

MACQUARIE KOREA INFRASTRUCTURE FUND

Non-Consolidated Financial Statements

December 31, 2009 and 2008

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Report of Independent Auditors

To the Shareholders and Board of Directors of
MACQUARIE KOREA INFRASTRUCTURE FUND

We have audited the accompanying statements of financial position of MACQUARIE KOREA INFRASTRUCTURE FUND (the Company) as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the financial position of MACQUARIE KOREA INFRASTRUCTURE FUND as of December 31, 2009 and 2008, and the results of its operations, the changes in its shareholders' equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Samil PricewaterhouseCoopers

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The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers as described in Note 2(b) to the accompanying financial statements, do not form part of the non-consolidated financial statements and are unaudited.

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



Seoul, Korea
February 1, 2010

This report is effective as of February 1, 2010, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

MACQUARIE KOREA INFRASTRUCTURE FUND
Non-consolidated Statements of Financial Position

December 31, 2009 and 2008

(In thousands of Korean won and U.S. dollars, except per share data)

| <u>Assets</u> | Won (thousands) | | U.S. dollars (note 2(b)) |
|---|-----------------|-----------------|-----------------------------|
| | 2009 | 2008 | 2009 |
| Invested assets: | | | |
| Cash and deposits (notes 3 and 8) | ₩ 239,693,523 | ₩ 182,411,903 | \$ 205,287,361 |
| Loans receivable (notes 4, 7 and 20) | 1,112,569,724 | 1,144,655,688 | 952,868,897 |
| Equity securities (notes 6 and 9) | 612,520,450 | 602,553,300 | 524,597,850 |
| Total invested assets | 1,964,783,697 | 1,929,620,891 | 1,682,754,108 |
| Other assets: | | | |
| Interest receivable (note 7) | 168,342,252 | 160,031,079 | 144,178,016 |
| Other receivables | 3,178,181 | 2,427,455 | 2,721,978 |
| Deferred costs, net (note 5) | 17,991,462 | 7,752,226 | 15,408,926 |
| Total other assets | 189,511,895 | 170,210,760 | 162,308,920 |
| Total assets | ₩ 2,154,295,592 | ₩ 2,099,831,651 | \$ 1,845,063,028 |
| <u>Liabilities and Shareholders' Equity</u> | | | |
| Liabilities: | | | |
| Accounts payable | ₩ 7,336 | ₩ 9,605,635 | \$ 6,283 |
| Management fee payable (note 8) | 5,814,322 | 5,974,591 | 4,979,721 |
| Other liabilities (notes 8 and 10) | 77,985,267 | 2,900,647 | 66,791,082 |
| Long-term debts (notes 8 and 11) | 380,087,014 | 340,523,026 | 325,528,446 |
| Total liabilities | 463,893,939 | 359,003,899 | 397,305,532 |
| Commitments (note 19) | | | |
| Shareholders' equity: | | | |
| Share capital - no par value | 1,670,985,755 | 1,631,530,557 | 1,431,128,601 |
| Authorized - 4,000,000,000 shares; Issued and outstanding: 331,459,341 shares in 2009 and 323,490,204 shares in 2008 | | | |
| Retained earnings | 19,415,898 | 109,297,195 | 16,628,895 |
| Net asset value per share in Korean won and U.S. dollars: ₩ 5,100(\$4.37) in 2009 and ₩ 5,381(\$4.28) in 2008 (note 16) | | | |
| Total shareholders' equity | 1,690,401,653 | 1,740,827,752 | 1,447,757,496 |
| Total liabilities and shareholders' equity | ₩ 2,154,295,592 | ₩ 2,099,831,651 | \$ 1,845,063,028 |

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

MACQUARIE KOREA INFRASTRUCTURE FUND

Non-consolidated Statements of Income

For the years ended December 31, 2009 and 2008

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

| | Won (thousands) | | U.S. dollars (note 2(b)) |
|--|----------------------|----------------------|-----------------------------|
| | 2009 | 2008 | 2009 |
| Revenue: | | | |
| Interest income (notes 4, 7 and 8) | ₩ 157,818,013 | ₩ 154,387,607 | \$ 135,164,451 |
| Arrangement fees | 143,640 | 2,895,000 | 123,022 |
| Dividend income (note 6) | - | 482,000 | - |
| Gain (loss) on sale of investment, net (notes 4 and 6) | (3,574,935) | 79,399,902 | (3,061,781) |
| Loss on valuation of debt securities | - | (2,921,659) | - |
| Other income (expense) | (409,038) | 821,149 | (350,324) |
| | <u>153,977,680</u> | <u>235,063,999</u> | <u>131,875,368</u> |
| Expenses: | | | |
| Management fees (note 8) | 23,381,797 | 27,835,500 | 20,025,520 |
| Custodian fees (note 8) | 337,509 | 387,173 | 289,062 |
| Administrator fees (note 8) | 295,320 | 301,863 | 252,929 |
| Interest expense (note 8) | 22,960,971 | 16,235,494 | 19,665,100 |
| Other expense (notes 8 and 13) | 6,779,020 | 6,604,027 | 5,805,944 |
| | <u>53,754,617</u> | <u>51,364,057</u> | <u>46,038,555</u> |
| Net income | ₩ <u>100,223,063</u> | ₩ <u>183,699,942</u> | \$ <u>85,836,813</u> |
| Earnings per share in Korean won and U.S. dollars (note 17) | ₩ <u>302</u> | ₩ <u>554</u> | \$ <u>0.26</u> |

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

MACQUARIE KOREA INFRASTRUCTURE FUND
Non-consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2009 and 2008

(In thousands of Korean won and U.S. dollars, except per share data)

| | Number of shares | Won (thousands) | | | U.S. dollars (note 2(b)) |
|---|---------------------|-----------------|----------------------|-----------------|-----------------------------|
| | | Share capital | Retained earnings | Total | Total |
| Balance at January 1, 2008 | 323,490,204 | ₩ 1,652,985,097 | ₩ 49,713,305 | ₩ 1,702,698,402 | \$ 1,458,289,142 |
| Net income | - | - | 183,699,942 | 183,699,942 | 157,331,228 |
| Cash distribution (note 12) (Net asset value per share in Korean won and US dollars: ₩ 5,381 (\$4.28) (note 16) | - | (21,454,540) | (124,116,052) | (145,570,592) | (124,675,053) |
| Balance at December 31, 2008 | 323,490,204 | 1,631,530,557 | 109,297,195 | 1,740,827,752 | 1,490,945,317 |
| Stock dividends (note 12) | 7,969,137 | 39,455,198 | (39,455,198) | - | - |
| Net income | - | - | 100,223,063 | 100,223,063 | 85,836,813 |
| Cash distribution (note 12) (Net asset value per share in Korean won and US dollars: ₩ 5,100 (\$4.37) (note 16) | - | - | (150,649,162) | (150,649,162) | (129,024,634) |
| Balance at December 31, 2009 | 331,459,341 | ₩ 1,670,985,755 | ₩ 19,415,898 | ₩ 1,690,401,653 | \$ 1,447,757,496 |

