

English Translation of a Report Originally Issued in Korean

Investment Report

as of 30 June 2008

Macquarie NPS REIT

14 August 2008

TO : Minister 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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Prepared by: KEB Investor Services, the Business Trustee of M NPS REIT
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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 June 2008,

Total Asset: 221.9 (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 Construction and Transportation |
| ②. 7 September 2007 | IPO (KRW 32,100,000,000)
Inaugural Meeting |
| ③. 12 September 2007 | Incorporation (Paid-in Capital: KRW 107,000,000,000) |
| ④. 19 September 2007 | Asset Management Agreement (Macquarie Real Estate Korea Ltd., formerly known as Macquarie Property Advisors Korea Ltd.) |
| ⑤. 21 September 2007 | Custodian Agreement (Kookmin Bank) |
| ⑥. 21 September 2007 | Business Trustee Agreement (KEB Investor Services) |
| ⑦. 21 September 2007 | Final-Approval from Ministry of Construction and Transportation |
| ⑧. 21 September 2007 | 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: won, 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 June 2008】

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

2) Shares issued

【as of 30 June 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

Category	Shares	
b. Shares without voting rights	-	
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	[-]	
Number of shares with voting rights [1-2+3]	[2,000,000]	
※ Participants to shareholders meeting (rate: 100 %) :	5,350,000 shares (Note1)	

Note1) Number of participants to shareholders meeting is before share reduction.

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 week 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	FY1
Net Income	1,865,702
Earning per share	349
Distributable Income	3,401,608

Category	FY1
Dividend in total	3,401,608
Payout Ratio	182.32
Dividend Rate	3.18
Annualized Dividend Rate	5.95

- 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]”
- FY1 contains 195 business days from 19 September 2007.

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 Quarter		Current Quarter		% of Total Asset	
		Total Amount	%	Total Amount	%		
Real Estate	Property and Equipment	219,315	97.12	219,315	97.83	97.83	97.83
	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		6,476	2.87	4,849	2.16	2.16	
Other Assets		15	0.01	27	0.01	0.01	
① Total Asset	Stock Owner's Equity	110,282	48.84	108,576	48.43	48.43	100.0
	Liabilities	115,524	52.16	115,615	51.57	51.57	

* 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 Quarter		Current Quarter		% of Total Asset	
		Total Amount	%	Total Amount	%		
Real Estate	Property and Equipment	219,315	97.12	219,315	97.83	97.83	97.83
	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		6,476	2.87	4,849	2.16	2.16	
Other Assets		15	0.01	27	0.01	0.01	
② Total Asset	Stock Owner's Equity	110,282	48.84	108,576	48.43	48.43	100.0
	Liabilities	115,524	52.16	115,615	51.57	51.57	

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%	2,426
Kookmin Bank	Time Deposit	5.80%	2,400
Total			4,826

5. Net Asset Value per share

(Unit: shares, million KRW)

	30-June-08	31-Mar-08	31-Dec-07
Total Asset Value per the Article 27 (3) of ED of Real Estate Investment Company Act (I)	219,315	225,806	223,996
Total liabilities per Balance Sheets (II)	115,615	115,524	115,166
Net Asset Value (III=I-II)	103,700	110,282	108,830
Number of Shares issued	2,000,000	5,350,000	5,350,000
Net Asset Value per share	51,850	20,613	20,342

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 : 1,042 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	156,545	1,692	154,852
RS Building	30,159	32,612	-	-	-	-	30,159	32,612	62,771	611	62,160
Total	96,443	122,873	-	-	-	-	96,443	122,873	219,316	2,303	217,012

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	34,172	34,172	100.00	8,234	5 (ING Life etc.)	241
RS Building	21,466	21,466	100.00	4,077	1 (Renault Samsung Automotive)	190
Sub total	55,638	55,638	100.00	12,311	6	221

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 Jun 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	3,260	74.81	
	Income/Loss from Sale	-	-	
	Other Income related to Real Estate	1,036	23.77	
Marketable Securities	Income/Loss from Sale	-	-	
	Revaluation Income/Loss	-	-	
	Interest Income/ Dividend	-	-	
Other Income		62	1.42	
Total Income		4,358	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	2,240	68.71	
RS Building	1,020	31.29	
Total	3,260	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	1,036	100	

* 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	60	96.77	
Miscellaneous income	2	3.23	
Other Income Total	62	100.00	

III. Return on Equity

(Unit: %)

Category	1 st Quarter FY2	2 nd Quarter FY1	1st Quarter FY 1
Company (A)	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.

