

MACQUARIE KOREA INFRASTRUCTURE FUND

Non-Consolidated Financial Statements

December 31, 2011 and 2010

I N D E X

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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 (hereafter "the Company") as of December 31, 2011 and 2010, 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, 2011 and 2010, 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.

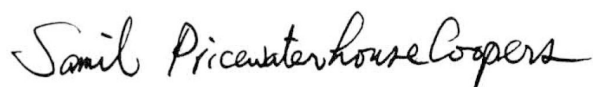
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The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers as described in Note 2(b) to the accompanying financial statements, do not form part of the non-consolidated financial statements and are unaudited.

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.

A handwritten signature in black ink that reads "Samil PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

Seoul, Korea
January 31, 2012

<p>This report is effective as of January 31, 2012, 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.</p>
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MACQUARIE KOREA INFRASTRUCTURE FUND
Non-consolidated Statements of Financial Position

December 31, 2011 and 2010

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

	Won (thousands)		U.S. dollars (Note 2(b))
<u>Assets</u>	2011	2010	2011
Invested assets:			
Cash and deposits (Note 3)	₩ 100,893,350	₩ 139,365,426	\$ 87,482,312
Loans receivable (Notes 4 and 7, 20)	1,137,195,736	1,098,822,291	986,036,362
Equity securities (Notes 6 and 9, 20)	631,803,347	610,398,897	547,822,203
Total invested assets	1,869,892,433	1,848,586,614	1,621,340,877
Other assets:			
Interest receivable (Note 7)	242,420,613	199,145,159	210,197,358
Other receivables	4,457,863	3,860,135	3,865,311
Deferred costs, net (Note 5)	9,749,143	13,348,663	8,453,258
Total other assets	256,627,619	216,353,957	222,515,927
Total assets	₩ 2,126,520,052	₩ 2,064,940,571	\$ 1,843,856,804
<u>Liabilities and Shareholders' Equity</u>			
Liabilities:			
Accounts payable	₩ 1,075	₩ 907	\$ 932
Management fee payable (Note 8)	6,140,003	5,958,632	5,323,856
Other liabilities (Notes 8 and 10)	1,811,601	2,653,663	1,570,798
Corporate bonds (Note 12)	248,978,465	-	215,883,521
Long-term debts (Notes 8 and 11)	183,907,228	360,550,681	159,461,743
Total liabilities	440,838,372	369,163,883	382,240,850
Commitments (Note 20)			
Shareholders' equity:			
Share capital - no par value	1,670,985,755	1,670,985,755	1,448,873,454
Authorized - 4,000,000,000 shares; Issued and outstanding: 331,459,341 shares in 2011 and 2010 (Note 13)			
Retained earnings	14,695,925	24,790,933	12,742,500
Net asset value per share in Korean won and U.S. dollars: ₩ 5,086(\$4.41) in 2011 and ₩ 5,116(\$4.49) in 2010 (Note 18)			
Total shareholders' equity	1,685,681,680	1,695,776,688	1,461,615,954
Total liabilities and shareholders' equity	₩ 2,126,520,052	₩ 2,064,940,571	\$ 1,843,856,804

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, 2011 and 2010

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

	Won (thousands)		U.S. dollars (Note 2(b))
	2011	2010	2011
Revenue:			
Interest income (Notes 4, 7 and 8)	₩ 161,804,180	₩ 151,281,496	\$ 140,296,696
Arrangement fees	-	100,000	-
Gain on sale of investment, net (Notes 4 and 6)	621,635	14,887,510	539,005
Other income	-	6,250	-
	<u>162,425,815</u>	<u>166,275,256</u>	<u>140,835,701</u>
Expenses:			
Management fees (Note 8)	24,151,939	22,891,440	20,941,593
Custodian fees (Note 8)	333,412	334,633	289,904
Administrator fees (Note 8)	208,382	250,681	180,683
Interest expense (Note 8)	23,701,286	25,620,003	20,550,842
Other expense (Notes 7, 8 and 15)	8,446,494	5,736,475	7,323,761
	<u>56,841,513</u>	<u>54,833,232</u>	<u>49,285,973</u>
Net income	₩ <u>105,584,302</u>	₩ <u>111,442,024</u>	\$ <u>91,549,728</u>
Earnings per share in Korean won and U.S. dollars (Note 19)	₩ <u>319</u>	₩ <u>336</u>	\$ <u>0.276</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, 2011 and 2010

