

Macquarie Korea Infrastructure Fund

**Financial Statements
December 31, 2015 and 2014**

Macquarie Korea Infrastructure Fund
Index
December 31, 2015 and 2014

	Page(s)
Independent Auditor's Report	1-2
Statements of Financial Position.....	3
Statements of Income	4
Statements of Changes in Equity.....	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-25



Independent Auditor's Report

To the Board of Directors and Shareholders of
Macquarie Korea Infrastructure Fund

Report on the financial statements

We have audited the accompanying financial statements of Macquarie Korea Infrastructure Fund as of December 31, 2015 and 2014, and statements of income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Accounting Standards ("SAS") No. 5003 Collective Investment Vehicle and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Macquarie Korea Infrastructure Fund as of December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with the Statements of Accounting Standards ("SAS") No. 5003 Collective Investment Vehicle.



Other matters

Accounting standards and their application in practice vary among countries. 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 auditing standards and their application in practice.

As explained in Note 2, the U.S. dollars amounts as of and for the year ended December 31, 2015, provided herein, represent supplementary information. 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 the conversion rate, US\$1: ₩1,172.00 or any other rate.

A handwritten signature in black ink, appearing to read "Samuel Pridewaterhouse Cooper". The signature is fluid and cursive, with the first name "Samuel" on the left and the last name "Pridewaterhouse Cooper" on the right.

Seoul, Korea
January 29, 2016

This report is effective as of January 29, 2016, 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
Statements of Financial Position
As of December 31, 2015 and 2014

(in thousands of Korean won and in thousands of USD)

	Notes	2015	2014	2015 (USD)
Assets				
Invested assets				
Cash and deposits	3	₩ 15,679,898	₩ 48,864,156	\$ 13,379
Loans receivable	4,7	1,089,745,531	1,079,604,268	929,817
Equity securities	6,7,9	512,184,208	553,103,393	437,017
Total invested assets		1,617,609,637	1,681,571,817	1,380,213
Other assets				
Interest receivable	7	433,603,919	455,069,997	369,969
Other receivables		2,430,527	2,367,451	2,074
Prepaid expenses	5	3,711,517	5,497,933	3,167
Total other assets		439,745,963	462,935,381	375,210
Total assets		₩ 2,057,355,600	₩ 2,144,507,198	\$ 1,755,423
Liabilities				
Corporate bonds	12	₩ 249,687,660	₩ 249,510,483	\$ 213,044
Long-term debts	11	109,444,354	208,565,464	93,383
Accounts payable		868	793	1
Management fees payable	8	8,867,455	8,276,556	7,566
Other liabilities	10	3,210,472	1,634,910	2,739
Total liabilities		371,210,809	467,988,206	316,733
Equity				
Share capital - no par value	13	1,670,985,755	1,670,985,755	1,425,756
Authorized: 4,000,000,000 shares; Issued and outstanding: 331,459,341 shares in 2015 and 2014				
Retained earnings	13	15,159,036	5,533,237	12,934
Net asset value per share in Korean won and U.S. dollars: ₩5,087 (\$4.3) in 2015 and ₩5,058 (\$4.6) in 2014				
Total equity		1,686,144,791	1,676,518,992	1,438,690
Total liabilities and equity		₩ 2,057,355,600	₩ 2,144,507,198	\$ 1,755,423

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

Macquarie Korea Infrastructure Fund
Statements of Income
Years Ended December 31, 2015 and 2014

(in thousands of Korean won and in thousands of USD except per share data)

	Notes	2015	2014	2015 (USD)
Investing revenue				
Interest income	4,7	₩ 178,115,149	₩ 177,838,418	\$ 151,975
Dividend income	6	40,922,603	3,385,984	34,917
Other income		450,603	19,484	384
		<u>219,488,355</u>	<u>181,243,886</u>	<u>187,276</u>
Investing expenses				
Management fees	8	35,353,859	30,802,408	30,165
Custodian fees	8	330,629	331,803	282
Administrator fees	8	207,194	207,377	177
Performance fee	8	7,834,573	-	6,685
Interest expenses		19,369,911	19,628,984	16,527
Other expenses	7,15	2,581,577	4,447,379	2,203
		<u>65,677,743</u>	<u>55,417,951</u>	<u>56,039</u>
Income tax expense	16	-	-	-
Net income		<u>₩ 153,810,612</u>	<u>₩ 125,825,935</u>	<u>\$ 131,237</u>
Earnings per share				
in Korean won and U.S. dollars	18	₩ 464	₩ 380	\$ 0.396