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

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

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

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

**Section 5. Matters relating to expense including expenditure of real estate business, etc.
(From 01 Apr 2008 to 30 Jun 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	24	0
Facility Maintenance Fees	205	0
Utility Expenses	179	0
Repairs and Maintenance	0	0
Property Tax & Dues	62	0
Insurance	7	2
Sub Total	477	2

2) General Operating Expenses

Items	ING Center (in KRW million)	RS Building (in KRW million)
Remuneration to officers	1	1
Depreciation Costs	564	204
National Tax and Dues	9	1
Professional Fees	6	2
Other Costs	3	0
Sub Total	583	208

* 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 Fund 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 Won

* Macquarie Real Estate Korea Ltd., formerly known as Macquarie Property Advisors Korea Ltd.

Note 1)

Asset Management Fee	Sale Fee	Purchase Fee
<p>1. The base asset management fee per year shall be the amount equal to 0.5% of the acquisition price of ING Center (to be re-evaluated every 5 years), and 0.35% of the acquisition price of Renault Samsung Building; provided, however, that the asset management fee will be included in the purchase fee for the initial 6 months. In the case of additional properties to be purchased by the Company, the fee shall be 0.5% of the acquisition price.</p> <p>2. The performance management fee (not applicable to RS Building) shall be 15% of the surplus profits, which shall be defined as the dividend distributed in excess of the profits for each year under the Business Plan; provided that the fee shall not exceed 0.4% of the acquisition price for each year.</p>	<p>1. The base sale fee shall be 0.7% of the sale amount.</p> <p>2. In case of capital gains (gains remaining after deducting the capital expenditure and the disposal expenses including the base sale fee), the fee shall be 10% of such capital gains (not applicable to RS Building).</p>	<p>1. In case of ING Center and Renault Samsung Building, the purchase fee shall be the amount equal to 1.5% of the acquisition price (in the case of Renault Samsung Building, including the brokerage fee).</p> <p>2. In the case of additional properties to be purchased by the Company, the fee shall be 0.7% of the acquisition price.</p>

Section 6. Matters relating to borrowing

I . Borrowing

(Unit: million KRW)

Category	Begin	Increase	Pay-off	Outstanding	Note
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		105,000,000,000				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 Jun 2008】

Name	Relation	Stock	Number of shares (%)				Note
			Beginning	Increase	Decrease	Outstanding	
National Pension Service	Largest Shareholder	Ordinary	4,814,035 (89.98%)	-	3,014,396	1,799,639 (89.98%)	Capital Reduction
Sub total			4,814,035 (89.98%)	-	3,014,396	1,799,639 (89.98%)	

2. Important Shareholders (3% or more)

【as of 30 Jun 2008】

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

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

Not applicable for quarterly report.

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

Note 1) The 1st FY ends at 31 March 2008.

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. Investment assets:

Investment assets includes long-term financial instruments which are comprised of time deposits of which maturity is more than 1 year as of balance sheet date.

3. Property investments:

Property investments include land, building, plant and equipment. The applied useful lives for buildings and equipments are 50 years and 5 years consecutively and the capital expenditures used under construction are expressed as construction in progress.

4. Current Liabilities :

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

5. Long-Term Liabilities :

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

6. Capital Stock :

Capital stock represents paid-in capital as of the end of this quarter.

7. Capital Adjustments :

The underwriting fees paid to securities company at the time of IPO is represented as Discounts on stock issuance in Capital Adjustments.