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

	Won (thousands)			U.S. dollars (Note 2(b))
	Share capital	Retained earnings	Total	Total
Balance at January 1, 2010	₩ 1,670,985,755	₩ 19,415,898	₩ 1,690,401,653	\$ 1,465,708,535
Net income	-	111,442,024	111,442,024	96,628,825
Cash distribution (Note 14) (Net asset value per share in Korean won and US dollars: ₩ 5,116 (\$4.49) (Note 18))	-	(106,066,989)	(106,066,989)	(91,968,255)
Balance at December 31, 2010	1,670,985,755	24,790,933	1,695,776,688	1,470,369,103
Net income	-	105,584,302	105,584,302	91,549,728
Cash distribution (Note 14) (Net asset value per share in Korean won and US dollars: ₩ 5,086 (\$4.41) (Note 18))	-	(115,679,310)	(115,679,310)	(100,302,879)
Balance at December 31, 2011	₩ 1,670,985,755	₩ 14,695,925	₩ 1,685,681,680	\$ 1,461,615,954

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, 2011 and 2010

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

	Won (thousands)		U.S. dollars (Note 2(b))
	2011	2010	2011
Cash flows from operating activities:			
Cash inflows from operating activities:			
Interest income	₩ 98,048,834	₩ 104,864,171	\$ 85,015,897
Arrangement fees	-	100,000	-
Collection of loans receivable	14,530,485	75,796,803	12,599,051
Other income	869	69,181	753
Sale of invested assets	20,550,000	46,834,100	17,818,434
	<u>133,130,188</u>	<u>227,664,255</u>	<u>115,434,135</u>
Cash outflows from operating activities:			
Purchases of equity securities	(21,404,450)	(12,417,750)	(18,559,308)
Issuances of loans receivable	(52,951,000)	(139,443,440)	(45,912,599)
Payment of deferred costs	(79,000)	(89,066)	(68,499)
Management fees	(23,970,568)	(22,747,130)	(20,784,330)
Custodian fees	(333,694)	(334,767)	(289,338)
Administrator fees	(208,558)	(271,928)	(180,836)
Other expenses	(1,148,492)	(1,521,282)	(995,831)
	<u>(100,095,762)</u>	<u>(176,825,363)</u>	<u>(86,790,741)</u>
Net cash provided by operating activities	<u>33,034,426</u>	<u>50,838,892</u>	<u>28,643,394</u>
Cash flows from financing activities:			
Repayment of long-term debts	(250,000,000)	(50,000,000)	(216,769,271)
Proceeds from long-term debts	55,443,047	5,000,000	48,073,395
Issuance of Bonds	250,000,000	-	216,769,271
Distribution	(115,679,310)	(106,066,989)	(100,302,879)
Interest expense	(6,552,338)	-	(5,681,382)
Bond issue costs	(1,125,900)	-	(976,242)
Incidental expenses for borrowings	(3,592,000)	(100,000)	(3,114,541)
	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in financing activities	<u>(71,506,501)</u>	<u>(151,166,989)</u>	<u>(62,001,649)</u>
Net decrease in cash and deposits	<u>(38,472,076)</u>	<u>(100,328,097)</u>	<u>(33,357,255)</u>
Cash and deposits at beginning of the year	<u>139,365,426</u>	<u>239,693,523</u>	<u>120,840,567</u>
Cash and deposits at end of the year	₩ <u>100,893,350</u>	₩ <u>139,365,426</u>	\$ <u>87,482,312</u>

The accompanying notes are an integral part of these financial statements

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements

December 31, 2011 and 2010

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 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 under the IIAMBA, was registered as an investment company under the FSCMA on April 30, 2009, and amended its Articles of 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. Also, on June 24, 2010, the manager was authorized as the manager of special asset collective investment vehicle under the FSCMA, and expanded its business scope.

The Company listed its Depository Receipts (DR) on the London Stock Exchange Professional Securities Market on March 14, 2006 and listed its common stock on the Korea Stock Exchange on March 15, 2006.

