		8,807	100.00	

II . Income by Sector

1. Real Estate

1) Rental Income from Real Estate

	Rental Income (in KRW million)	% of Total Income	Notes
ING Center	4,483	68.20	
RS Building	2,090	31.80	
Total	6,573	100.00	

2) Income/ Loss from Sale of Real Estate

No incomes or losses from the sale of real estate properties have been incurred during this quarter.

3) Other Income related to Real Estate

	Other Income (in KRW million)	% of Total Income	Notes
ING Center	2,096	100.00	
RS Building	-	-	
Total	2,096	100.00	

* Other Income related to Real Estate: CAM, Parking Income, Tenant Reimbursement and Other Operating Revenue

2. Marketable Securities

No transaction incurred during this quarter

3. Other Income

Category	Amount (in KRW million)	%	Notes
Interest income	127	92.03	
Miscellaneous	11	7.97	
Other Income Total	138	100.00	

III. Return on Equity

(Unit: %)

Category	2 nd Quarter of FY 2	1 st Quarter of FY 2	2 nd Quarter of FY 1	1 st Quarter of FY 1
Company (A)	4.63	4.90	3.52	4.49
Industry Average (B)	-	-	-	-
Excess in Rate of Return	-	-	-	-

*Return on Equity: Net Income / Average Paid-in Capital

※Return on Equity represents an annualized accounting return on Equity. The calculation is shown as below.

$$1^{\text{st}} \text{ Quarter return on Equity} = \{1 + (\text{Net Income of the } 1^{\text{st}} \text{ Quarter} / [\text{Average Paid-in Capital}])\}^4 - 1$$

$$2^{\text{nd}} \text{ Quarter return on Equity} = \{1 + (\text{Net Income of the } 1^{\text{st}} \text{ Half} / [\text{Average Paid-in Capital}])\}^2 - 1$$

$$3^{\text{rd}} \text{ Quarter return on Equity} = \{1 + (\text{Net Income during } 1^{\text{st}} \text{ Quarter to } 3^{\text{rd}} \text{ Quarter} / [\text{Average Paid-in Capital}])\}^{4/3} - 1$$

$$4^{\text{th}} \text{ Quarter return on Equity} = (\text{Net Income of the year} / [\text{Average Paid-in Capital}])$$

Section 5. Matters relating to expense including expenditure of real estate business, etc.
(From 01 Apr 2008 to 30 Sep 2008)

I . Total Operating Expenses

1) On-site Property Operating Expenses

Items	ING Center (in KRW million)	RS Building (in KRW million)
Property Administration Expenses	48	0
Facility Maintenance Fees	409	0
Utility Expenses	416	0
Repairs and Maintenance	4	0
Local Tax and Dues	125	0
Professional Service Fee	15	0
Sub Total	1,017	0

2) General Operating Expenses

Items	ING Center (in KRW million)	RS Building (in KRW million)
Remuneration to officers	3	1
Depreciation Costs	1,128	408
National Tax and Dues	19	3
Professional Fee	20	8
Other Costs	3	0
Sub Total	1,173	420

* Specific professional trustee fees not shown in the above table. Refer to **II. Professional Trustee Fees** table below for details.

II. Professional Trustee Fees

	Entrusted Duties	Entrusted Company	Fees
Asset Management	Acquisition, management, remodeling and disposal of real estate; Development and lease of real estate; Sale and purchase of securities; Deposit to financial institutions; and Acquisition, management and disposal of rights to use the real estate.	Macquarie Real Estate Korea	Note 1)
Asset Custody	Custody of real estate; Custody and management of securities; and Custody and management of cash.	Kookmin Bank	0.02% of the purchase price per annum
Administration	Duties regarding alternation in shareholders' registry; Duties regarding issuance of shares; Duties regarding operation and calculation; Duties regarding report, public disclosure, personal notice and public notice; and Duties for convening and holding of BOD meetings and general meetings of shareholders.	KEB Investor Service	0.015% of the purchase price per annum
Distributor	Underwriting and offering of shares; and Allocation of shares and public notice.	Samsung Securities Co., Ltd.	100 million KRW

Note 1)

Classification	Servicing Fee
Acquisition Fee	0.7% of the acquisition price, but 1.5% of the acquisition price applies to ING Centre and RS Building
Basic AM Fee	1 st FY : 0% 2 nd FY ~ 20 th FY are as follows : - Applicable Rate I (per annum) for Non-Recourse Lease Property (ING Centre) * : 0.5% of Acquisition price - Applicable Rate II (per annum) for Lease Property with Recourse (RS Building) ** : 0.35% of Acquisition price
Incentive AM Fee	(distributable income before incentive asset management fee – Target Distribution Amount) x 15%
Disposition fee	Disposition Price x 0.7%
Incentive Disposition Fee	(Disposition Price - Acquisition Price - sum of capital expenditures (if only part of the Asset is disposed of, the amount of the sum allotted to such part being disposed of)) x 10%

* Non-recourse Lease Property: the Asset other than the Lease Property with Recourse.