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

MACQUARIE KOREA INFRASTRUCTURE FUND

Non-consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

(In thousands of Korean won and U.S. dollars)

| | Won (thousands) | | U.S. dollars |
|---|----------------------|----------------------|-----------------------|
| | 2009 | 2008 | (note 2(b)) 2009 |
| Cash flows from operating activities: | | | |
| Cash inflows from operating activities: | | | |
| Interest income | ₩ 115,764,888 | ₩ 101,540,741 | \$ 99,147,729 |
| Dividend income | - | 482,000 | - |
| Arrangement fees | 143,640 | 2,895,000 | 123,022 |
| Collection of loans receivable | 5,396,250 | - | 4,621,660 |
| Other income | 302,840 | 890,018 | 259,368 |
| Sale of invested assets | 183,051,000 | 280,318,848 | 156,775,437 |
| Advance receipt | 72,764,508 | - | 62,319,722 |
| | <u>377,423,126</u> | <u>386,126,607</u> | <u>323,246,938</u> |
| Cash outflows from operating activities: | | | |
| Purchases of equity securities | (38,714,910) | (118,660,750) | (33,157,682) |
| Issuances of loans receivable | (107,856,357) | (195,824,340) | (92,374,406) |
| Payment of deferred costs | (10,239,237) | (2,462,641) | (8,769,473) |
| Management fees | (23,542,066) | (29,999,731) | (20,162,783) |
| Custodian fees | (339,895) | (428,102) | (291,106) |
| Administrator fees | (297,408) | (300,351) | (254,717) |
| Interest expense | (783,812) | (765,617) | (671,302) |
| Other expenses | (4,721,201) | (7,231,972) | (4,043,509) |
| | <u>(186,494,886)</u> | <u>(355,673,504)</u> | <u>(159,724,978)</u> |
| Net cash provided by operating activities | <u>190,928,240</u> | <u>30,453,103</u> | <u>163,521,960</u> |
| Cash flows from financing activities: | | | |
| Repayment of long-term debts | (120,000,000) | (100,000,000) | (102,774,923) |
| Proceeds from long-term debts | 137,000,000 | 314,000,000 | 117,334,704 |
| Distribution | (150,646,620) | (145,570,592) | (129,022,457) |
| Net cash provided by (used in) financing activities | <u>(133,646,620)</u> | <u>68,429,408</u> | <u>(114,462,676)</u> |
| Net increase in cash and deposits | 57,281,620 | 98,882,511 | 49,059,284 |
| Cash and deposits at beginning of the year | <u>182,411,903</u> | <u>83,529,392</u> | <u>156,228,077</u> |
| Cash and deposits at end of the year | ₩ <u>239,693,523</u> | ₩ <u>182,411,903</u> | \$ <u>205,287,361</u> |

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

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements

December 31, 2009 and 2008

1. Organization and Description of Business

MACQUARIE KOREA INFRASTRUCTURE FUND (the "Company") was incorporated on December 12, 2002, under the Securities Investment Company Act (the "SICA") and the Private Participation in Infrastructure Act (the "PIIA"). The Company is an investment company that operates by investing in entities that have entered into long-term concession agreements with central, provincial and city governments in Korea implemented under the framework of the PPIA. During 2004 the Korean Government enacted (and subsequently amended) the Indirect Investment Asset Management Business Act ("IIAMBA"), replacing the SICA. During 2009 the Korean Government enacted the Financial Investment Services and Capital Markets Act (the "FSCMA"), replacing the IIAMBA. The Company, which was classified as an investment company for the IIAMBA purposes, was registered as the investment company under the FSCMA on April 30, 2009 and amended its Articles & Incorporation on June 15, 2009.

Under the FSCMA, the Company shall not have any employees. Instead, the Company is required under FSCMA to appoint a manager, custodian, administrator and sales agents. As described in note 8, Macquarie Shinhan Infrastructure Asset Management Co., Ltd. (the "Manager") is the Company's asset manager. The Manager is a joint venture between entities in the Macquarie Group and Shinhan Financial Group. On November 11, 2005, the Manager was licensed as an infrastructure fund asset management company under the IIAMBA and on February 4, 2009, the Manager was re-licensed as an infrastructure fund asset management company under the FSCMA.

The Company listed its Depository Receipts (DR) on the London Stock Exchange Professional Securities Market on March 14, 2006, and its common shares on the Korea Exchange on March 15, 2006. Through its initial public offering ("IPO"), the Company issued 71,428,572 shares and received proceeds of W500,199 million. In addition, the Company issued 11,984,713 shares and raised new capital of W82,291 million through the exercise of the over-allotment option in 2006. The Company deducted the share issuance costs related to the IPO, of W18,856 million and W267 million, from share capital in 2006 and 2007, respectively. On February 26, 2009, the Company additionally issued 7,969,137 shares through stock dividends.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements

(a) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean won and prepares financial statements in conformity with the FSCMA, the Statement of Korea Accounting Standards ("SKAS") No. 104, "Collective investment Vehicle" and accounting principles generally accepted in the Republic of Korea ("Korean GAAP").

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, non-consolidated financial statements are intended for use only by those who are informed about Korean accounting principles and practices.

The accompanying non-consolidated financial statements include only the accounts of the Company, and do not consolidate the accounts of any of the Company's subsidiaries.

(b) Basis of Translating Financial Statements

The Company operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollars amounts as of and for the year ended December 31, 2009, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US\$1:₩1,167.6. Such presentation is not in accordance with accounting principles generally accepted in the Republic of Korea, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

(c) Revenue Recognition

Revenue is recognized when the Company's revenue-earning activities have been substantially completed, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Company. Interest income on loans is recognized on an accrual basis. In principle, the Company recognizes interest income using the effective interest rate method over the term of the loan.

(d) Cash and Deposits

The Company considers cash and deposits to include funds deposited in money market deposit accounts, negotiable certificates of deposit and time deposits.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(e) Loans receivable

The acquisition costs of loans receivable are initially carried at cost. The costs related to loan acquisitions are deferred and amortized over the term of the respective loan. Under the effective interest rate method, the loans are recorded at amortized costs, including allowance for doubtful loans.

The Company assesses the potential impairment of loans receivable when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. The carrying value of the asset is reduced to its estimated realizable value by recording an impairment loss charged to current operations and presenting it as a reduction from the said carrying value.