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 Korea and prepares financial statements in conformity with the FSCMA, the Statement of Korea Accounting Standards ("SKAS") No. 5003, "Collective investment Vehicle".

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 Korea and its accounting records are maintained in Korean won. The U.S. dollars amounts as of and for the year ended December 31, 2011, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US\$1:₩1,153.3. 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.5003, "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. 5003, "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. 5003, 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, 2011, the Appraisal Committee has chosen to adopt acquisition cost as its 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) Distributions Payable

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

(h) 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.

(i) 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.

(j) Earnings Per Share

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

(k) 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

(l) 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.

(m) Approval of financial statements

The December 31, 2011 financial statements of the Company were approved by the board of directors on January 31, 2012.

3. Cash and Deposits

Cash and deposits as of December 31, 2011 and 2010, are as follows:

	Won (thousands)		U.S. dollars (Note 2(b))
	2011	2010	2011
Money Market Deposit Accounts ("MMDA") (*1):			
Standard Chartered Bank	₩ 40,893,350	₩ 24,365,426	\$ 35,457,686
Time Deposits ("TD") (*2):			
Kookmin Bank	20,000,000	35,000,000	17,341,542
Woori Bank	40,000,000	80,000,000	34,683,084
	60,000,000	115,000,000	52,024,626
	₩ 100,893,350	₩ 139,365,426	\$ 87,482,312

(*1) As of December 31, 2011, the interest rate of MMDA is 2.95%.

(*2) As of December 31, 2011, the interest rates of TDs are 3.45%~3.70%, and the maturities of TDs are less than 3 months.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

4. Loans Receivable

Loans receivable as of December 31, 2011 and 2010, are as follows:

	Repayment Period	Annual interest rate (%)	Won (thousands)			U.S. dollars (Note 2(b))
			2011	2010	2011	
<u>Senior loans receivable:</u>						
Kwangju Beltway Investment Co., Ltd.	2018~2024	10	₩ 142,000,000	₩ 142,000,000	\$ 123,124,946	
Kwangju Ring Road Co., Ltd.	2012~2019	7.85	58,683,877	66,019,361	50,883,445	
Soojungsan Investment Co., Ltd.	2012~2018	8.5	50,365,000	57,560,000	43,670,337	
Baekyang Tunnel Ltd.	2024	13~15	1,566,131	1,613,202	1,357,956	
<u>Subordinated loans receivable:</u>						
Kwangju Beltway Investment Co., Ltd.	2024~2026	20	31,950,000	31,950,000	27,703,113	
MCB Co., Ltd. (*1)	2030~2035	11.38	79,000,000	79,000,000	68,499,090	
New Airport Hiway Co., Ltd.	2015~2017	13.9	51,670,400	51,670,400	44,802,220	
Soojungsan Investment Co., Ltd.	2017	20	19,260,587	19,260,587	16,700,414	
Cheonan Nonsan Expressway Co., Ltd. (*2)	2024~2029	6~20	182,250,000	182,250,000	158,024,798	
Daegu East Circulation Road Co., Ltd.	2022~2024	17	32,045,000	32,045,000	27,785,485	
Incheon Bridge Co., Ltd. (*3)	2020~2026	11.49	89,378,000	89,378,000	77,497,616	
Seoul Chuncheon Highway Co.,Ltd. (*4)	2026~2031	11~ 11.59	87,450,000	87,450,000	75,825,891	
Gyungso Highway Co., Ltd (*5)	2029~2034	13 ~ 15	77,000,000	77,000,000	66,764,935	
BNCT Co., Ltd. (*6)	2028~2032	10~12	188,280,000	135,329,000	163,253,273	
Seoul Metro Line 9 Co., Ltd.	2033~2035	15	33,460,000	33,460,000	29,012,399	
Woomyunsan Infraway Co., Ltd	2024~2026	20	9,576,000	9,576,000	8,303,130	
<u>Working capital loans receivable:</u>						
Kwangju Beltway Investment Co., Ltd.	2027	15	3,260,741	3,260,741	2,827,314	
			₩ 1,137,195,736	₩ 1,098,822,291	\$ 986,036,362	