** Lease Property with Recourse: the Asset for which a single lessee (i) assumes direct responsibility for at least 80% of the entire leasable premises (in terms of rents and property management) and (ii) accounts for not less than 80% of the aggregate rents for the entire Property.

Section 6. Matters relating to borrowing

I . Borrowing

(Unit: million KRW)

Category	Begin	Increase	Pay-off	Outstanding	Note
Assumption of Long-term borrowings mortgaged to the property	105,000	-	-	105,000	
National Housing Fund	-	-	-	-	
Borrowing for the stock refund, etc.	-	-	-	-	

II . Borrowing Sources, etc.

(Unit: KRW, %)

Borrowing	Draw-down	Borrowing Principal	Interest	Category	Amortization	Outstanding amount
National Pension Service	01 Oct 2007	73,500,000,000	5.90%	Long-term	Lump sum repayment at maturity	73,500,000,000
Kyobo Life Insurance	01 Oct 2007	31,500,000,000	5.90%	Long-term	Lump sum repayment at maturity	31,500,000,000
Total		116,420,000,000				105,000,000,000

Section 7. Shareholder structure and present condition of primary shareholders

I . Present condition of securities possession; (Applicable only to investment reports which are prepared at each fiscal year end);

1. Largest Shareholder and its special-related-parties

【as of 30 Sep 2008】

Name	Relation	Stock	Number of shares (%)				Note
			Beginning	Increase	Decrease	Outstanding	
National Pension Service	Largest Shareholder	Ordinary	1,799,639 (89.98%)	-	-	1,799,639 (89.98%)	
Sub total			1,799,639 (89.98%)	-	-	1,799,639 (89.98%)	

2. Important Shareholders (3% or more)

【as of 30 Sep 2008】

	Shareholders	Type of Stock	No. of Stock owned	Ratio (%)	Note
1	Macquarie Bank Limited	Common Stock	200,361	10.02	
Total			200,361	10.02	

3. Distribution of shareholders – Small, Largest, Other shareholders

Category	No. of Shareholders	Ratio (%)	No. of Stock owned	Ratio (%)	Note
Largest Shareholder	1	50.00	1,799,639	89.98	
Major Shareholder	1	50.00	200,361	10.02	
Small Shareholder	-	-	-	-	
- Individuals	-	-	-	-	
- Corporate	-	-	-	-	
Total	2	100.00	2,000,000	100.00	

4. Stock Administration

Fiscal year Ending Date	31 March, 30 September	Shareholders' meeting	June, December

Kind of share certificate	1share-note, 5 share-note, 10share-note, 50share-note, 100share-note, 500share-note, 1,000share-note, 10,000share-note	Public notices	Money Today
		Stock Transfer Agent	KEB Investor Services

II. State of stock price change

Not applicable for M NPS REIT as it is unlisted.

Section 8. Summarized balance sheet and income statement

I .Principles of B/S

1. Current Assets

(1)Accrued income:

Accrued income includes interest income receivable as of the end of this quarter.

(2)Account Receivables:

Account Receivables include rental income receivable as of the end of this quarter.

(3)Prepaid Expenses:

Prepaid Expenses include insurance premium paid less cumulatively expensed amortization of premium amount.

(4) Short-term financial instruments:

Short-term financial instruments include short-term time deposits and the money market deposits part of which are restricted.

2. Property:

Property investments include land, building, plant and equipment. The applied useful lives for buildings and equipments are 40 years and 10 years consecutively.

3. Current Liabilities:

Current liabilities represent account payables and accrued expenses incurred by the real estate holdings.

4. Long-Term Liabilities:

Long-term liabilities represent rental deposits and long-term borrowings.

5. Shareholders' Equity :

Common stock represents paid-in capital as of the end of this Fiscal Year. And the underwriting fees paid to securities company at the time of IPO is deducted from the Capital Surplus.