II. Violations of Korean GAAP

Not applicable

III. Other Recommendations

Not applicable

IV. Balance Sheets

	<u>Korean Won</u> (In thousands)
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	₩ 4,650,111
Accrued income	8,951
Prepaid expenses	<u>21,820</u>
	<u>4,680,882</u>
NON-CURRENT ASSETS:	
Properties (Notes 3, 4 ,5 and 6)	
Land	96,442,712
Building	122,872,523
Less: Accumulated depreciation	<u>(767,953)</u>
	<u>218,547,282</u>
TOTAL ASSETS	<u>₩ 223,228,164</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	
CURRENT LIABILITIES:	
Accrued expenses	₩ 1,587,827
Advanced receipts	14,191
VAT payables	<u>293,039</u>
	<u>1,895,057</u>
NON-CURRENT LIABILITIES:	
Long-term borrowings (Notes 5, 6 and 7)	105,000,000
Leasehold deposits (Note 6)	<u>8,270,487</u>
	<u>113,270,487</u>
Total Liabilities	<u>115,165,544</u>
SHAREHOLDERS' EQUITY	
Common stock (Note 8)	26,750,000
Capital surplus (Note 8)	80,130,740
Retained earnings before appropriations	1,181,880
Total Shareholders' Equity	<u>108,062,620</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 223,228,164</u>

V. Income Statements

	Korean Won	
	2008.6.30	2007.12.31
	(In thousands, except per share amounts)	
OPERATING REVENUE:		
Rental income (Notes 10)	₩ 3,259,613	₩ 3,187,628
Common area maintenance income	945,163	913,996
Parking income	26,287	18,925
Other operating revenue	<u>64,623</u>	<u>35,480</u>
	<u>4,295,686</u>	<u>4,156,029</u>
OPERATING EXPENSES:		
Real estate expenses:		
Property management expenses (Note 12)	24,000	24,000
Facility management fees (Note 12)	204,514	220,988
Utilities	179,154	116,524
Maintenance and repairs	-	3,240
Local taxes and dues	62,369	56,478
Insurance	<u>8,626</u>	<u>21,834</u>
	<u>478,663</u>	<u>443,064</u>
Fund operating expenses:		
Remuneration to officers	1,800	1,800
Depreciation (Note 4)	767,953	767,953
Asset management fees (Note 12)	239,342	-
Asset custodian fees (Note 12)	10,471	10,586
Business trustee fees (Note 12)	7,854	7,940
National taxes and dues	10,580	10,483
Organization costs	-	154,639
Commission expense	7,780	-
Other operating expenses	<u>2,782</u>	<u>-</u>
	<u>1,048,562</u>	<u>953,401</u>
	<u>1,527,225</u>	<u>1,396,465</u>
OPERATING INCOME	<u>2,768,461</u>	<u>2,759,564</u>
NON-OPERATING INCOME:		
Interest income	60,230	159,510
Other income	<u>1,440</u>	<u>-</u>
	<u>61,670</u>	<u>159,510</u>
NON-OPERATING EXPENSES:		
Interest expense (Note 11)	1,544,507	1,732,967
Other expenses	<u>3</u>	<u>4,226</u>
	<u>1,544,510</u>	<u>1,737,193</u>
INCOME BEFORE INCOME TAX	1,285,622	1,181,880
INCOME TAX EXPENSE (Note 9)	<u>-</u>	<u>-</u>
NET INCOME	<u>₩ 1,285,622</u>	<u>₩ 1,181,880</u>
NET INCOME PER SHARE (Note 13)	<u>₩ 317</u>	<u>₩ 221</u>

VI. Statements of Appropriations of Retained Earnings (Annually)

Not applicable for Quarterly report.

VII. Statements of Cash flows (Annually)

Not applicable for Quarterly report.

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 June 30, 2008, National Pension Service, the largest shareholder of the Company, owned 1,799,639 shares (89.98% of the total shares as of June 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, changes in shareholders' equity or cash flows, is not presented in the accompanying financial statements.