(*1) On November 29, 2010, MCB Co., Ltd. repaid ₩92,533 million of the subordinated debt including its unpaid interest and the Company recognized gain of ₩5,316 million in connection with the repayment of the loan. At the same date, the Company re-invested ₩79,000 million of the subordinated loan with revised maturity and interest rate.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

4. Loans receivable, Continued

- (*2) 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 of 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") has the limitation to pay interests on the subordinated loan. In May 2009, the Company entered into 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 to ₩157,200 million through seven securitization. The Company paid NHISC an underwriting fee of 1.5% (₩2,358 million) of the total amount underwritten. The Company sold the debt securities of ₩19,949 million for ₩20,197 million as the second securitization in March 2010 and sold the debt securities of ₩20,527 million for ₩21,149 million as the third securitization in March 2011 under the agreement.
- (*3) The interest rate during the construction period is fixed rate of 12% per annum and it changes to floating rate of base rate (yield rate of 3 year AA- corporate bond) plus margin (6%) per annum thereafter. The Company has accrued interest income using 11.49%. The base rate will be reset on November 17, 2012.
- (*4) The interest rate during the construction period is 11% per annum and it increases to 11.59% per annum thereafter.
- (*5) The interest rate during the construction period and for three years following commencement of operations is 13% per annum and it increases to 15% per annum thereafter.
- (*6) The interest rate during the construction period is 10% per annum and thereafter increases to 12% per annum thereafter. Busan New Container Terminal Co., Ltd. has changed its name to BNCT Co., Ltd. on October 19, 2010.

5. Deferred Costs

Deferred costs as of December 31, 2011 and 2010, are as follows:

	Won (thousands)		U.S. dollars (Note 2(b))
	2011	2010	2011
Costs deferred on investments prior to acquisition	₩ 137,500	₩ 137,500	\$ 119,223
Loans acquisition incidental costs	4,139,143	4,418,226	3,588,956
Others(*1)	5,472,500	8,792,937	4,745,079
	₩ <u>9,749,143</u>	₩ <u>13,348,663</u>	\$ <u>8,453,258</u>

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

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

6. Investments

(a) Equity securities as of December 31, 2011 and 2010, are as follows:

	Owner- ship (%)	Won (thousands)		U.S. dollars (Note 2(b))
		2011	2010	2011
Kwangju Beltway Investment Co., Ltd. (*1)	100	₩ 13,050,000	₩ 13,050,000	\$ 11,315,356
Kwangju Ring Road Co., Ltd. (*2)	75	29,494,766	29,494,766	25,574,236
MCB Co., Ltd. (*3, 19)	70	33,925,040	33,925,040	29,415,625
New Airport Hiway Co., Ltd. (*4)	24.1	59,880,248	59,880,248	51,920,791
Baekyang Tunnel Ltd. (*5)	100	1,231,000	1,231,000	1,067,372
Soojungsan Investment Co., Ltd. (*6)	100	47,247,830	47,247,830	40,967,511
Cheonan-Nonsan Expressway Co., Ltd. (*7, 19)	60	93,815,061	93,815,061	81,344,889
Woomyunsan Infraway Co., Ltd. (*8, 19)	36	2,723,725	2,723,725	2,361,680
Private Infrastructure Investment Korea (*9)	100	76,886,809	76,886,809	66,666,789
Korea Road Infrastructure Investment Co., Ltd. (*10)	85	57,552,156	57,552,156	49,902,156
Seoul-Chuncheon Expressway Co., Ltd. (*11, 19)	15	49,439,043	49,439,043	42,867,461
BNCT Co., Ltd. (*12, 19)	30	67,048,056	45,643,656	58,135,833
Gyungso Highway Co., Ltd. (*13, 19)	35	58,361,765	58,361,765	50,604,149
Seoul Metro Line 9 Co., Ltd. (*14)	24.5	41,147,648	41,147,648	35,678,183
BYT Securitization Specialty Co., Ltd. (*15, 19)	0.5	50	50	43
CN First Securitization Specialty Co., Ltd. (*16)	0.5	50	50	43
CN Second Securitization Specialty Co., Ltd. (*17)	0.5	50	50	43
CN Third Securitization Specialty Co., Ltd. (*18)	0.5	50	-	43
		₩ 631,803,347	₩ 610,398,897	\$ 547,822,203