II. Violations of Korean GAAP

Not applicable

III. Other Recommendations

Not applicable

IV. Balance Sheets

	<u>Korean Won</u>	
	<u>2008.9.30</u>	<u>2008.3.31</u>
<u>ASSETS</u>	(In thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	₩ 4,363,856	₩ 6,462,956
Short-term financial instruments	2,400,000	-
Accrued income	62,378	13,313
Prepaid expenses	30,641	14,570
Advanced payments	-	240
Prepaid income tax	<u>10,846</u>	<u>-</u>
	<u>6,867,721</u>	<u>6,491,079</u>
NON-CURRENT ASSETS:		
Properties (Notes 3, 4 ,5 and 6):		
Land	96,442,712	96,442,712
Building	122,872,523	122,872,523
Less: Accumulated depreciation	<u>(3,071,813)</u>	<u>(1,535,907)</u>
	<u>216,243,422</u>	<u>217,779,328</u>
TOTAL ASSETS	<u>₩ 223,111,143</u>	<u>₩ 224,270,407</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Other accounts payable	₩ 160,574	₩ 13,000
Accrued expenses	1,580,005	1,651,032
Advanced receipts	20,192	31,117
VAT payables	<u>390,312</u>	<u>318,378</u>
	<u>2,151,083</u>	<u>2,013,527</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings (Notes 5, 6 ,7 and 11)	105,000,000	105,000,000
Leasehold deposits (Notes 6)	<u>8,527,184</u>	<u>8,510,438</u>
	<u>113,527,184</u>	<u>113,510,438</u>
Total Liabilities	<u>115,678,267</u>	<u>115,523,965</u>

SHAREHOLDERS' EQUITY

Common stock (Note 8)	₩ 10,000,000	₩ 26,750,000
Capital surplus (Note 8)	96,522,903	80,130,740
Retained earnings before appropriations	<u>909,973</u>	<u>1,865,702</u>
Total Shareholders' Equity	<u>107,432,876</u>	<u>108,746,442</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 223,111,143</u>	<u>₩ 224,270,407</u>

V. Income Statements

	Korean Won	
	<u>2008.9.30</u>	<u>2008.3.31</u>
	(In thousands, except per share amounts)	
OPERATING REVENUE:		
Rental income (Notes 11)	₩ 6,572,848	₩ 5,671,588
Common area maintenance income	1,890,326	1,839,345
Parking income	61,462	40,855
Other operating revenue	<u>144,862</u>	<u>111,812</u>
	<u>8,669,498</u>	<u>7,663,600</u>
OPERATING EXPENSES:		
Real estate expenses:		
Property management expenses (Note 13)	48,000	48,000
Facility management fees (Note 13)	409,028	425,502
Utilities	416,315	323,917
Maintenance and repairs	3,740	3,240
Local taxes and dues	125,039	118,847
Insurance	<u>14,570</u>	<u>29,084</u>
	<u>1,016,692</u>	<u>948,590</u>
Fund operating expenses:		
Remuneration to officers	3,600	3,600
Depreciation (Note 4)	1,535,906	1,535,907
Asset management fees (Note 13)	481,315	-
Incentive asset management fees (Note 13)	128,149	-
Asset custodian fees (Note 13)	21,058	21,058
Business trust fees (Note 13)	15,793	15,793
National taxes and dues	21,350	36,027
Organization costs	-	154,639
Commission expense	28,466	16,200
Other operating expenses	<u>3,031</u>	<u>-</u>
	<u>2,238,668</u>	<u>1,783,224</u>
	<u>3,255,360</u>	<u>2,731,814</u>
OPERATING INCOME	<u>5,414,138</u>	<u>4,931,786</u>
NON-OPERATING INCOME:		
Interest income	126,538	215,616
Other income	<u>11,194</u>	<u>-</u>
	<u>137,732</u>	<u>215,616</u>
NON-OPERATING EXPENSES:		
Interest expense (Note 12)	3,105,986	3,277,474
Other expenses	<u>5</u>	<u>4,226</u>
	<u>3,105,991</u>	<u>3,281,700</u>

INCOME BEFORE INCOME TAX	2,445,879	1,865,702
INCOME TAX EXPENSE (Note 10)	<u>-</u>	<u>-</u>
NET INCOME	<u>₩ 2,445,879</u>	<u>₩ 1,865,702</u>
NET INCOME PER SHARE (Note 15)	<u>₩ 809</u>	<u>₩ 349</u>