(f) Investment Securities

Under the SKAS No.8, "Investment Securities", investment securities are initially recognized and carried at cost, including incidental expenses.

The Company as the investment company also accounts for investment securities under the provision of SKAS No. 104, "Collective Investment Vehicle".

Investment securities are subsequently measured at fair value and changes in the fair values of the securities are recognized in the current operations. Under SKAS No. 104, the fair value is determined by valuation methodologies stipulated in FSCMA.

Under the provision of FSCMA and its presidential decree, when a reliable market price is not readily determinable at the assessment date, investment securities are measured at fair value which is the price determined by the Collective Investment Property Appraisal Committee ("Appraisal Committee") of Macquarie Shinhan Infrastructure Asset Management Co., Ltd. In this case, the Appraisal Committee should determine the price of unlisted and non-marketable securities considering, amongst other things, the acquisition cost, transaction price and third party valuation. As of December 31, 2009, the Appraisal Committee has chosen to adopt acquisition cost as its assessment of fair value for the unlisted equity securities.

Investment securities shall be assessed at each statement of financial position date to determine whether there is any objective evidence of impairment. When such evidence exists, and unless there is clear counter evidence that recognition of impairment is unnecessary, the entity shall estimate the recoverable amount of the impaired security and recognize any impairment loss in current operations.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(g) Share Issuance Costs

The Company's shares have no par value, and share issuance costs are recorded as a reduction from shareholders' equity.

(h) Distributions Payable

Distributions are declared and recorded when approved by the Company's board of directors as defined under the Company's Articles of Incorporation.

(i) Provisions

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

(j) Net Asset Value Per Share

Net asset value per share is calculated as the carrying value of net assets of the Company divided by the outstanding numbers of shares.

(k) Earnings Per Share

Earnings per share are calculated by dividing net income by the weighted-average numbers of shares outstanding during each period.

(l) Income Taxes

As described in note 1, the Company is an investment company under the FSCMA, which is defined as a collective investment vehicle established in the form of a corporation under the Korean Commercial Code to distribute to its shareholders the profits made by managing investments. Accordingly, for Korean corporate income tax purposes, the Company, as an investment company under the FSCMA, is entitled to deduct from its taxable income (up to an amount equal to its taxable income) for any fiscal year the amount of distributions the Company declares in the same year as long as such amount is equal to 90% or more of the Company's distributable income for such year. Distributable income is defined as non-consolidated net income after deduction of income taxes as set forth in the Company's non-consolidated financial statements prepared under Korean GAAP, further adjusted to include retained earnings or deficit and any reserves pursuant to applicable laws and regulations. If the Company does not declare distributions equal to 90% or more of the Company's distributable income in a particular fiscal year, the Company will be liable for the Korean corporate income tax for the entire amount of its taxable income.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(m) Use of Estimates

The preparation of non-consolidated financial statements in accordance with Korean GAAP requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes. Therefore, actual results could differ from those estimates.

(n) Approval of financial statements

The December 31, 2009, financial statements of the Company were approved by the board of directors on February 1, 2010.

3. Cash and Deposits

Cash and deposits as of December 31, 2009 and 2008, are as follows:

| | Won (thousands) | | U.S. dollars (note 2(b)) |
|---|-----------------|---------------|-----------------------------|
| | 2009 | 2008 | 2009 |
| Money Market Deposit Accounts ("MMDA") (*1): | | | |
| SC Korea First Bank | ₩ 17,693,523 | ₩ 21,881,753 | \$ 15,153,754 |
| Time Deposits ("TD") (*2): | | | |
| Kookmin Bank | 100,000,000 | 50,000,000 | 85,645,769 |
| Woori Bank | 100,000,000 | - | 85,645,769 |
| Shinhan Bank | 22,000,000 | 10,000,000 | 18,842,069 |
| | 222,000,000 | 60,000,000 | 190,133,607 |
| Negotiable Certificate of Deposits ("NCD") | | | |
| Kookmin Bank | - | 20,185,440 | - |
| NACF | - | 30,088,822 | - |
| Woori Bank | - | 50,255,888 | - |
| | - | 100,530,150 | - |
| | ₩ 239,693,523 | ₩ 182,411,903 | \$ 205,287,361 |

(*1) As of December 31, 2009, the interest rate of MMDA is 1.80%.

(*2) As of December 31, 2009, the interest rates of TDs are 2.77%~3.50%, and the maturities of TDs are less than 1 year.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

4. Loans receivable

Loans receivable as of December 31, 2009 and 2008, are as follows:

| | Repayment Period | Annual Interest Rate (%) | Won (thousands) | | U.S. dollars |
|---|------------------|--------------------------|-----------------|-----------------|----------------|
| | | | 2009 | 2008 | (note 2(b)) |
| | | | | | 2009 |
| <u>Senior loans receivable:</u> | | | | | |
| Kwangju Beltway Investment Co., Ltd. | 2018~2024 | 10 | ₩ 142,000,000 | ₩ 142,000,000 | \$ 121,616,992 |
| Kwangju Ring Road Co., Ltd. | 2010~2019 | 7.85 | 73,354,846 | 73,354,846 | 62,825,322 |
| Soojungsan Investment Co., Ltd. | 2009~2018 | 8.5 | 64,755,000 | 70,151,250 | 55,459,918 |
| Baekyang Tunnel Ltd. (*1) | 2024 | 13~15 | 1,660,271 | 1,707,342 | 1,421,952 |
| Incheon Bridge Co., Ltd. (*2) | 2010~2024 | 8 | - | 113,063,000 | - |
| <u>Subordinated loans receivable:</u> | | | | | |
| Kwangju Beltway Investment Co., Ltd. | 2024~2026 | 20 | 31,950,000 | 31,950,000 | 27,363,823 |
| MCB Co., Ltd. (*3) | 2024~2029 | 20 | 61,266,319 | 61,266,319 | 52,472,010 |
| New Airport Hiway Co., Ltd. | 2015~2017 | 13.9 | 51,670,400 | 51,670,400 | 44,253,511 |
| Soojungsan Investment Co., Ltd. | 2017 | 20 | 19,260,587 | 19,260,587 | 16,495,878 |
| Cheonan Nonsan Expressway Co., Ltd. (*4) | 2024~2029 | 6~20 | 182,250,000 | 182,250,000 | 156,089,415 |
| Daegu East Circulation Road Co., Ltd. | 2022~2024 | 17 | 32,045,000 | 32,045,000 | 27,445,187 |
| Incheon Bridge Co., Ltd. | 2020~2026 | 11.49 | 87,429,560 | 63,789,203 | 74,879,719 |
| Seoul Chuncheon Highway Co.,Ltd (*5) | 2026~2031 | 11~ 11.59 | 87,450,000 | 87,450,000 | 74,897,225 |
| Gyongsu Highway Co., Ltd (*6) | 2029~2034 | 13 ~ 15 | 77,000,000 | 72,400,000 | 65,947,242 |
| Kyunggi Highway Co., Ltd (*7) | 2025~2029 | 9 ~ 11 | 68,455,000 | 45,555,000 | 58,628,811 |
| Busan New Container Terminal Co., Ltd. (*8) | 2028~2032 | 10~12 | 85,726,000 | 60,022,000 | 73,420,692 |
| Seoul Metro Line 9 Co., Ltd. | 2033~2035 | 15 | 33,460,000 | 33,460,000 | 28,657,074 |
| Woomyunsan Infraway Co., Ltd. (*9) | 2024~2026 | 20 | 9,576,000 | - | 8,201,439 |
| <u>Working capital loans receivable:</u> | | | | | |
| Kwangju Beltway Investment Co., Ltd. | 2027 | 15 | 3,260,741 | 3,260,741 | 2,792,687 |
| | | | ₩ 1,112,569,724 | ₩ 1,144,655,688 | \$ 952,868,897 |