(*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.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

6. Investments, Continued

- (*3) MCB Co., Ltd. ("MCB") holds the concession right to operate Machang Bridge under a concession agreement with the Gyeongsangnamdo provincial government. On November 29, 2010, the Company sold 30% of its shares in MCB of ₩14,539 million for ₩17,048 million and recognized gain of ₩2,424 million considering incidental expenses.
- (*4) New Airport Hiway Co., Ltd. ("NAHC") operates the Incheon International Airport Expressway under a concession agreement with the Ministry of Land, Transport and Maritime Affairs ("MLTM").
- (*5) Baekyang Tunnel Ltd. ("BYTL") operates and manages Baekyang Tunnel under a 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.
- (*9) Private Infrastructure Investment Korea ("PIIK") is a special purpose company established to acquire Incheon Bridge Co., Ltd. ("IBC") which has the right to operate Incheon Grand Bridge under a concession agreement with the MLTM. As of December 31, 2011, PIIK holds 41.02% of the equity in IBC.
- (*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") which has the right to operate and maintain the Daegu 4th Beltway East. As of December 31, 2011, KRIIC holds 100% of the shares of DECRC.
- (*11) Seoul-Chuncheon Expressway Co., Ltd. ("SCE") has the right to operate and manage Seoul-Chuncheon Expressway under a concession agreement with MLTM.
- (*12) BNCT 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.
- (*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.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

6. Investments, Continued

- (*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) In March 2010, the Company acquired 0.5% of the shares of CN Second Securitization Specialty Co., Ltd.
- (*18) In March 2011, the Company acquired 0.5% of the shares of CN Third Securitization Specialty Co., Ltd.
- (*19) The Company provided its equity shares as collaterals for subsidiaries' long-term debts (Note 9).

7. Transactions with Significantly Invested Companies and Supervisory Directors

(a) Details of significantly invested companies as of December 31, 2011, 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.	70	Operation of toll road

(*1) SKAS 5003 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) A wholly owned subsidiary of Korea Road Infrastructure Investment Co., Ltd.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

7. Transactions with Significantly Invested Companies and Supervisory Directors, Continued

- (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, 2011 and 2010, are summarized as follows:

	Won (thousands)		U.S. dollars (Note 2(b))	
	2011	2010	2011	
Statements of income:				
Interest income	₩ 91,453,155	₩ 87,339,260	\$ 79,296,935	
Statements of financial position:				
Loans receivable	600,381,335	614,958,890	520,576,898	
Interest receivable	176,209,252	151,356,955	152,787,003	

- (c) Compensation for the supervisory directors for the years ended December 31, 2011 and 2010, consists of:

	Won (thousands)		U.S. dollars (Note 2(b))	
	2011	2010	2011	
Salaries	₩ 144,000	₩ 144,000	\$ 124,859	

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 amended and restated on February 16, 2006 (the "Management Agreement"). Pursuant to the amended 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 based on the net investment value and the commitments of the Company using the below methodology. 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 deficit and surplus accumulated from the timing of listing.

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 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.

(b) As of December 31, 2011, the Company has the Korean Securities Finance Corporation and KEB Investor Services Co., Ltd. as its Custodian and Administrator, respectively. The Company also has Shinhan Investment Corp., Macquarie Securities Korea, Ltd., Hanwha Securities Co., Ltd., Samsung Securities Co., Ltd., Tong Yang Securities Inc. 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: 0.0125% 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, 2011 and 2010, are summarized as follows:

		Won (thousands)		U.S. dollars (Note 2(b))
		2011	2010	2011
<u>Significant transactions:</u>				
Macquarie Shinhan Infrastructure Asset Management Co., Ltd.	Management fee	₩ 24,151,939	₩ 22,891,440	\$ 20,941,593
	Long-term debt	52,539,491	8,529,827	45,555,789
	Repayment of long-term debt	109,355,947	14,000,000	94,820,036
Shinhan Bank	Interest income	101,247	262,483	87,789
	Interest expense	4,383,797	7,173,601	3,801,090
	Upfront fee and other fees relative to the credit facility	3,706,566	196,685	3,213,878
Macquarie Capital Advisers Korea Co., Ltd.	Advisory fee	139,260	603,152	120,749
<u>Account balances:</u>				
Macquarie Shinhan Infrastructure Asset Management Co., Ltd.	Management fee payable	₩ 6,140,003	₩ 5,958,632	\$ 5,323,856
Shinhan Bank	Long-term debt (Note 11)	44,137,736	100,954,191	38,270,819
	Other liabilities	121,662	693,542	105,490