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

Macquarie Korea Infrastructure Fund

Statements of Changes in Equity

Years Ended December 31, 2015 and 2014

(in thousands of Korean won and in thousands of USD)

	Notes	Share capital	Retained earnings	Total	USD
Balance at January 1, 2014		₩ 1,670,985,755	₩ 44,111,136	₩ 1,715,096,891	\$ 1,463,393
Net income		-	125,825,935	125,825,935	107,360
Cash distribution					
(Net asset value per share in Korean won and US dollars: ₩5,058 (\$4.6))	13, 14	-	(164,403,834)	(164,403,834)	(140,276)
Balance at December 31, 2014		₩ 1,670,985,755	₩ 5,533,237	₩ 1,676,518,992	\$ 1,430,477
Balance at January 1, 2015		₩ 1,670,985,755	₩ 5,533,237	₩ 1,676,518,992	\$ 1,430,477
Net income		-	153,810,612	153,810,612	131,237
Cash distribution					
(Net asset value per share in Korean won and US dollars: ₩5,087 (\$4.3))	13, 14	-	(144,184,813)	(144,184,813)	(123,024)
Balance at December 31, 2015		₩ 1,670,985,755	₩ 15,159,036	₩ 1,686,144,791	\$ 1,438,690

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

Macquarie Korea Infrastructure Fund

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

(in thousands of Korean won and in thousands of USD)

	2015	2014	2015 (USD)
Cash flows from operating activities			
Cash inflows from operating activities			
Interest income	₩ 199,600,786	₩ 97,728,647	\$ 170,308
Dividend income	40,922,603	3,385,984	34,917
Collection of loans receivable	141,115,400	19,013,097	120,406
Collection of receivables	-	598,596	-
Collection of equity securities	55,645,435	50	47,479
Other income	387,528	-	331
Unearned revenue	1,771,389	-	1,511
	<u>439,443,141</u>	<u>120,726,374</u>	<u>374,952</u>
Cash outflows from operating activities			
Purchase of equity securities	14,726,250	-	12,565
Issuances of loans receivable	151,303,734	8,600,000	129,099
Payment of prepaid expenses	39,000	65,430	33
Management fees	34,762,959	29,925,841	29,661
Custodian fees	330,411	333,464	282
Administrator fees	206,507	208,415	176
Performance fee	7,834,573	-	6,685
Other expenses	644,680	1,412,812	550
	<u>(209,848,114)</u>	<u>(40,545,962)</u>	<u>(179,051)</u>
Net cash provided by operating activities	<u>229,595,027</u>	<u>80,180,412</u>	<u>195,901</u>
Cash flows from financing activities			
Proceeds from long-term debts	52,500,000	334,800,000	44,795
Repayment of long-term debts	(155,000,000)	(200,305,075)	(132,253)
Distribution	(144,184,813)	(164,403,833)	(123,024)
Interest expense	(15,994,472)	(13,808,683)	(13,647)
Incidental expenses for borrowings	(100,000)	(2,350,000)	(86)
	<u>(262,779,285)</u>	<u>(46,067,591)</u>	<u>(224,215)</u>
Net cash used in financing activities	<u>(262,779,285)</u>	<u>(46,067,591)</u>	<u>(224,215)</u>
Net increase(decrease) in cash and deposits	<u>(33,184,258)</u>	<u>34,112,821</u>	<u>(28,314)</u>
Cash and cash equivalents at beginning of the year	<u>48,864,156</u>	<u>14,751,335</u>	<u>41,693</u>
Cash and cash equivalents at end of the year	<u>₩ 15,679,898</u>	<u>₩ 48,864,156</u>	<u>\$ 13,379</u>

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

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

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 Act on Public-Private Participation in Infrastructure (the “PPIA”). The Company is an investment company that operates by investing in entities that have entered into infrastructure developments with central, provincial and city governments in Korea implemented under the framework of the PPIA. The Company, which was classified as an investment company under the Indirect Investment Asset Management Business Act (“IIMBA”), was registered as an investment company under the Financial Investment Services and Capital Markets Act (the “the FSCMA”) on April 30, 2009, and amended its Articles of Incorporation on June 15, 2009.