The significant accounting policies followed by the Company in the preparation of its financial statement are the same with those applied in prior fiscal year.

In accordance with Statement of Korea Accounting Standards (SKAS) No. 2 - Interim Financial Reporting, explanatory notes to interim financial statements includes transactions or events that result in material changes in financial position and performance of the Company since the end of the immediately preceding fiscal year.

3. PUBLISHED PRICE OF LAND:

As of June 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):

<u>Land location</u>	<u>Area(m²)</u>	<u>Book value</u>	<u>Published price</u>
#53, Sunhwa-dong, Jung-ku, Seoul, Korea	2,732.2	₩ 66,283,560	₩ 16,584,454
#60, 3rd Street, Yangpyung-dong, Youngdeungpo-gu, Seoul, Korea	3,562.0	<u>30,159,152</u>	<u>10,507,900</u>
		<u>₩ 96,442,712</u>	<u>₩ 27,092,354</u>

4. PROPERTIES:

The changes in properties for the three months ended June 30, 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>121,336,616</u>	<u>-</u>	<u>(767,953)</u>	<u>120,568,663</u>
	<u>₩ 217,779,328</u>	<u>₩ -</u>	<u>₩ (767,953)</u>	<u>₩ 217,011,375</u>

The changes in properties for the period from January 01, 2008 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>-</u>	<u>122,104,570</u>	<u>(767,954)</u>	<u>121,336,616</u>
	<u>₩ -</u>	<u>₩ 218,547,282</u>	<u>₩ (767,954)</u>	<u>₩ 217,779,328</u>

5. INSURED ASSETS:

As of June 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 insurance (Renault Samsung Building)	Building	₩ 40,000	Seoul Guarantee Insurance
	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 a collateral to the related lenders.

6. COLLATERALIZED ASSETS:

The properties are pledged as security to its lenders and tenants as of June 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.	<ING Building>		
	#53, Sunhwa-dong, Jung-ku, Seoul, Korea	₩ 8,731,957	Leasehold deposits
		68,250,000	Long-term borrowings
Renault Samsung Motors Co., Ltd. National Pension Service Kyobo Life Insurance Co., Ltd.	<Renault Samsung Building>		
	#60, 3rd Street, Yangpyung-dong, Youngdeungpo-gu, Seoul, Korea	1,042,773	Leasehold deposits
		27,300,000	Long-term borrowings
		11,700,000	Long-term borrowings

7. LONG-TERM BORROWINGS:

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

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

8. SHAREHOLDERS' EQUITY:

(1) Capital stock

<u>Description</u>	<u>Number of</u> <u>authorized shares</u>	<u>Par value</u>	<u>Number of</u> <u>outstanding shares</u>	<u>Korean Won</u> <u>(In thousands)</u>
2008. 6. 30	21,400,000	₩ 5,000	2,000,000	₩ 10,000,000
2007.12. 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.

(2) Capital surplus

The company's capital surplus as June 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	<u>16,392,163</u>	The amount of occurred by reduction of capital stock with and without refund.
	<u>₩ 96,522,903</u>	

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

9. 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.

10. RELATED PARTY TRANSACTIONS:

- i. The significant transactions with related parties for the three months ended June 30, 2008 and for the period from January 01, 2008 to March 31, 2008 are summarized below.

	<u>Korean Won (In thousands)</u>	
	<u>This Quarter</u>	<u>Preceding Quarter</u>
National Pension Service:		
Interest expense	<u>₩ 1,081,155</u>	<u>₩ 1,081,155</u>

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

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

11. COMMITMENTS:

As of June 30, 2008, the significant 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") 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)

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 acquisition price.

(3) Asset Custodian Contract

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

(4) Property and Facility Management Contract

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

IX. Auditor's Opinion

- 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

- External Auditor's Opinion

Not applicable for Quarterly Reports

Section 9. Other matters relating to asset management that are prescribed by the Minister of Construction and Transportation

I . Summary on disclosures and reports

Not applicable

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.	
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
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.	Complied

<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>
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