(*1) The interest rate on this loan was 13% per annum until March 9, 2008, and was increased to 15% per annum thereafter. In January 2008, the Company sold the loan and the related interest receivable to BYT Securitization Specialty Co., Ltd. ("BYT SPC") for ₩172,000 million and recognized gain of ₩24,454 million on investment sales. The Company acquired both 0.8% shares of Baekyang Tunnel Ltd. and additional loan of ₩992 million for ₩2,100 million.

(*2) On March 26, 2009, the Company sold the senior loan of Incheon Bridge Co., Ltd. to Industrial Bank of Korea and Kookmin Bank for ₩134,499 million.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

4. Loans receivable, Continued

- (*3) In accordance with the loan agreement, 50% of the accrued interest (₩10,012 million) during the construction period was added to the principal. The Company has accrued interest using an effective interest rate of 9.35%.
- (*4) Interest rates per annum are as follows: 6% from 2005 to 2007, 8% in 2008, 16% from 2009 to 2012 and 20% from 2013 to maturity in 2029, and an effective interest rate of 11.58% is used to recognize interest income. Due to financial covenants restricting payment of interest on subordinated loans, Cheonan Nonsan Expressway ("CNEC") have the limitation to pay interests on the subordinated loan. In May 2009, the Company entered a debt securitization agreement with NH Investment and Securities Co., Ltd ("NHISC") to securitize the accumulated interest receivable from CNEC. Under the agreement, NHISC agreed to take over the debt securities amounting ₩157,200 million through seven transactions. The Company paid an underwriting fee of 1.5% (₩2,358 million) of the total underwriting amount to NHISC. In May 2009, the Company sold the debt securities of ₩33,789 million for ₩30,214 million as the first transaction under the agreement.
- (*5) The interest rate during the construction period is 11% per annum and increases to 11.59% per annum thereafter. The Company has accrued interest income using an effective interest rate of 11.9%.
- (*6) The interest rate during the construction period and for three years following commencement of operations is 13% per annum and increases to 15% per annum thereafter.
- (*7) The interest rate during the construction period is 9% per annum and increases to 11% per annum thereafter. On January 25, 2010, the Company sold the loan of Seosuwon-Osan-Pyungtaek Expressway ("SOPE") (Note 20).
- (*8) The interest rate during the construction period is 10% per annum and increases to 12% per annum thereafter.
- (*9) In January 2009, the Company acquired the subordinated loan for ₩9,576 million, and the interest rate is 20% per annum.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

5. Deferred Costs

Deferred costs as of December 31, 2009 and 2008, are as follows:

| | Won (thousands) | | U.S. dollars (note 2(b)) |
|--|---------------------|--------------------|-----------------------------|
| | 2009 | 2008 | 2009 |
| Costs deferred on investments prior to acquisition | ₩ 137,500 | ₩ 137,500 | \$ 117,763 |
| Loans receivable costs, net | 7,089,564 | 7,585,962 | 6,071,912 |
| Others(*1) | 10,764,398 | 28,764 | 9,219,251 |
| | ₩ <u>17,991,462</u> | ₩ <u>7,752,226</u> | \$ <u>15,408,926</u> |

(*1) The fees regarding the securitization and credit facility are included (Notes 4 and 11).

6. Investments

(a) Equity securities as of December 31, 2009 and 2008, are as follows:

| | Owner- ship (%) | Won (thousands) | | U.S. dollars (note 2(b)) |
|---|--------------------|----------------------|----------------------|-----------------------------|
| | | 2009 | 2008 | 2009 |
| Kwangju Beltway Investment Co., Ltd. (*1) | 100.0 | ₩ 13,050,000 | ₩ 13,050,000 | \$ 11,176,773 |
| Kwangju Ring Road Co., Ltd. (*2) | 75.0 | 29,494,766 | 29,494,766 | 25,261,020 |
| MCB Co., Ltd. (*3, 17) | 100.0 | 48,464,342 | 48,464,342 | 41,507,657 |
| New Airport Hiway Co., Ltd. (*4) | 24.1 | 59,880,248 | 59,880,248 | 51,284,899 |
| Baekyang Tunnel Ltd. (*5) | 100.0 | 1,231,000 | 1,231,000 | 1,054,299 |
| Soojungsan Investment Co., Ltd. (*6) | 100.0 | 47,247,830 | 47,247,830 | 40,465,767 |
| Cheonan-Nonsan Expressway Co., Ltd. (*7, 17) | 60.0 | 93,815,061 | 93,815,061 | 80,348,630 |
| Woomyunsan Infraway Co., Ltd. (*8, 17) | 36.0 | 2,723,725 | 21,875,725 | 2,332,755 |
| Private Infrastructure Investment Korea (*9) | 100.0 | 75,286,809 | 57,046,809 | 64,479,967 |
| Korea Road Infrastructure Investment Co., Ltd. (*10) | 85.0 | 57,552,156 | 57,552,156 | 49,290,987 |
| Seoul-Chuncheon Expressway Co., Ltd. (*11, 17) | 15.0 | 49,439,043 | 49,439,043 | 42,342,449 |
| Busan New Container Terminal Co., Ltd. (*12, 17) | 30.0 | 34,825,957 | 27,446,857 | 29,826,959 |
| Gyungso Highway Co., Ltd. (*13, 17) | 35.0 | 58,361,765 | 54,861,765 | 49,984,382 |
| Seoul Metro Line 9 Co., Ltd. (*14) | 24.5 | 41,147,648 | 41,147,648 | 35,241,220 |
| BYT Securitization Specialty Co., Ltd. (*15) | 0.5 | 50 | 50 | 43 |
| CN First Securitization Specialty Co., Ltd. (*16) | 0.5 | 50 | - | 43 |
| | | ₩ <u>612,520,450</u> | ₩ <u>602,553,300</u> | \$ <u>524,597,850</u> |