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

9. Pledged Assets and Guarantees Provided by Others

The following assets are pledged as collaterals for subsidiaries' long-term debts as of December 31, 2011:

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.	₩	33,925,040	₩	201,500,000	\$	29,415,625	\$	174,716,032
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		81,344,889		991,936,183
Woomyunsan Infraway Co., Ltd.	Shinhan Bank and others	Woomyunsan Infraway Co., Ltd.		2,723,725		187,070,000		2,361,680		162,204,110
Seoul-Chuncheon Highway Co., Ltd.	Kookmin Bank and others	Seoul-Chuncheon Highway Co., Ltd.		49,439,043		1,300,000,000		42,867,461		1,127,200,208
Busan New Container Terminal Co.,Ltd.	Kookmin Bank and others	Busan New Container Terminal Co.,Ltd.		67,048,056		800,800,000		58,135,833		694,355,328
Gyungso Highway Co.,Ltd	Korea Development Bank and others	Gyungso Highway Co.,Ltd		58,361,765		471,900,000		50,604,149		409,173,676
BYT Securitization Specialty Co., Ltd.	Shinhan Bank (Credit line)	BYT Securitization Specialty Co., Ltd.		50		223,600,000		43		193,878,436
			₩	305,312,740	₩	4,328,870,000	\$	264,729,680	\$	3,753,463,973

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

10. Other Liabilities

Other liabilities as of December 31, 2011 and 2010, are as follows:

	Won (thousands)		U.S. dollars (Note 2(b))
	2011	2010	2011
Administrator fee payable	₩ 52,651	₩ 52,826	\$ 45,652
Custodian fee payable	84,241	84,522	73,043
Interest payable	1,569,157	2,438,074	1,360,580
Accrued expenses	105,552	78,241	91,523
	₩ 1,811,601	₩ 2,653,663	\$ 1,570,798

11. Long-Term Debts

- a) On December 31, 2011, the Company entered into a corporate credit facility agreement ("Facility") with Lenders for a limit of ₩250,000 million. Detail terms and conditions of the Facility are as follows:

	Long-Term Debts
Lenders	Shinhan Bank and others
Credit limit	₩250,000 million
Drawdown as of December 31, 2011	₩183,907 million
Interest rate (*1)	Base rate + 2.7%
Maturity (*2)	June 16, 2016

- (*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 refinance existing corporate credit facility for a new corporate credit facility agreement with maturity date of June 16, 2016. The Company paid the fee of 1.3968% (₩3,492 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 early repaid amount at any time.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

11. Long-term debts, Continued

b) Long-term debts as of December 31, 2011 and 2010, are as follows:

	Won (thousands) Limit of the Facility	Annual Interest Rate(%)	Won (thousands)		U.S. dollars (Note 2(b))
			2011	2010	2011
Shinhan Bank	₩ 60,000,000	base rate + 2.7%	₩ 44,137,736	₩ 100,954,191	\$ 38,270,819
National Agricultural Cooperative Federation (NACF)	60,000,000	base rate + 2.7%	44,137,736	100,954,191	38,270,819
Woori Bank	40,000,000	base rate + 2.7%	29,425,156	79,321,150	25,513,879
Tong Yang Life Insurance Co., Ltd.	40,000,000	base rate + 2.7%	29,425,156	43,266,082	25,513,879
Shinhan Life Insurance Co., Ltd.	30,000,000	base rate + 2.7%	22,068,867	21,633,041	19,135,409
LIG Insurance Co., Ltd.	20,000,000	base rate + 2.7%	14,712,577	14,422,026	12,756,938
	<u>₩ 250,000,000</u>		<u>₩ 183,907,228</u>	<u>₩ 360,550,681</u>	<u>\$ 159,461,743</u>

12. Corporate Bonds

The Company issued unsecured corporate bonds of KRW 250 billion by public offering on May 31, 2011. The terms of the bonds are as follows:

	Maturity	Annual Interest Rate(%)	Guarantee provider	Won (thousands)	U.S. dollars (Note 2(b))
Tranche 1-1	May 31, 2016	4.57	Unguarantee d	60,000,000	52,024,625
Tranche 1-2	May 31, 2018	4.97	Unguarantee d	190,000,000	164,744,646
				250,000,000	216,769,271
Discount on bonds				(1,021,535)	(885,750)
				<u>248,978,465</u>	<u>215,883,521</u>

The principal amount will be repaid in whole on the maturity date. The bond issuance cost, which is recognised as a bond discount, will be amortised until the maturity date.

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

13. Pain-in Capital

The Company is authorized to issue 4,000,000,000 shares and the number of outstanding shares is 331,459,341.

14. Distribution

The Company paid cash distributions amounting to ₩115,679 million and ₩106,067 million in 2011 and 2010, respectively.

15. Other Expenses

Other expenses for the years ended December 31, 2011 and 2010, are as follows:

	Won (thousands)		U.S. dollars (Note 2(b))
	2011	2010	2011
Amortization of deferred costs	₩ 360,374	₩ 414,814	\$ 312,472
Credit facility fees	6,804,511	1,944,483	5,900,035
Service fees	1,281,609	3,377,178	1,111,254
	<u>₩ 8,446,494</u>	<u>₩ 5,736,475</u>	<u>\$ 7,323,761</u>

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

16. 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, 2011 and 2010, the Company did not pay income taxes because it deducted distributions from taxable income by distributing 90% or more of its distributable income.

17. Insurance

As of December 31, 2011, the Company carries directors & officers compensation liability insurance amounting to ₩20,000 million with Hyundai Marine & Fire Insurance Co., Ltd.

18. Net Asset Value Per Share

Net asset value per share as of December 31, 2011 and 2010, is as follows:

	Won (thousands, except share and per share data)		U.S. dollars (Note 2(b))
	2011	2010	2011
Total assets	₩ 2,126,520,052	₩ 2,064,940,571	\$ 1,843,856,804
Total liabilities	440,838,372	369,163,883	382,240,850
Net assets	1,685,681,680	1,695,776,688	1,461,615,954
Number of outstanding shares	331,459,341	331,459,341	331,459,341
Net asset value per share in Won and U.S. dollar	₩ 5,086	₩ 5,116	\$ 4.41

MACQUARIE KOREA INFRASTRUCTURE FUND

Notes to Non-consolidated Financial Statements, Continued

19. Earnings Per Share

Earnings per share for the years ended December 31, 2011 and 2010, 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))
	2011	2010	2011
Net income per accompanying statements of income	₩ 105,584,302	₩ 111,442,024	\$ 91,549,728
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	₩ 319	₩ 336	\$ 0.276

(*1) Weighted average number of shares outstanding for the years ended December 31, 2011 and 2010, is as follows:

	Shares	
	2011	2010
Beginning of the year	331,459,341	331,459,341
Stock dividends	-	-
Weighted-average number of shares outstanding	331,459,341	331,459,341

20. Commitments

Commitments as of December 31, 2011, are as follows:

Invested Assets	Won (thousands)			U.S. dollars (Note 2(b))
	Total Commitment	Investment	Remaining Commitment	Remaining Commitment
BNCT Co., Ltd.- Equity (*1)	₩ 66,420,000	₩ 66,420,000	₩ -	\$ -
BNCT Co., Ltd. - Subordinated loan (*1)	193,000,000	188,280,000	4,720,000	4,092,604
	₩ 259,420,000	₩ 254,700,000	₩ 4,720,000	\$ 4,092,604

(*1) As of December 31, 2011, the Company owns 30% of the equity shares in BNCT Co., Ltd ("BNCT"), amounting to ₩66,420 million. On December 31, 2007, the Company entered into a revised shareholders' agreement in which the Company would invest ₩66,420 million in BNCT. The Company's investment has taken place over the construction period. 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 it increases to 12% per annum thereafter. As of December 31, 2011, outstanding loan amounts to ₩188,280 million. The construction has been completed at the end of 2011 and BNCT officially commenced operation from January 2012.