VI. Statements of Appropriations of Retained Earnings (Annually)

	<u>Korean Won</u>	
	<u>2008.9.30</u>	<u>2008.3.31</u>
	(In thousands, except per share amounts)	
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Retained earnings carried forward from prior years	₩ (1,535,906)	₩ -
Net income	<u>2,445,879</u>	<u>1,865,702</u>
	909,973	1,865,702
APPROPRIATION		
Cash dividends(Note 9)	<u>3,981,786</u>	<u>3,401,608</u>
UNDISPOSED ACCUMULATED DEFICIT TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	<u>₩ (3,071,813)</u>	<u>₩ (1,535,906)</u>

VII. Statements of Cash flows (Annually)

	<u>Korean Won</u>	
	<u>2008.9.30</u>	<u>2008.3.31</u>
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 2,445,879	₩ 1,865,702
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,535,906	1,535,907
Increase in accrued income	(49,064)	(13,313)
Decrease(Increase) in advanced payments	240	(240)
Increase in prepaid expenses	(16,071)	(14,570)
Increase in prepaid income tax	(10,846)	-
Decrease in other accounts payable	147,574	13,000
Increase(Decrease) in accrued expenses	(71,027)	1,651,032
Increase(Decrease) in advanced receipts	(10,925)	31,117
Increase in VAT payables	71,934	318,378
	<u>1,597,721</u>	<u>3,521,311</u>
	<u>4,043,600</u>	<u>5,387,013</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash outflows for investing activities:		
Acquisition of short-term financial instruments	2,400,000	-
Acquisition of land	-	96,442,712
Acquisition of building	-	122,872,523
	<u>2,400,000</u>	<u>219,315,235</u>
	<u>(2,400,000)</u>	<u>(219,315,235)</u>

CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities:		
Increase in leasehold deposits	16,745	8,510,438
Proceed from borrowings	-	116,420,000
Issuance of stock	-	106,880,740
	<u>16,745</u>	<u>231,811,178</u>
Cash outflows for financing activities:		
Repayment of short-term borrowings	-	11,420,000
Payment of dividends	3,401,608	-
Capital reduction with refund	357,837	-
	<u>3,759,445</u>	<u>11,420,000</u>
	<u>(3,742,700)</u>	<u>220,391,178</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,099,100)	6,462,956
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>6,462,956</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 4,363,856</u>	<u>₩ 6,462,956</u>

VIII. Notes to Current Fiscal Year's Financial Statements

1. GENERAL:

Macquarie NPS Real Estate Investment Company (the "Company") was incorporated on September 19, 2007 and was approved as a REIT Company by the Ministry of Land, Transport and Maritime Affairs in Korea on September 21, 2007 under the Real Estate Investment Company Act (the "Act") of the Republic of Korea. The main business purpose of the Company is to distribute the profits of the Company to its shareholders, which are generated from the income earned from acquisition, development, management, refurbishment and disposition of real estate and others.

The head office of the Company is located in Sokong-dong Chung-gu Seoul in Korea. As of September 30, 2008, National Pension Service, the largest shareholder of the Company, owned 1,799,639 shares (89.98% of the total shares as of September 30, 2008).

The Company will operate for ten years from September 19, 2007 (inception). The ordinary fiscal periods of the Company are from April 1 and October 1 to September 30 and March 31, respectively. However, the first fiscal period of the Company is from September 19, 2007 (inception) to March 31, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations and cash flows, is not presented in the accompanying financial statements.

The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below.

Revenue Recognition

Revenue is recognized as either rental income or administrative income depending on the nature of transaction.

Cash and Cash Equivalents

Cash equivalents are highly liquid investment and short-term financial instruments, with original maturities of three months or less, which are readily convertible without significant transaction cost or risk of changes in interest rates.

Properties

Tangible assets are stated at cost, net of accumulated depreciation. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful life of the facilities involved are treated as additions to property investments. The Company charges all interest expense in current operations.

Depreciation is computed using the straight-line method over the following economic useful lives as follows:

Category	Useful lives (Years)
Building	40

Income Tax Expense and Deferred Income Taxes

The Company recognizes deferred income tax arising from temporary differences between pretax accounting income and taxable income. Accordingly, income tax expense consists of the total income tax and surtaxes currently payable and the changes in deferred income tax assets or liabilities during the period. The deferred income tax assets or liabilities will be charged or credited to income tax expense in the period each temporary difference reversed in the future. Deferred income taxes are recalculated based on the actual tax rate in effect at each balance sheet date. Also, deferred income tax assets (liabilities) are classified to current and non-current in accordance with the classification of the related assets (liabilities) for financial reporting, and are offset if deferred income tax assets and liabilities relate to income tax levied by the same tax jurisdiction.