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

6. Investments, Continued

- (*1) Kwangju Beltway Investment Co., Ltd. ("KBICL") operates the Gwangju Second Beltway, Section 1 and collects toll revenues generated by the beltway under the concession agreement with the Gwangju City government.
- (*2) Kwangju Ring Road Co., Ltd. ("KRRCL") operates the Gwangju Second Beltway, Section 3-1 and collects toll revenues generated by the beltway under the concession agreement with the Gwangju City government.
- (*3) MCB Co., Ltd. ("MCB") holds the concession right to operate Machang Bridge under a concession agreement with the Gyeongsangnamdo provincial government and commenced its operation on July 15, 2008. On July 31, 2008, the Company additionally acquired 51% of shares in MCB for ₩20,464 million from Bouygues and Hyundai Construction Co.,Ltd.
- (*4) New Airport Hiway Co., Ltd. ("NAHC") operates the Incheon International Airport Expressway and collects toll revenues generated by the Highway under the concession agreement with the Ministry of Land, Transport and Maritime Affairs ("MLTM"). In 2008, NAHC paid dividends amounting to ₩2,000 million and the Company received dividend income of ₩482 million from NAHC.
- (*5) Baekyang Tunnel Ltd. ("BYTL") operates and manages Baekyang Tunnel under its concession agreement with the Busan City government.
- (*6) Soojungsan Investment Co., Ltd. ("SICL") operates Soojungsan Tunnel under a concession agreement with the Busan City government.
- (*7) CNEC operates Cheonan-Nonsan Expressway under a concession agreement with the MLTM.
- (*8) Woomyunsan Infraway Co., Ltd. ("WIC") operates Woomyunsan Tunnel under a concession agreement with the Seoul City. In January 2009, according to the shareholders' agreement, WIC reduced its capital by purchasing 50% of outstanding shares at ₩10,000 per share (par value ₩5,000 per share), decreasing the Company's shares in WIC from 3,830,400 shares to 1,915,200 shares. In this regard, the Company received ₩19,152 million of proceeds for the capital reduction from WIC.
- (*9) Private Infrastructure Investment Korea ("PIIK") is a special purpose company established to acquire Incheon Bridge Co., Ltd. ("IBC"), the concession company with the right to operate Incheon Grand Bridge, under a concession agreement with the MLTM. As of December 31, 2009, PIIK holds 40.86% of the equity in IBC. Incheon Bridge commenced its operations on October 19, 2009.
- (*10) Korea Road Infrastructure Investment Co., Ltd. ("KRIIC") is a special purpose company established to provide funding to Daegu East Circulation Road Co., Ltd. ("DECRC"), the concession company with the right to operate and maintain the Daegu 4th Beltway East. As of December 31, 2009, KRIIC holds 100% of the shares of DECRC.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

6. Investments, Continued

- (*11) Seoul-Chuncheon Expressway Co., Ltd. ("SCE") has the right to operate and manage Seoul-Chuncheon Expressway under the concession agreement with MLTM and commenced its operations on August 12, 2009.
 - (*12) Busan New Container Terminal Co., Ltd. ("BNCT") has been granted a concession from MLTM to construct, operate and manage Busan New Port Phase 2-3.
 - (*13) Gyungso Highway Co., Ltd. ("YSE") has the right to operate and manage Yongin-Seoul Expressway under the concession agreement with MLTM and commenced its operations on July 1, 2009. The Company has the option to increase its stake further to 67% depending on the toll revenues of the Yongin-Seoul Expressway over the first 2 years of operations.
 - (*14) Seoul Metro Line 9 Co., Ltd. ("SM9") has the right to operate and manage Subway Line 9 under the concession agreement with Seoul City government and commenced its operations on July 24, 2009.
 - (*15) In December 2007, the Company acquired 0.5% of the shares of BYT SPC for the purchase price of ₩50 thousand. The Company also provided Shinhan Bank with its equity shares in the BYT SPC as a pledge in relation to any potential loss which may arise due to BYTL's default on the loan.
 - (*16) In April 2009, the Company acquired 0.5% of the shares of CN First Securitization Specialty Co., Ltd.
 - (*17) The Company provided its equity shares as collaterals for subsidiaries' long-term debts (Note 9).
- (b) In 2008, the Company sold the debt securities of New Daegu-Busan Expressway Co.,Ltd. for ₩108,319 million, recognizing ₩54,946 million as gain on disposal of the convertible bond.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

7. Transactions with Significantly Invested Companies and Supervisory Directors

(a) Details of significantly invested companies as of December 31, 2009, are as follows:

| Significantly Invested Companies(*1) | Ownership (%) | Principal Business |
|---|---------------|------------------------|
| Kwangju Beltway Investment Co., Ltd. | 100 | Operation of toll road |
| Kwangju Ring Road Co., Ltd. | 75 | Operation of toll road |
| Baekyang Tunnel Ltd. | 100 | Operation of tunnel |
| Cheonan Nonsan Expressway Co., Ltd. | 60 | Operation of toll road |
| Soojungsan Investment Co., Ltd. | 100 | Operation of tunnel |
| Private Infrastructure Investment Korea Co., Ltd. | 100 | Investment |
| Korea Road Infrastructure Investment Co., Ltd. | 85 | Investment |
| Daegu East Circulation Road Co., Ltd. (*2) | - | Operation of toll road |
| MCB Co., Ltd. | 100 | Operation of toll road |

(*1) SKAS 104 does not require disclosure of transactions and balances with related parties. However, in order to provide relevant information to the shareholders, the Company classifies the subsidiaries where greater than 50% equity shares are held as significantly invested companies, and discloses the transactions and balances with such entities.

(*2) 100% subsidiary of Korea Road Infrastructure Investment Co., Ltd.