Under the Article 184 of the the FSCMA, the Company shall not have any employees and full-time directors. Instead, the Company is required under the the FSCMA to appoint a manager, custodian, administrator and sales agents. Macquarie Korea Asset Management Co., Ltd. (Former, Macquarie Shinhan Infrastructure Asset Management Co., Ltd.) is the Company’s asset manager. Macquarie Korea Asset Management Co., Ltd. (the “Manager”) had been a joint venture between the Macquarie Group and Shinhan Financial Group and Shinhan Financial Group transferred its total share to Macquarie Group and changed its name to Macquarie Korea Asset Management Co., Ltd. on February 28, 2012.

In November 2005, the Manager was licensed as an infrastructure fund asset management company under the IIMBA and on February 4, 2009, the Manager was re-licensed as an infrastructure fund asset management company under the the FSCMA. On June 24, 2010, the Manager was authorized as the manager of special asset collective investment vehicle under the the FSCMA. Also on November 27, 2013, the Manager was authorized as the manager of real estate collective investment vehicle under the the FSCMA and expanded its business scope. On October 26, 2015, the Company additionally completed registration of professional private collective investment business according to revision of the FSCMA.

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 the Financial Statements

Years Ended December 31, 2015 and 2014

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

2.1 Basis of Presenting Financial Statements

The Company maintains its accounting records in Korea and prepares financial statements in conformity with the the FSCMA, the Statement of Accounting Standards ("SAS") 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, financial statements are intended for use only by those who are informed about Korean accounting principles and practices.

2.2 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, 2015, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US\$1: ₩1,172.00. 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.

2.3 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 highly 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. Dividend income due to the liquidation of special purpose company is recognized when it is received.

2.4 Cash and Deposits

The Company considers cash and deposits to include funds deposited in cash and cash equivalent deposits and time deposits.

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

2.5 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.

2.6 Investment Securities

Under the SAS No. 5003, "Collective Investment Vehicle", investment securities are initially recognized and carried at cost, including incidental expenses. Investment securities in accordance with SAS No. 5003 are classified into equity securities, debt securities, beneficiary certificates and other securities.

Investment securities are subsequently measured at fair value and changes in the fair values of the securities are recognized in the current operations. Under SAS No. 5003, the fair value is determined by valuation methodologies stipulated in the FSCMA.

Under the provision of the 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 Korea 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, 2015, 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 Company shall estimate the recoverable amount of the impaired security and recognize any impairment loss in current operations.

2.7 Distributions

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

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

2.8 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. In addition, when the difference in value is important between the present value and current nominal value of provision, the Company values the provision at the present value of the expenditures expected to fulfill the obligation.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The reimbursement shall be treated as a separate asset and the corresponding income is offset against the related recognized expense due to the recognition of provision.

2.9 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.

2.10 Earnings per Share

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

2.11 Income Taxes

As described in Note 1, the Company is an investment company under the 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 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.

2.12 Use of Estimates

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

2.13 Approval of Financial Statements

The December 31, 2015 financial statements of the Company were approved by the board of directors on January 29, 2016.

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

3. Cash and Deposits

Cash and deposits as of December 31, 2015 and 2014 are as follows:

(in thousands of Korean won and in thousands of USD)

	2015	2014	2015 (USD)
Money market deposit accounts ("MMDA") (*1)			
Standard Chartered Bank	₩ 15,679,898	₩ 48,864,156	\$ 13,379

(*1) As of December 31, 2015, the interest rate on MMDA is 1.15%.

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

4. Loans Receivable

Loans receivable as of December 31, 2015 and 2014 are as follows:

(in thousands of Korean won and in thousands of USD)

	Repayment period	Annual interest rate (%)	2015	2014	2015 (USD)
Senior loans					
Kwangju Beltway Investment Co., Ltd.	2018~2024	10%	₩ 142,000,000	₩ 142,000,000	\$ 121,160
Kwangju Ring Road Co., Ltd. (*1)	2012~2019	7.85	33,753,750	39,003,750	28,800
Soojungsan Investment Co., Ltd. (*2)	2012~2018	8.5	21,585,000	28,780,000	18,417
Baekyang Tunnel Ltd.	2024	13~15	1,377,720	1,424,790	1,176
Subordinated loans					
Kwangju Beltway Investment Co., Ltd.	2024~2026	20	31,950,000	31,950,000	27,261
MCB Co., Ltd.	2030~2035	11.38	79,000,000	79,000,000	67,406
New Airport Hiway Co., Ltd. (*3)	2028	13.5	51,670,400	51,670,400	44,087
Soojungsan Investment Co., Ltd.	2017	20	19,260,587	19,260,587	16,434
Cheonan Nonsan Expressway Co., Ltd. (*4)	2024~2029	6~20	182,250,000	182,250,000	155,503
Incheon Bridge Co., Ltd. (*5)	2020~2026	9.31~12	89,378,000	89,378,000	76,261
Seoul Chuncheon Highway Co., Ltd. (*6)	2026~2031	11~11.59	87,450,000	87,450,000	74,616
Gyungso Highway Co., Ltd. (*7)	2039	15.5	99,633,333	77,000,000	85,012
Busan New Container Terminal Co., Ltd. (*8)	2028~2037	10~14	237,600,000	237,600,000	202,730
Woomyunsan Infraway Co., Ltd. (*9)	2024~2026	20	9,576,000	9,576,000	8,172
Working capital loans					
Kwangju Beltway Investment Co., Ltd.	2027	15	3,260,741	3,260,741	2,782
			₩ 1,089,745,531	₩ 1,079,604,268	\$ 929,817