3. PUBLISHED PRICE OF LAND:

As of September 30, 2008, the published tax assessment value of the Company's land as announced by the Office of National Tax Administration is as follows (In thousands):

Land location	Area(m ²)	Book value	Published price
#53, Sunhwa-dong, Jung-gu, Seoul, Korea	2,732.2	₩ 66,283,560	₩ 16,584,454
#60, 3rd Street, Yangpyung-dong, Youngdeungpo-gu, Seoul, Korea	3,562.0	30,159,152	10,507,900
Sub Total	6,294.2	₩ 96,442,712	₩ 27,092,354

4. PROPERTIES:

The changes in properties for the six months ended September 30, 2008 are as follows (In thousands):

	Beginning of period	Acquisition	Depreciation	End of period
Land	₩ 96,442,712	₩ -	₩ -	₩ 96,442,712

Building	<u>121,336,616</u>	<u>-</u>	<u>(1,535,906)</u>	<u>110,800,710</u>
	<u>₩ 217,779,328</u>	<u>₩ -</u>	<u>₩ (1,535,906)</u>	<u>₩ 216,243,422</u>

The changes in properties for the period from September 19, 2007 (Inception) to March 31, 2008 are as follows (In thousands):

	<u>Beginning of period</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>End of period</u>
Land	₩ -	₩ 96,442,712	₩ -	₩ 96,442,712
Building	-	<u>122,872,523</u>	<u>(1,535,907)</u>	<u>121,336,616</u>
	<u>₩ -</u>	<u>₩ 219,315,235</u>	<u>₩ (1,535,907)</u>	<u>₩ 217,779,328</u>

5. INSURED ASSETS:

As of September 30, 2008, the Company carries the following insurance policies:

<u>Type of Insurance</u>	<u>Object</u>	<u>Coverage</u> (In thousands)	<u>Company</u>
Package insurance (*) (ING Building)	Building	₩ 67,491,122	Hyundai Fire & Marine Insurance Co., Ltd.
	Business interruption	₩ 10,583,000	Hyundai Fire & Marine Insurance Co., Ltd.
	General liability	US\$ 5,000,000 per Each occurrence and others	Hyundai Fire & Marine Insurance Co., Ltd.
	Gas	₩ 40,000	Seoul Guarantee Insurance
Package insurance (Renault Samsung Building)	Building	₩ 30,589,463	Samsung Fire & Marine Insurance Co., Ltd.
	Business interruption	₩ 5,500,000	Samsung Fire & Marine Insurance Co., Ltd.
	General liability	US\$ 1,000,000 per Each occurrence and others	Samsung Fire & Marine Insurance Co., Ltd.

(*)Related to long-term borrowings, insurance coverage amounting to ₩136,500 million was provided as collateral to the related lenders.

6. COLLATERALIZED ASSETS:

The properties are pledged as security to its lenders and tenants as of September 30, 2008 as follows:

<u>Provided to</u>	<u>Collateralized assets</u>	<u>Collateralized amounts</u> (In thousands)	<u>Related liabilities</u>
ING Life Insurance Co., Ltd. National Pension Service Kyobo Life Insurance Co., Ltd.	#53, Sunhwa-dong, Jung-gu, Seoul, Korea	₩ 8,731,957 68,250,000 29,250,000	Leasehold deposits Long-term borrowings Long-term borrowings
Renault Samsung Motors Co., Ltd. National Pension Service Kyobo Life Insurance Co., Ltd.	#60, 3rd Street, Yangpyung-dong, Youngdeungpo-gu, Seoul, Korea	1,042,773 27,300,000 11,700,000	Leasehold deposits Long-term borrowings Long-term borrowings

7. LONG-TERM BORROWINGS:

Long-term borrowings as of September 30, 2008 consist of the following:

Creditor	Korean Won (In thousands)	Annual interest rate (%)	Maturity
National Pension Service	₩ 73,500,000	5.90	October 1, 2012
Kyobo Life Insurance Co., Ltd.	₩ 31,500,000	5.90	October 1, 2012
	₩ 105,000,000		

8. SHAREHOLDERS' EQUITY:

i. Capital stock

<u>Description</u>	<u>Number of authorized shares</u>	<u>Par value</u>	<u>Number of outstanding shares</u>	<u>Korean Won (In thousands)</u>
2008. 9.30	21,400,000	₩ 5,000	2,000,000	₩ 10,000,000
2008. 3.31	21,400,000	₩ 5,000	5,350,000	₩ 26,750,000

According to the resolution of the board of directions on April 4, 2008, the Company has reduced its capital stock by cash payment amounting to ₩357,000 thousand (17,850 shares) from savings in its initial organization expenses and has reduced by 3,332,150 shares without compensation on May 27, 2008.

ii. Capital surplus

The company's capital surplus as September 30 2008, are as follows.