(b) Significant transactions which occurred in the normal course of business with the significantly invested companies as of and for the years ended December 31, 2009 and 2008, are summarized as follows:

| | Won (thousands) | | U.S. dollars (note 2(b)) |
|-----------------------------------|-----------------|--------------|-----------------------------|
| | 2009 | 2008 | 2009 |
| Statements of income: | | | |
| Interest income | ₩ 90,865,271 | ₩ 88,847,286 | \$ 77,822,260 |
| Statements of financial position: | | | |
| Loans receivable | 611,802,764 | 617,246,085 | 523,983,183 |
| Interest receivable | 156,580,669 | 143,268,396 | 134,104,718 |

(c) Compensation for the supervisory directors for the years ended December 31, 2009 and 2008, consists of:

| | Won (thousands) | | U.S. dollars (note 2(b)) |
|----------|-----------------|-----------|-----------------------------|
| | 2009 | 2008 | 2009 |
| Salaries | ₩ 144,000 | ₩ 133,419 | \$ 123,330 |

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

8. Related Party Transactions and Balances with the Manager and its Associates

(a) On December 13, 2002, the Company appointed Macquarie Shinhan Infrastructure Asset Management Co., Ltd. as the Company's Manager, with the terms of the appointment stipulated in a management agreement executed between the Company and the Manager. The management agreement was finally amended and restated on February 16, 2006 (the "Management Agreement"). Pursuant to the Management Agreement, the Company paid management fees and performance fees to the Manager on the following basis:

(i) **Post-listing Management Fees:** The Manager receives a fee, paid quarterly in arrears, calculated as a proportion of the net investment value and the commitments of the Company. The net investment value of the Company is the aggregate of the market value of the Company plus debt incurred by the Company less cash and cash equivalents (*) ("Net Investment Value"). Commitments represent the aggregate of amounts which the Company has firmly committed for future investments (other than cash and cash equivalents (*)). Each of the Net Investment Value and Commitments are calculated as at the end of each calendar quarter.

- In relation to the Net Investment Value portion of the Post-listing Management Fees, the amount is calculated at the rate of 1.25% per annum of the Net Investment Value where Net Investment Value plus Commitments is less than or equal to ₩1.5 trillion, and 1.10% per annum for that part of the Net Investment Value where Net Investment Value plus Commitments exceeds ₩1.5 trillion.
- In relation to the Commitments portion of the Post-Listing Management Fee, the amount is calculated at the rate of 1.15% per annum of Commitments where Commitments plus Net Investment Value is less than or equal to ₩1.5 trillion, and 1.05% per annum for that part of Commitments where Commitments plus Net Investment Value exceeds ₩1.5 trillion.

(*) Cash and cash equivalents include all cash and deposits held at the banks.

(ii) **Post-listing Performance Fees:** Post-listing Performance Fees are payable to the Manager quarterly, calculated as 20% of the out-performance (as measured by an accumulation index for shares over the last 15 trading days of each quarter) over an 8% per annum benchmark rate of return, after taking into account any deficit and surplus from previous periods.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

8. Related Party Transactions and Balances with the Manager and Associates, Continued

(iii) Termination of Management Agreement: Under the terms of the Management Agreement, the Company may only terminate the agreement upon 90 days' written notice to the Manager and approval by the holders of at least two thirds of the Company's shares. However, if the Company terminates the Management Agreement for reasons other than willful misconduct, gross negligence by the Manager or underperformance, the Company is required to pay to the Manager an amount equal to:

- three times the management fees paid to the Manager over the four quarters immediately preceding termination; and
- if the Company was not listed, a listing performance fee assuming the Company had listed as at the time of termination; or
- if the Company is listed, performance fees for the 12 quarters after termination as though the Manager was still engaged as the Manager and the Management Agreement was still operating.

Underperformance is deemed to have occurred where the share price performance and distributions of the Company, as measured by an accumulation index, underperforms an adjusted benchmark rate of return, being the lower of 3% per annum or the annualized rate of inflation, for 14 out of 16 consecutive quarters.

(b) As of December 31, 2009, the Company has the Korean Securities Finance Corporation and KEB Investor Services Co., Ltd. as its Custodian and Administrator, respectively. The Company also has Good Morning Shinhan Securities Co., Ltd., Macquarie Securities Korea, Ltd., Hanwha Securities Co., Ltd., Samsung Securities Co., Ltd., Tongyang Investment Bank Co., Ltd. and Kyobo Securities Co., Ltd. as its Sales Agents. Pursuant to the relevant service provider agreements, the Company pays administrator fees, custodian fees and sales agent fees. The details are as follows:

- (i) Custodian fees: 0.02% per annum of the average balance of the net asset value of the Company. This fee is paid in arrears on a quarterly basis.
- (ii) Administrator fees: 0.0175% per annum of the average balance of the net asset value of the Company. This fee is paid quarterly in arrears.
- (iii) Sales agent fees: According to sales agent agreements, no fee is payable.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

8. Related Party Transactions and Balances with the Manager and Associates, Continued

(c) Significant transactions and account balances which occurred with the Manager and its related parties as of and for the years ended December 31, 2009 and 2008, are summarized as follows:

| | | Won (thousands) | | U.S. dollars (note 2(b)) |
|---|---|-----------------|--------------|-----------------------------|
| | | 2009 | 2008 | 2009 |
| <u>Significant transactions:</u> | | | | |
| Macquarie Shinhan Infrastructure Asset Management Co., Ltd. | Management fee | ₩ 23,381,797 | ₩ 27,835,500 | \$ 20,025,520 |
| | Cash and deposits(*1) | 22,000,000 | 10,000,000 | 18,842,069 |
| | Long-term debt (*2) | 38,360,000 | 87,920,000 | 32,853,717 |
| Shinhan Bank | Repayment of long-term debt(*2) | 33,600,000 | 28,000,000 | 28,776,978 |
| | Interest income (*1) | 765,293 | 128,926 | 655,441 |
| | Interest expense (*2) | 6,429,072 | 4,545,938 | 5,506,228 |
| | Upfront fee and other fees regarding the credit facility (*2) | 4,815,084 | 182,488 | 4,123,916 |
| Shinhan Macquarie Financial Advisory Co., Ltd. ("SMFA") | Advisory fee | 3,049,063 | 2,662,464 | 2,611,393 |
| Macquarie Securities Limited | Advisory fee | - | 4,084,344 | - |
| <u>Account balances:</u> | | | | |
| Macquarie Shinhan Infrastructure Asset Management Co., Ltd. | Management fee payable | ₩ 5,814,322 | ₩ 5,974,591 | \$ 4,979,721 |
| Shinhan Bank | Cash and deposits (*1) | 22,000,000 | 10,000,000 | 18,842,069 |
| | Long-term debt (note 11) (*2) | 106,424,364 | 95,346,447 | 91,147,965 |
| | Other liabilities(*2) | 647,305 | 755,772 | 554,389 |

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

8. Related Party Transactions and Balances with the Manager and Associates, Continued

(*1) In 2009, the Company held Time Deposit (“TD”) amounting to ₩22,000 million with Shinhan Bank and also recognized interest income from the TD.