(*1) In 2015, the Company collected part of its loan amounting to ₩5,250 million from Kwangju Ring Road Co., Ltd.

(*2) In 2015, the Company collected part of its senior loan amounting to ₩7,195 million from Soojungsan Investment Co., Ltd.

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(*3) In April and July 2015, the Company had collected part of its loan amounting to ₩12,918 million from New Airport Hiway Co., Ltd. ("NAHC"). In August 2015, the Company entered into definitive agreements to restructure capital of NAHC ("NAHC refinancing"). Under the agreements, the Company collected early repayment of all of its existing subordinated loan amounting to ₩38,753 million and invested ₩51,670 million into a new subordinated loan of which interest rate per annum is 13.5%. The company received prepayment fee amounting to ₩388 million due to early repayment of existing subordinated loan (Note 6).

(*4) Interest rates per annum are as follows: 6% from 2005 to 2007, 8% for 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. 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 Cheonan Nonsan Expressway Co., Ltd. ("CNEC"). Under the agreement, NHISC agreed to underwrite the debt securities amounting to ₩157,200 million through seven securitizations. The Company paid NHISC an underwriting fee of 1.5% (₩2,358 million) of the total amount underwritten. The sixth and seventh securitization were cancelled, which were expected in 2014 and 2015, thereof the cancellation fee of ₩234 million and ₩46 million were expensed in 2014 and 2015, respectively.

(*5) The interest rate during the construction period is 12% per annum and that for the three years following commencement of operations (October 24, 2009) increases to the interest rate of corporate bonds with AA(-) credit rating added with 6% per annum thereafter. The Company had accrued interest income using interest rate of 11.49% until November 17, 2012 and interest rate of 9.31% from November 18, 2012 to November 17, 2015, and thereafter the Company has accrued interest income using interest rate of 8.15%.

(*6) The interest rate during the construction period was 11% per annum and it increases to 11.59% per annum from the commencement of operation (August 12, 2009).

(*7) In October 2015, the Company entered into definitive agreements to restructure capital of Gyungso Highway Co., Ltd. ("YSE refinancing"). Under the agreements, the Company collected early repayment of all of its subordinated loan amounting ₩77,000 million and invested ₩99,633 million into a new subordinated loan of which interest rate per annum is 15.5%. And the company fully amortized effective interest amounting to ₩3,481 million due to early repayment of existing subordinated loan (Note 6).

(*8) The interest rate during the construction period was 10% per annum and thereafter increases to 12% per annum from the commencement of operation (December 24, 2011). In 2013, the Company entered into a new subordinated loan agreement (fixed rate of 14% per annum) amounting to ₩50,000 million.

(*9) On January 14, 2016, after the reporting period, the Company entered into definitive agreements to restructure capital of Woomyunsan Infraway Co., Ltd ("WIC refinancing"). Under the agreements, the Company collected early repayment of all of its subordinated loan amounting to ₩9,576 million, interest receivable amounting to ₩2,555 million and prepayment fee amounting to ₩8,618 million. Also, the Company invested ₩14,976 million into a new shareholder loan of which interest rate per annum is 12% (Note 6).

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

5. Prepaid Expenses

Prepaid expenses as of December 31, 2015 and 2014 are as follows:

(in thousands of Korean won and in thousands of USD)

	2015	2014	2015 (USD)
Loans acquisition			
Incidental costs (*1)	₩ 2,254,336	₩ 3,185,035	\$ 1,923
Others (*2)	1,457,181	2,312,898	1,244
	<u>₩ 3,711,517</u>	<u>₩ 5,497,933</u>	<u>\$ 3,167</u>

(*1) During the period, the existing subordinated loans of New Airport Highway Co., Ltd. ("NAHC") and Gyungso Highway Co., Ltd. ("YSE") was fully paid according to the NAHC and YSE refinancing and the Company fully amortized incidental costs respective to the existing subordinated loans.