<u>Division</u>	<u>Korean Won(In thousands)</u>	<u>Notes</u>
Paid-in capital in excess of par value	₩ 80,130,740	The amount of occurred in excess of premium when issued new bond.
Gain on capital reduction	16,392,163	The amount of occurred by reduction of capital stock with and without refund.
	₩ 96,522,903	

This capital surplus can only be used for transfer to capital or offset against deficit.

9. DIVIDENDS:

(1) Dividends and dividends to net income ratio for the six months ended September 30, 2008 and for the period from September 19, 2007 (inception) to March 31, 2007 consist of the follows:

	<u>Korean Won (In thousands)</u>	
	2008.9.30	2008.3.31
Outstanding shares	2,000,000 shares	5,350,000 shares
Par value	₩5,000	₩5,000
Dividends (In thousand won)	₩3,981,786	₩3,401,608
Dividend per share	₩1,991	₩636
Dividend ratio (Par value)	39.82%	12.72%

(2) Pay-out ratio for the six months ended September 30, 2008 and for the period from September 19, 2007 (inception) to March 31, 2007 consists of the follows:

Korean Won (In thousands)

	<u>2008.9.30</u>	<u>2008.3.31</u>
Dividends	₩ 3,981,786	₩ 3,401,608
Net income	₩ 2,445,879	₩ 1,865,702
Pay-out ratio	162.80%	182.32%

The Company can pay dividend in excess of its profit under article 28(3) of the Real Estate Investment Company Act and article 32 of the Enforcement Decree of Real Estate Investment Company Act. The board of directors of the Company will decide excess dividend amount considering net income, taxable income, capital expenditure plan and cash balance available for dividends.

10. INCOME TAX EXPENSE:

Income tax expense for the period from April 1, 2008 to September 30, 2008 and for the period from September 19, 2007 (inception) to March 31, 2007 consists of the following:

	<u>Korean Won (In thousands)</u>	
	<u>2008.9.30</u>	<u>2008.3.31</u>
Income tax currently payable	₩ -	₩ -
Change in deferred income tax liabilities	-	-
Income tax expense	<u>₩ -</u>	<u>₩ -</u>

Changes in cumulative temporary differences for the period from April 1, 2008 to September 30, 2008 are as follows (In thousands):

<u>Account</u>	<u>Beginning of period</u>	<u>Increase</u>	<u>Decrease</u>	<u>2008. 9. 30</u>
Accrued income	₩ (13,313)	₩ (62,377)	₩ (13,313)	₩ (62,377)
Accrued expenses	<u>69,675</u>	<u>-</u>	<u>69,675</u>	<u>-</u>
Total	₩ 56,362	₩ (62,377)	₩ 56,362	₩ (62,377)
Income tax rate	<u>27.5%</u>			<u>27.5%</u>
Deferred income tax asset	<u>₩ -</u>			<u>₩ -</u>

Changes in cumulative temporary differences for the period from September 19, 2007 (inception) to March 31, 2008 are as follows (In thousands):

<u>Account</u>	<u>Beginning of period</u>	<u>Increase</u>	<u>Decrease</u>	<u>2008. 3. 31</u>
Accrued income	₩ -	₩ (13,133)	₩ -	₩ (13,133)
Accrued expenses	<u>-</u>	<u>69,675</u>	<u>-</u>	<u>69,675</u>
Total	<u>-</u>	<u>₩ 56,362</u>	<u>₩ -</u>	<u>₩ 56,362</u>
Income tax rate	<u>27.5%</u>			<u>27.5%</u>
Deferred income tax asset	<u>₩ -</u>			<u>₩ -</u>

The Company can pay dividend in excess of its profit under article 28(3) of the Real Estate Investment Company Act and article 32 of the Enforcement Decree of Real Estate Investment Company Act. The board of directors of the Company will decide excess dividend amount considering net income, taxable income, capital expenditure plan and cash balance available for dividends. Therefore, the Company estimated that no income tax will be incurred and did not recognize deferred income tax asset (liability).