(*2) In 2009 and 2008, the Company withdrew ₩38,360 million and ₩87,920 million, respectively, from Shinhan Bank. The Company has paid interest expense, an upfront fee, an agent banking fee and a commitment fee regarding this credit facility. The Company made an early repayment of the long-term debt in the amount of ₩120,000 million on August 17 and November 17, 2009 of which repayment of ₩33,600 million was made to Shinhan Bank. As of December 31, 2009, the long-term debt amounted to ₩106,424 million including the capitalized interest payable to Shinhan Bank. Other liabilities consist of the interest expense, the commitment fee accrued for the long-term debt and the remaining credit facility from Shinhan Bank.

9. Pledged Assets and Guarantees Provided by Others

The following assets are pledged as collaterals for subsidiaries’ long-term debts as of December 31, 2009:

| Pledged Assets | Lender | Borrower | Won (thousands) | | U.S. dollars (note 2(b)) | |
|---------------------------------------|---|---------------------------------------|----------------------|------------------------|-----------------------------|-------------------------|
| | | | Book value | Collateralized amount | Book value | Collateralized amount |
| Equity securities: | | | | | | |
| MCB Co., Ltd. | Kookmin Bank and others | MCB Co., Ltd. | ₩ 48,464,342 | ₩ 296,400,000 | \$ 41,507,658 | \$ 253,854,060 |
| Cheonan-Nonsan Expressway Co., Ltd. | Korea Development Bank, CNE Securitization Specialty LLC and Shinhan Bank | Cheonan-Nonsan Expressway Co., Ltd. | 93,815,061 | 1,144,000,000 | 80,348,631 | 979,787,598 |
| Woomyunsan Infraway Co., Ltd. | Shinhan Bank and others | Woomyunsan Infraway Co., Ltd. | 2,723,725 | 138,000,000 | 2,332,755 | 118,191,161 |
| Seoul-Chuncheon Highway Co., Ltd. | Kookmin Bank and others | Seoul-Chuncheon Highway Co., Ltd. | 49,439,043 | 1,300,000,000 | 42,342,449 | 1,113,394,998 |
| Busan New Container Terminal Co.,Ltd. | Kookmin Bank and others | Busan New Container Terminal Co.,Ltd. | 34,825,957 | 800,800,000 | 29,826,959 | 685,851,319 |
| Gyungso Highway Co.,Ltd | Korea Development Bank and others | Gyungso Highway Co.,Ltd | 58,361,765 | 471,900,000 | 49,984,382 | 404,162,384 |
| | | | <u>₩ 287,629,893</u> | <u>₩ 4,151,100,000</u> | <u>\$ 246,342,834</u> | <u>\$ 3,555,241,520</u> |

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

10. Other Liabilities

Other liabilities as of December 31, 2009 and 2008, are as follows:

| | Won (thousands) | | U.S. dollars |
|---------------------------|---------------------|--------------------|----------------------|
| | 2009 | 2008 | (note 2(b)) 2009 |
| Administrator fee payable | ₩ 74,074 | ₩ 76,162 | \$ 63,441 |
| Custodian fee payable | 84,656 | 87,042 | 72,504 |
| Interest payable | 2,281,737 | 2,668,567 | 1,954,211 |
| Accrued expenses | 97,800 | 68,876 | 83,763 |
| Advance receipt (Note 20) | 75,447,000 | - | 64,617,163 |
| | ₩ <u>77,985,267</u> | ₩ <u>2,900,647</u> | \$ <u>66,791,082</u> |

11. Long-term debts

- a) On December 31, 2009, the Company entered into a corporate credit facility agreement ("Facility") with Lenders for a limit of ₩ 500,000 million. Detail terms and conditions of the Facility are as follows:

| | Tranche A | Tranche B |
|-------------------------------------|-------------------------|------------------------------------|
| Lenders | Shinhan Bank and others | Tongyang Life Insurance and others |
| Credit limit | ₩ 430,000 million | ₩ 70,000 million |
| Drawdown as of December 31, 2009 | ₩ 326,900 million | ₩ 53,200 million |
| Interest rate (*1) | Base rate + 4% | 7.2% |
| Maturity (*2) | November 30, 2014 | November 30, 2014 |

(*1) The base rate is the arithmetic average of the 91-day Negotiable Certificate of Deposit rates (provided by Korea Financial Investment Association) quoted on each of the three consecutive banking days immediately prior to the first day of each interest period. Interest accrued during each interest period may be paid or capitalized, at the election of the Company, on each interest payment date.

(*2) Related to the Facility, the Company and Lenders agreed to extend maturity date from May 17, 2012 to November 30, 2014. The Company paid the fee of 1.5% (₩ 7,500 million) of the facility limit to Lenders. The Company is able to make an early repayment of the facility drawn down. Also, the Company is able to redraw any early repaid amount.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

11. Long-term debts, Continued

b) Long-term debts as of December 31, 2009 and 2008, are as follows:

| | Won (thousands) Limit of the Facility | Annual Interest Rate(%) | Won (thousands) | | U.S. dollars |
|---|--|-------------------------------|----------------------|----------------------|-----------------------|
| | | | 2009 | 2008 | (note 2(b)) 2009 |
| Shinhan Bank | ₩ 140,000,000 | 6.79 | ₩ 106,424,364 | ₩ 95,346,447 | \$ 91,147,965 |
| National Agricultural Cooperative Federation (NACF) | 140,000,000 | 6.79 | 106,424,364 | 95,346,447 | 91,147,965 |
| Woori Bank | 110,000,000 | 6.79 | 83,619,143 | 74,915,066 | 71,616,258 |
| Samsung Life Insurance Co., Ltd. | - | - | - | 74,915,066 | - |
| Tong Yang Life Insurance Co., Ltd. | 60,000,000 | 7.2 | 45,610,442 | - | 39,063,414 |
| Shinhan Life Insurance Co., Ltd. | 30,000,000 | 6.79 | 22,805,221 | - | 19,531,707 |
| LIG Insurance Co., Ltd. | 20,000,000 | 6.79-7.2 | 15,203,480 | - | 13,021,137 |
| | <u>₩ 500,000,000</u> | | <u>₩ 380,087,014</u> | <u>₩ 340,523,026</u> | <u>\$ 325,528,446</u> |

12. Distributions

The Company paid cash distributions amounting to ₩150,649 million and ₩145,571 million in 2009 and 2008, respectively. Also, stock dividends of ₩39,455 million were distributed in 2009. The distributions in 2008 include the return of the share capital of ₩21,454 million.