(*2) The fees related to the securitization and long-term debts are included (Notes 4 and 11).

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

6. Equity Securities

Equity securities as of December 31, 2015 and 2014 are as follows:

(in thousands of Korean won and in thousands of USD)

	Owner-ship (%)	2015	2014	2015 (USD)
Kwangju Beltway Investment Co., Ltd. (*1)	100%	₩ 33,050,000	₩ 33,050,000	\$ 28,200
Kwangju Ring Road Co., Ltd. (*2)	75	29,494,767	29,494,766	25,166
MCB Co., Ltd. (*3, 14)	70	33,925,039	33,925,040	28,946
New Airport Highway Co., Ltd. (*4)	24.1	25,234,813	59,880,248	21,531
Baekyang Tunnel Ltd. (*5)	100	1,231,000	1,231,000	1,050
Soojungsan Investment Co., Ltd. (*6)	100	47,247,830	47,247,830	40,314
Cheonan-Nonsan Expressway Co., Ltd. (*7, 14)	60	93,815,061	93,815,061	80,047
Woomyunsan Infraway Co., Ltd. (*8, 14)	36	2,723,725	2,723,725	2,325
Private Infrastructure Investment Korea Co., Ltd. (*9)	100	76,886,809	76,886,809	65,603
Seoul-Chuncheon Expressway Co., Ltd. (*10, 14)	15	49,439,043	49,439,043	42,183
Busan New Container Terminal Co., Ltd. (*11, 14)	30	67,048,056	67,048,056	57,208
Gyungso Highway Co., Ltd. (*12, 14)	43.75	52,088,015	58,361,765	44,444
BYT Securitization Specialty Co., Ltd. (*13, 14)	0.5	50	50	0.04
		₩ 512,184,208	₩ 553,103,393	\$ 437,017

All of the above equity securities are non-marketable securities.

(*1) Kwangju Beltway Investment Co., Ltd. ("KBICL") operates the Kwangju Second Beltway, Section 1 and collects toll revenues generated by the beltway under the concession agreement with the Kwangju Metropolitan City. KBICL is proceeding in administrative lawsuit against the supervisory ordinance of Kwangju Metropolitan City (October 2011) which demands KBICL to restore its capital structure.

(*2) Kwangju Ring Road Co., Ltd. ("KRRCL") operates the Kwangju Second Beltway, Section 3-1 and collects toll revenues generated by the beltway under the concession agreement with the Kwangju Metropolitan City.

(*3) MCB Co., Ltd. ("MCB") holds the concession right to operate Machang Bridge under a concession agreement with the Gyeongsangnam-do Province.

(*4) New Airport Highway Co., Ltd. ("NAHC") operates the Incheon International Airport Expressway under a concession agreement with the Ministry of Land, Infrastructure and Transport ("MOLIT"). In 2015, NAHC reduced its capital according to the NACH refinancing. The number of respective holding shares declined from 10,594,360 to 3,665,273. Total proceed the Company received from the capital reduction was ₩34,645 million (Note 4).

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(*5) Baekyang Tunnel Ltd. ("BYTL") operates and manages Baekyang Tunnel under a concession agreement with the Busan Metropolitan City. BYTL is proceeding of administrative lawsuit against the supervisory ordinance of Busan Metropolitan City (August 2013) which demands BYTL to restore its capital structure.

(*6) Soojungsan Investment Co., Ltd. ("SICL") operates Soojungsan Tunnel under a concession agreement with the Busan Metropolitan City. SICL is proceeding of administrative lawsuit against the supervisory ordinance of Busan Metropolitan City (August 2013) which demands SICL to restore its capital structure.

(*7) Cheonan-Nonsan Expressway Co., Ltd. ("CNEC") operates Cheonan-Nonsan Expressway under a concession agreement with the MOLIT.

(*8) Woomyunsan Infraway Co., Ltd. ("WIC") operates Woomyunsan Tunnel under a concession agreement with the Seoul Special City. On January 14, 2016, after the reporting period, the Company entered into definitive agreements to restructure capital of WIC. In February 2016, WIC plans to reduce its capital according to WIC refinancing. Therefore, the number of respective holding shares will decline from 1,915,200 to 835,200 shares and the Company will receive the amount of ₩12,852 million as capital reduction cost (Note 4).