The income tax rate applicable to the Company is 27.5% (resident tax included) for the six month ended September 30, 2008. However, according to the Corporate Income Tax Law, if the Company distributes more than 90% of income available for dividend, the amount is exempted from the income tax. The effective tax rate for the six month ended September 30, 2008 was not calculated as the Company has not incurred any income tax expense in 2008.

11. RENTAL INCOME:

The Company determines the rental period and rental income with each tenant based on rental contract. In addition, the Company doesn't calculate the rental income in the future because the rental fee is generally increased considering the consumer price.

12. RELATED PARTY TRANSACTIONS:

- i. The significant transactions with related parties for the six months ended September 30, 2008 and for the period from September 19, 2007 (inception) to March 31, 2008 are summarized below.

	<u>Korean Won (In thousands)</u>	
	<u>2008.9.30</u>	<u>2008.3.31</u>
National Pension Service:		
Interest expense	<u>₩ 2,174,190</u>	<u>₩ 2,174,190</u>

- ii. The related account balances with related parties as of September 30, 2008 and March 31, 2008 are summarized below.

	<u>Korean Won (In thousands)</u>	
	<u>2008.9.30</u>	<u>2008.3.31</u>
National Pension Service:		
Long-term borrowings	<u>₩ 73,500,000</u>	<u>₩ 73,500,000</u>

13. COMMITMENTS:

As of September 30, 2008, the principal commitments of the Company are as follows:

(1) Asset Management Contract

The Company entered into an asset management contract with Macquarie Real Estate Korea Ltd., (the "MREK", formerly known as Macquarie Property Advisors Korea Ltd.) in relation to investment of real estate, securities and financial instruments for the Company and, managements, disposal, development and rental of real estate for the Company. According to this contract, the Company shall pay fee to MREK, which shall be calculated by applying the rate as agreed between the Company and MREK and shall be payable to MREK for each fiscal year in arrears.

Basic Asset Management fee

- (a) The Monthly Basic AM Fee shall be paid in arrears by the 10th day of the month immediately following the month when the basic asset management fee has accrued.
- (b) Basic Asset Management Fee = (Aggregate Acquisition Price of the Non-Recourse Lease Property X applicable rate I) + (Aggregate Acquisition Price of the Lease Property with Recourse X applicable rate II)
- (c) Applicable Rates:

<u>Aggregate acquisition price (In millions)</u>	<u>Applicable rate I (per annum) for non-recourse lease property (%)</u>	<u>Applicable rate II (per annum) for lease property with recourse (%)</u>
Under ₩ 500,000	0.5	0.35
500,000~1,000,000	0.475	0.325
Over ₩1,000,000	0.45	0.3

Incentive Asset Management fee

- (a) The incentive asset management fee shall accrue for a term of two (2) consecutive settlement periods (i.e., one odd numbered settlement period and the following even numbered settlement period) and payable

within ten (10) days from the general meeting of shareholders held with respect to the even numbered settlement period. (The incentive asset management fee with respect to the non-recourse lease property is calculated based on the formula below, with limit of 0.4 percent of the acquisition price.)

(b) Incentive Asset Management Fee = 15% x (Distributable income before incentive asset management fee – target distribution amount)

(c) With the contract calculated incentive asset management fee is 128,149 thousands.

Disposition fee

(a) The Company shall pay the disposition fee to the AMC within ten (10) days from the general meeting of shareholders of the Company approving the audit report for the settlement period during which the relevant asset was disposed.

(b) The disposition fee is calculated as follows:

<u>Disposition price (In millions)</u>	<u>Applicable rate (%)</u>
Under ₩ 300,000	0.7
300,000 ~500,000	0.6
Over ₩ 500,000	0.5

Incentive disposition fee

(a) The incentive disposition fee shall be paid together with the disposition fee.

(b) The incentive disposition fee is calculated below; however, there is no incentive disposition fee for the disposition of the lease property with recourse.

Incentive Disposition Fee = 10% x (Disposition price – acquisition price –sum of capital expenditures (if only part of the asset is disposed of, the amount of the sum allocated to such part being disposed of) (the “base amount”))

(2) Business Trust Contract

The Company entered into a contract with KEB Investor Service for the purpose of recording the changes in shareholders, issuance of stock and general administration of the Company. According to the contract, the Company shall pay quarterly commission of 0.015% p.a. of total assets.

(3) Asset Custodian Contract

The Company shall pay Kookmin Bank a quarterly commission of 0.02% p.a. of total assets according to the asset custodian contract.