13. Other Expenses

Other expenses for the years ended December 31, 2009 and 2008, are as follows.

| | Won (thousands) | | U.S. dollars |
|--|--------------------|--------------------|---------------------|
| | 2009 | 2008 | (note 2(b)) 2009 |
| Amortization of deferred costs | ₩ 518,848 | ₩ 893,465 | \$ 444,371 |
| Service fees related to the corporate credit facility | 370,121 | 473,170 | 316,993 |
| Service fees (*1) | <u>5,890,051</u> | <u>5,237,392</u> | <u>5,044,580</u> |
| | <u>₩ 6,779,020</u> | <u>₩ 6,604,027</u> | <u>\$ 5,805,944</u> |

(*1) In 2009, the advisory fees of ₩1,452 million (2008:₩2,662 million) paid to Shinhan Macquarie Financial Advisory Co., Ltd. are included.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

14. Income Taxes

As long as the Company distributes 90% or more of its distributable income in the form of a distribution to its shareholders, such distributions are deducted from taxable income under the Corporate Income Tax Law.

For the years ended December 31, 2009 and 2008, the Company did not pay income taxes because it deducted distributions from taxable income by distributing 90% or more of its distributable income.

15. Insurance

As of December 31, 2009, the Company carries directors & officers compensation liability insurance amounting to US\$20 million with American Home Assurance Company Korea.

16. Net Asset Value Per Share

Net asset value per share as of December 31, 2009 and 2008, is as follows:

| | Won (thousands, except share and per share data) | | U.S. dollars (note 2(b)) |
|---|---|--------------------|-----------------------------|
| | 2009 | 2008 | 2009 |
| Total assets | ₩ 2,154,295,592 | ₩ 2,099,831,651 | \$ 1,845,063,028 |
| Total liabilities | <u>463,893,939</u> | <u>359,003,899</u> | <u>397,305,532</u> |
| Net assets | 1,690,401,653 | 1,740,827,752 | 1,447,757,496 |
| Number of outstanding shares | <u>331,459,341</u> | <u>323,490,204</u> | <u>331,459,341</u> |
| Net asset value per share in Won and U.S. dollars | ₩ <u>5,100</u> | ₩ <u>5,381</u> | \$ <u>4.368</u> |

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

17. Earnings Per Share

Earnings per share for the years ended December 31, 2009 and 2008, is calculated by dividing net income by the weighted-average number of shares outstanding as follows:

| | Won (thousands, except share and per share data) | | U.S. dollars (note 2(b)) |
|--|---|---------------|-----------------------------|
| | 2009 | 2008 | 2009 |
| Net income per accompanying statements of income | ₩ 100,223,063 | ₩ 183,699,942 | \$ 85,836,813 |
| Weighted-average number of shares outstanding(*1) | 331,459,341 | 331,459,341 | 331,459,341 |
| Earnings per share in won and U.S. dollars | ₩ 302 | ₩ 554 | \$ 0.26 |

(*1) Weighted-average number of shares outstanding for the years ended December 31, 2009 and 2008, is as follows:

| | Shares | |
|--|-------------|-------------|
| | 2009 | 2008(*1) |
| Beginning of the year | 323,490,204 | 323,490,204 |
| Stock dividends | 7,969,137 | 7,969,137 |
| Weighted-average number of shares outstanding | 331,459,341 | 331,459,341 |

(*1) Weighted-average number of shares outstanding for the year ended December 31, 2008, is adjusted considering stock dividends in 2009.

18. Non-cash Transactions

Non-cash transactions which occurred during the years ended December 31, 2009 and 2008, are as follows:

| | Won (thousands) | | U.S. dollars (note 2(b)) |
|-----------------------------|-----------------|------|-----------------------------|
| | 2009 | 2008 | 2009 |
| Issuance of stock dividends | ₩ 39,455,198 | ₩ - | \$ 33,791,708 |

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

19. Commitments

Commitments as of December 31, 2009, are as follows:

| | Won (thousands) | | | U.S. dollars (note 2(b)) |
|--|----------------------|----------------------|--------------------------|-----------------------------|
| | Total Commitments | Investments | Remaining Commitments | Remaining Commitments |
| Private Infrastructure Investment Korea -Equity (*1) | ₩ 74,488,502 | ₩ 72,984,567 | ₩ 1,503,935 | \$ 1,288,057 |
| Incheon Bridge Co., Ltd. -Subordinated loan (*1) | 89,378,000 | 87,429,560 | 1,948,440 | 1,668,756 |
| Kyunggi Highway Co., Ltd. -Subordinated loan (*2) | 80,000,000 | 68,455,000 | 11,545,000 | 9,887,804 |
| Busan New Container Terminal Co., Ltd. -Equity (*3) | 66,420,000 | 34,197,900 | 32,222,100 | 27,596,865 |
| Busan New Container Terminal Co., Ltd. -Subordinated loan (*3) | 193,000,000 | 85,726,000 | 107,274,000 | 91,875,642 |
| | <u>₩ 503,286,502</u> | <u>₩ 348,793,027</u> | <u>₩ 154,493,475</u> | <u>\$ 132,317,124</u> |

- (*1) PIIK is a special purpose company established to provide funding to IBC, a concession company with the right to construct and operate Incheon Grand Bridge, under a concession agreement with the MLTM. PIIK has a commitment to invest ₩67,527 million of equity into IBC, for a 41% equity stake. The Company's total equity investment in PIIK, upon completion of the acquisition, is expected to be ₩74,488 million. In addition, on April 12, 2006, the Company entered into two loan agreements with IBC. Under the agreements, the Company has committed to provide a subordinated loan of up to ₩89,378 million. As of December 31, 2009, the Company has loaned ₩87,430 million under the subordinated loan facility.
- (*2) On September 30, 2006, the Company committed to invest ₩80,000 million in Kyunggi Highway Co., Ltd., a concession company with the right to develop, operate and maintain Seosuwon-Osan-Pyungtaek Expressway, in the form of a subordinated loan at an interest rate of 11% per annum from the commencement of operations. As of December 31, 2009, the Company has loaned ₩68,455 million under the subordinated loan facility.
- (*3) As of December 31, 2009, the Company has purchased 30% of the equity shares in Busan New Container Terminal Co., Ltd ("BNCT"), amounting to ₩34,198 million. On December 31, 2007, the Company entered into a revised shareholders' agreement in which the Company will invest ₩66,420 million in BNCT. The Company's investment will take place over the construction period, ending in early 2012. On December 31, 2007, the Company entered into a subordinated loan agreement with BNCT to lend ₩193,000 million over the construction period of four years. The interest rate of the loan is 10% per annum during the construction period and increases to 12% per annum thereafter. As of December 31, 2009, outstanding loan amounts to ₩85,726 million.

20. Events after the balance sheet date

On January 25, 2010, the Company sold subordinated loans receivable of Kyunggi Expressway Co., Ltd. for ₩ 85,733 million and recognized the disposal gain of ₩ 8,386 million. The Company received cash proceeds of ₩75,447 million in 2009, recording it as other liabilities as of December 31, 2009.