(*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 MOLIT. As of December 31, 2015, PIIK holds 41.02% shares of IBC.

(*10) Seoul-Chuncheon Expressway Co., Ltd. ("SCE") has the right to operate and manage Seoul-Chuncheon Expressway under a concession agreement with MOLIT.

(*11) Busan New Container Terminal Co., Ltd. ("BNCT") has been granted a concession from Ministry of Oceans and Fisheries to construct, operate and manage Busan New Port Phase 2-3.

(*12) Gyungso Highway Co., Ltd. ("YSE") has the right to operate and manage Yongin-Seoul Expressway under the concession agreement with MOLIT. In October 2015, the Company additionally acquired 2,887,500 shares, at ₩5,100 per share of YSE. In 2015, YSE reduced its capital according to YSE refinancing. The number of respective holding shares declined from 14,437,500 to 10,319,853 shares and the Company received ₩21,000 million as capital reduction cost (Note 4).

(*13) In December 2007, the Company acquired 0.5% of the shares of BYT SPC. The shares are pledged as collateral to the credit donors of the BYT SPC, Shinhan Bank.

(*14) The Company provided this equity shares as collaterals for the invested company's long-term debts (Note 9).

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

7. Transactions with Significantly Invested Companies

Details of significantly invested companies as of December 31, 2015 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
MCB Co., Ltd.	70	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
Gyungso Highway Co., Ltd. (*2)	43.75	Operation of toll road

(*1) The Company invests to social overhead capital entities in accordance with the PPIA. Majority portion of the business of these entities is operated in limited scale in accordance with shareholders' agreements and government concessions. The Company classifies the subsidiaries, where greater than 50% equity shares are held so the Company may have significant control, as significantly invested companies.

(*2) The Company has a 43.75 percent stake in Gyungso Highway Co., Ltd. ("YSE"), however, the Company can substantially exert its influence to YSE owning 58.33 percent of voting right.

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

Significant balances and transactions with the significantly invested companies as of and for the years ended December 31, 2015 and 2014 are summarized as follows:

(in thousands of Korean won and in thousands of USD)

		Statements of		Statements of		Statements of		Statements of	
		income		financial position		income		financial position	
2015		Interest income	Loans receivable	Interest receivable		Interest income	Loans receivable	Interest receivable	
Kwangju Beltway Investment Co., Ltd.	₩	34,744,906	₩ 177,210,741	₩ 119,136,627	\$	29,646	\$ 151,204	\$ 101,652	
Kwangju Ring Road Co., Ltd.		3,168,148	33,753,750	163,358		2,703	28,800	139	
MCB Co., Ltd.		10,905,573	79,000,000	18,391,127		9,305	67,406	15,692	
Baekyang Tunnel Ltd.		180,030	1,377,720	573,986		154	1,176	490	
Cheonan Nonsan Expressway Co., Ltd.		34,179,055	182,250,000	98,711,511		29,163	155,503	84,225	
Soojungsan Investment Co., Ltd.		5,992,630	40,845,587	716,698		5,113	34,851	612	
Gyungso Highway Co., Ltd.		14,079,438	99,633,333	2,467,062		12,013	85,011	2,105	
	₩	103,249,780	₩ 614,071,131	₩ 240,160,369	\$	88,097	\$ 523,951	\$ 204,915	

		Statements of		Statements of	
		income		financial position	
2014		Interest income	Loans receivable	Interest receivable	
Kwangju Beltway Investment Co., Ltd.	₩	34,032,185	₩ 177,210,741	₩ 97,231,995	
Kwangju Ring Road Co., Ltd.		4,055,674	39,003,750	194,966	
MCB Co., Ltd.		10,954,293	79,000,000	22,385,554	
Baekyang Tunnel Ltd.		168,489	1,424,790	499,686	
Cheonan Nonsan Expressway Co., Ltd.		35,155,537	182,250,000	139,105,742	
Soojungsan Investment Co., Ltd.		6,604,624	48,040,587	776,517	
Gyungso Highway Co., Ltd.		17,125,734	77,000,000	47,182,285	
	₩	108,096,536	₩ 603,929,868	₩ 307,376,745	

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

Compensation for the supervisory directors for the years ended December 31, 2015 and 2014 consists of:

(in thousands of Korean won and in thousands of USD)

		2015		2014		2015 (USD)
Salaries	₩	144,000	₩	144,000	\$	123

8. Related Party Transactions and Balances with the Manager and its Related of Parties

On December 13, 2002, the Company appointed Macquarie Korea Asset Management Co., Ltd. as the Company's Manager. The management agreement was amended and restated on February 27, 2012 (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, deposits held at the banks and negotiable certificates of deposit, etc..