(4) Property Management Contract

The Company entered into a contract with Cushman & Wakefield and Hanbul Energy Management regarding property management and facility maintenance.

14. NET INCOME PER SHARE:

Net income per share for the six months ended September 30, 2008 and for the period from September 19, 2007 (inception) to March 31, 2008 is computed as follows:

	<u>Korean Won (In thousands)</u>	
	<u>2008.9.30</u>	<u>2008.3.31</u>
Net income	₩ 2,445,879	₩ 1,865,702

Weighted-average number of shares of common stock	<u>3,025,136 Shares</u>	<u>5,350,000 Shares</u>
Net income per share (In Korean Won)	<u>₩ 809</u>	<u>₩ 349</u>

Weighted-average number of shares of common stock for the six months ended September 30, 2008 and for the period from September 19, 2007 (inception) to March 31, 2008 is calculated as follows:

<September 30, 2008>

<u>Description</u>	<u>Date</u>	<u>(Unit : shares)</u>		<u>Weighted-average number of shares of common stock</u>
		<u>Number of common stock</u>	<u>Weighted</u>	
Beginning of the period	April 1, 2008	5,350,000	56 days	1,637,158
Capital reduction by cash distribution	May 27, 2008	5,332,150	-	-
Capital reduction Without any refund	May 27, 2008	<u>2,000,000</u>	127 days	<u>1,387,978</u>
		<u>12,682,150</u>		<u>3,025,136</u>

<March 31, 2008>

<u>Description</u>	<u>Date</u>	<u>(Unit : shares)</u>		<u>Weighted-average number of shares of common stock</u>
		<u>Number of common stock</u>	<u>Weighted</u>	
Beginning of the year	September 19,2007	5,350,000	193 days	5,350,000

IX. Auditor's Opinion

- External Auditor's Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

Deloitte Anjin LLC

- Statutory Auditor's Opinion

The Financial Statements adequately reflect the company's financial status and comply with the Real Estate Investment Company Act, Articles of Incorporation and Korean GAAP, etc.

Statutory Auditor Hong Goo Kim

Section 9. Other matters relating to asset management that are prescribed by the Ministry of Land, Transport and Maritime Affairs

I . Summary on disclosures and reports

Date	Contents	Disclose to
14 Feb 2008	Half Year Report for FY 1	FSC, KRX
11 Apr 2008	Announcement on Capital Reduction	FSC, KRX
27 Jun 2008	Annual Report for FY1	FSC, KRX
14 Aug 2008	Half Year Report for FY2	FSC, KRX

II. States of important lawsuits that are connected with management of the company

Not applicable

III. Present condition of transactions falling under the provision of Article 30 of the Act

Not applicable

IV. Penalty

Not applicable

V. Compliance to the regulated restricted Investment

Regulation	Compliance
1. 80% or more of a company's total assets shall be composed of real estates and its related securities and cash for the seller.	Complied
2. 70% or more of a company's total assets shall be composed of real estates for the seller	Complied
3. With respect to investment in securities, M NPS REIT shall not acquire any securities exceeding 10% of the total issued and outstanding voting stocks of another company, except for the allowance under the Real Estate Investment Company Act of Korea (the "Act").	Complied
4. With respect to the investment in securities, M NPS REIT shall not acquire any securities issued by a single entity in excess of 5% of M NPS REIT's total assets, except for national bonds, local or municipal bonds or such other securities whose acquisition in such amounts is permitted under the Enforcement Decree promulgated under the Act.	Complied

<p>5. M NPS REIT shall not engage in any transactions falling within the categories listed, as follows, with directors and officers and their respective related persons (as defined in Article 21(1) of the Real Estate Investment Company Act of Korea (the “Act”)), and any shareholder who owns and holds 10% or more of the shares in M NPS REIT and its respective related persons, except for the circumstances under the Act.</p>	<p>Complied</p>
<p>6. M NPS REIT and its related person shall not engage in the sale and purchase of real property or the trading of securities with the AMC and its related persons, except in the following circumstances: If M NPS REIT is forced to dispose of its securities (other than shares) because it temporarily faces difficulty in making payment of purchase price or repurchase price of shares due to substantial number of appraisal or repurchase claims; General sale, competitive bidding or any similar transaction; Transactions (other than with the directors, officers and employees of the AMC and their respective related persons) where M NPS REIT rents its property at a rate higher than that determined by the Board; or Unavoidable transactions as a result of merger, liquidation, spin-off or merger by a spin-off entity.</p>	<p>Complied</p>