(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 the Financial Statements

Years Ended December 31, 2015 and 2014

(iii) Termination of Management Agreement: Under the terms of the Management Agreement, the Company may only terminate the agreement upon 90 days' prior written notice to the Manager and approval by the holders of more than 50% 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:

- 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.

As of December 31, 2015, the Company has the Korean Securities Finance Corporation and Hana Investors Services Company as its Custodian and Administrator, respectively. The Company also has Shinhan Investment Corp., Hanwha Securities Co., Ltd., Samsung Securities Co., Ltd., Yuanta Securities Korea 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: 0.0125% 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.

Significant transactions and account balances which occurred with the Manager and its related parties as of and for the years ended December 31, 2015 and 2014 are summarized as follows:

(in thousands of Korean won and in thousands of USD)

	Account	2015	2014	2015 (USD)
Significant transactions				
Macquarie Korea Asset Management Co., Ltd.	Management fee	₩ 35,353,859	₩ 30,802,408	\$ 30,165
	Performance fee	7,834,573	-	6,685
Account balances				
Macquarie Korea Asset Management Co., Ltd.	Management fee payable	8,867,455	8,276,556	7,566

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

9. Pledged Assets and Guarantees Provided by Others

The following assets are pledged as collaterals for the invested company's long-term debts as of December 31, 2015:

(in thousands of Korean won and in thousands of USD)

Pledged assets	Lender	Borrower	2015		2015 (USD)	
			Book value	Collateralized amount	Book value	Collateralized amount
Equity securities						
MCB Co., Ltd.	Kookmin Bank and others	MCB Co., Ltd.	₩ 33,925,039	₩ 201,500,000	\$ 28,946	\$ 171,928
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	80,047	976,109
Woomyunsan Infraway Co., Ltd.	Shinhan Bank and others	Woomyunsan Infraway Co., Ltd.	2,723,725	187,070,000	2,325	159,617
Seoul-Chuncheon Highway Co., Ltd.	Kookmin Bank and others	Seoul-Chuncheon Highway Co., Ltd.	49,439,043	1,300,000,000	42,183	1,109,215
Busan New Container Terminal Co., Ltd.	Kookmin Bank and others	Busan New Container Terminal Co., Ltd.	67,048,056	774,500,000	57,208	660,836
Gyungso Highway Co., Ltd.	Korea Development Bank and others	Gyungso Highway Co., Ltd.	52,088,015	500,110,000	44,444	426,715
BYT Securitization Specialty Co., Ltd.	Shinhan Bank (Credit line)	BYT Securitization Specialty Co., Ltd.	50	223,600,000	0.04	190,785
			₩ 299,038,989	₩ 4,330,780,000	\$ 255,153	\$ 3,695,205

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

10. Other Liabilities

Other liabilities as of December 31, 2015 and 2014 are as follows:

(in thousands of Korean won and in thousands of USD)

	2015	2014	2015 (USD)
Administrator fees payable	₩ 52,680	₩ 52,331	\$ 45
Custodian fees payable	84,287	83,730	72
Interest payable	1,216,875	1,397,502	1,038
Accrued expenses	112,752	101,347	96
Unearned revenue (*1)	1,743,878	-	1,488
	₩ 3,210,472	₩ 1,634,910	\$ 2,739

(*1) In 2015, the Company received upfront fees of ₩1,771 million from New Airport Hiway Co., Ltd. ("NAHC") and Gyungso Highway Co., Ltd. ("YSE") according to NAHC and YSE refinancing. The amount from NAHC was ₩775 million and the amount from YSE was ₩996 million. The receipt was recognized as unearned revenue when it was received, and recognized as interest revenue as amortized during the loan period in accordance with straight-line method.

11. Long-term Debts

On December 31, 2015, 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, 2015	₩109,444 million
Interest rate (*1)	Base rate + 1.8%
Maturity (*2)	February 7, 2019

(*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 the existing corporate credit facility with a new corporate credit facility agreement with the maturity date of February 7, 2019 and refinanced it on March 18, 2014. The Company paid the refinancing fees of 0.9% (₩2,250 million) of the facility limit to Lenders. The Company is able to make an early repayment of loan. Also, the Company is able to redraw at any time within the limit.

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

Long-term debts as of December 31, 2015 and 2014 are as follows:

(in thousands of Korean won and in thousands of USD)

	Repayment period	Annual interest rate (%)	2015	2014	2015 (USD)
Shinhan Bank	₩ 60,000,000	Base rate + 1.8%	₩ 26,266,645	₩ 50,055,711	\$ 22,412
NongHyup Bank	60,000,000	Base rate + 1.8	26,266,645	50,055,711	22,412
Woori Bank	40,000,000	Base rate + 1.8	17,511,097	33,370,474	14,941
Tong Yang Life Insurance Co., Ltd.	40,000,000	Base rate + 1.8	17,511,097	33,370,474	14,941
Shinhan Life Insurance Co., Ltd.	30,000,000	Base rate + 1.8	13,133,322	25,027,856	11,206
KB Insurance Co., Ltd.	20,000,000	Base rate + 1.8	8,755,548	16,685,238	7,471
	<u>₩ 250,000,000</u>		<u>₩ 109,444,354</u>	<u>₩ 208,565,464</u>	<u>\$ 93,383</u>

12. Bonds Issued

The Company issued unsecured corporate bonds of ₩2,500 billion by public offering on May 31, 2011. The terms of the bonds are as follows:

(in thousands of Korean won and in thousands of USD)

	Maturity	Annual interest rate (%)	Guarantee provider	2015	2014	2015 (USD)
Tranche 1-1	May 31, 2016	4.57%	Unguaranteed	₩ 60,000,000	₩ 60,000,000	\$ 51,195
Tranche 1-2	May 31, 2018	4.97	Unguaranteed	190,000,000	190,000,000	162,116
				<u>250,000,000</u>	<u>250,000,000</u>	<u>213,311</u>
Less: Issuing cost				<u>(312,340)</u>	<u>(489,517)</u>	<u>(267)</u>
				<u>₩ 249,687,660</u>	<u>₩ 249,510,483</u>	<u>\$ 213,044</u>

The principal amount will be repaid in full on the maturity date. The bond issuance cost, which is recognized as a bond discount, will be amortized until the maturity date.

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

13. Paid-in Capital and Net Asset Value per Share

As of December 31, 2015, the Company is authorized to issue 4,000,000,000 shares and the number of outstanding shares is 331,459,341.

Net asset value per share as of December 31, 2015 and 2014 are as follows:

(in thousands of Korean won except share and per share data, and in USD)

	2015	2014	2015 (USD)
Total assets	₩ 2,057,355,600	₩ 2,144,507,198	\$ 1,755,422,867
Total liabilities	371,210,809	467,988,206	316,732,772
Net assets	1,686,144,791	1,676,518,992	1,438,690,095
Number of outstanding shares	331,459,341	331,459,341	331,459,341
Net asset value per share			
in Korean won and U.S. dollar	₩ 5,087	₩ 5,058	\$ 4.3

14. Distribution

The Company paid cash distributions amounting to ₩144,185 million and ₩164,404 million in 2015 and 2014, respectively.

15. Other Expenses

Other expenses for the years ended December 31, 2015 and 2014 are as follows:

(in thousands of Korean won and in thousands of USD)

	2015	2014	2015 (USD)
Amortization of deferred costs	₩ 976,063	₩ 336,314	\$ 833
Credit facility fees	726,074	2,632,535	620
Service fees	879,440	1,478,530	750
	₩ 2,581,577	₩ 4,447,379	\$ 2,203

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, 2015 and 2014, the Company did not pay income taxes, because it deducted distributions from taxable income by distributing 90% or more of its distributable income.

Macquarie Korea Infrastructure Fund

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

17. Insurance

As of December 31, 2015, the Company carries directors and officers compensation liability insurance amounting to ₩20,000 million with Hyundai Marine & Fire Insurance Co., Ltd.

18. Earnings per Share

Earnings per share for the years ended December 31, 2015 and 2014 are calculated by dividing net income by the weighted-average number of shares outstanding as follows:

(in thousands of Korean won except share and per share data, and in USD)

	2015	2014	2015 (USD)
Net income per accompanying statements of income	₩ 153,810,612	₩ 125,825,934	\$ 131,237,724
Weighted-average number of shares outstanding (*1)	331,459,341	331,459,341	331,459,341
Earnings per share in Korean Won and U.S. dollars	<u>₩ 464</u>	<u>₩ 380</u>	<u>\$ 0.396</u>

(*1) The Company's weighted average number of shares outstanding as of December 31, 2015 is 331,459,341 and there has been no change for the years ended December 31, 2015 and 2014.