

MAGELLAN GLOBAL FUND

ARSN 126 366 961

MAGELLAN INFRASTRUCTURE FUND

ARSN 126 367 226

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

MAGELLAN GLOBAL FUND
(ARSN 126 366 961)
AND
MAGELLAN INFRASTRUCTURE FUND
(ARSN 126 367 226)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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MAGELLAN GLOBAL FUND
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2009

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946), the Responsible Entity of Magellan Infrastructure Fund and Magellan Global Fund ("the Funds") present their financial report in respect of the year ended 30 June 2009 and the auditor's report thereon.

Directors

The following persons were Directors of Magellan Asset Management Limited during the year and up to the date of this report unless otherwise noted.

Name	Directorship	Appointed	Resigned	Re-appointed
Hamish Douglass	Chairman and Executive Director	31 July 2006	-	-
Naomi Milgrom	Independent Non-executive Director	23 July 2007	26 May 2009	24 July 2009
Paul Lewis	Independent Non-executive Director	23 July 2007	-	-
Brett Cairns	Independent Non-executive Director	23 July 2007	10 November 2008	26 May 2009
Chris Mackay	Executive Director	6 July 2006	10 November 2008	-

Review and Result of Operations

Magellan Global Fund commenced on 1 July 2007 and invests in companies and businesses in the global financial services, consumer and retail, and infrastructure sectors, in accordance with its investment strategy as detailed in the current Product Disclosure Statement.

Magellan Infrastructure Fund commenced on 1 July 2007 and invests in listed entities on any stock exchange whose primary business is the ownership and operation of infrastructure assets, in accordance with its investment strategy as detailed in the current Product Disclosure Statement.

There have been no significant changes to the investment strategies of the Funds or to the operational circumstances since the publication of the initial Product Disclosure Statements of the Funds.

The Funds are Australian registered schemes.

The results of the Funds' operations and their performance were as follows:

	Magellan Global Fund		Magellan Infrastructure Fund	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Results				
Net profit / (loss) attributable to unit holders	336	(4,528)	(2,552)	(1,092)
Distribution paid and payable for the year	1,427	515	1,903	285
Distribution – cents per unit	1.7424	1.9330	3.3656	4.2933

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Review and Result of Operations (continued)

	Magellan Global Fund		Magellan Infrastructure Fund	
	2009	2008	2009	2008
<u>Performance</u>				
Growth return	4.9%	(19.1%)	(23.6%)	(21.0%)
Distribution return	2.2%	1.9%	4.2%	4.3%
Total return	7.1%	(17.2%)	(19.4%)	(16.7%)
Redemption unit price (ex distribution)				
as at 30 June	\$0.8461	\$0.8063	\$0.6018	\$0.7882
Indirect cost ratio	1.36%	1.36%	1.06%	1.06%

Returns have been calculated after fees and assuming reinvestment of distributions, in accordance with IFSA Standard 6.00 Product Performance – calculation and presentation of returns

The Indirect cost ratio is the ratio of the Funds' management costs over their average net assets attributable for the year, expressed as a percentage. Management costs include management fees and other reimbursements deducted in relation to the Funds, but do not include transactional and operational costs such as brokerage or foreign withholding tax. Management costs are accrued within the Funds' unit prices on a daily basis.

Fees Paid to and Interests Held by the Responsible Entity and Related Parties

Details of fees paid to the Responsible Entity in respect of its management of the Funds and holdings by the Responsible Entity and its related parties in the Funds are disclosed in Note 8.

Units on Issue

Details of the units on issue at the start and end of the year, and of the units issued and redeemed during the year are disclosed in Note 6.

Fund Assets

At 30 June 2009 net assets attributable to unitholders of Magellan Global Fund were \$69,421,000 (2008: \$21,542,000) and net assets attributable to unitholders of Magellan Infrastructure Fund were \$34,034,000 (2008: \$5,253,000). The basis for valuation of assets is disclosed in Note 2.

Significant Events After the Balance Sheet Date

There have been no matters or circumstances arising after the balance sheet date that have significantly affected, or may significantly affect, the Funds' operations in future financial years, the results of those operations, or the Funds' state of affairs in future financial years.

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Likely Developments

The Funds will continue to invest in companies and businesses in accordance with their investment strategy as detailed in the current Product Disclosure Statement.

Further information about likely developments in the operations of the Funds and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Funds.

Environmental Regulation

The Funds' operations are not subject to any significant environmental regulation under either Commonwealth, State or Territory legislation.

Indemnification and Insurance of Directors and Officers

The Constitution of the Responsible Entity requires it to indemnify all current and former officers of the Responsible Entity (and where approved by the Directors, employees, former employees and the auditor and former auditors of the Company) out of the property of the Responsible Entity against:

- (a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
- (b) liabilities incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors.

The Funds have not indemnified or insured Directors or officers.

Rounding Off of Amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/0100 (as amended) and consequently amounts in the Directors' Report and financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2009

Auditor

KPMG continues in office in accordance with section 307C of the *Corporation Act 2001*.

Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

This report is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Hamish Douglass', with a long horizontal line extending from the end of the signature.

Hamish Douglass
Chairman
Magellan Asset Management Limited
Sydney
3 September 2009




Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Magellan Asset Management Limited as Responsible Entity of Magellan Global Fund and Magellan Infrastructure Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.


KPMG


Robert Warren
Partner

Sydney

3 September 2009

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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Magellan Global Fund		Magellan Infrastructure Fund	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Investment income					
Interest income		325	520	205	127
Dividend and distribution income		1,031	291	1,228	197
Net changes in the fair value of investments					
- held for trading		389	-	1,902	104
- designated at fair value through profit or loss		(1,100)	(4,957)	(4,924)	(1,448)
Net foreign exchange gain/(loss)		382	(46)	(582)	4
Other income		1	-	1	-
Net investment income/(loss)		1,028	(4,192)	(2,170)	(1,016)
Expenses					
Management fees	8	542	291	265	61
Transaction costs		41	-	33	-
Withholding tax on foreign dividends		109	45	84	15
Total expenses		692	336	382	76
Profit/(loss) from operating activities		336	(4,528)	(2,552)	(1,092)
Finance costs					
- distribution expense to unit holders		(1,427)	(515)	(1,903)	(285)
Change in net assets attributable to unit holders		(1,091)	(5,043)	(4,455)	(1,377)

The Income Statement is to be read in conjunction with the accompanying notes to the Financial Statements.

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2009

As the Funds have no equity, the Funds have not included any items of recognised income and expense for the current year.

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BALANCE SHEET
AS AT 30 JUNE 2009

	Note	Magellan Global Fund		Magellan Infrastructure Fund	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Assets					
Cash and cash equivalents	7(a)	8,772	5,778	5,031	1,289
Receivables	3	688	39	387	58
Investments	4(a)	61,643	16,832	32,062	4,208
Total assets		71,103	22,649	37,480	5,555
Liabilities					
Investments	4(b)	-	-	-	11
Payables	5	1,682	1,107	3,446	291
Total liabilities (excluding net assets attributable to unit holders)		1,682	1,107	3,446	302
Net assets attributable to unit holders	6(b)	69,421	21,542	34,034	5,253

The Balance Sheet is to be read in conjunction with the accompanying notes to the Financial Statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Magellan Global Fund		Magellan Infrastructure Fund	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Interest received		325	520	205	127
Dividends and distributions received		709	216	687	81
Other income received		1	-	1	-
Responsible Entity fees paid		(490)	(264)	(186)	(56)
Other expenses paid		(53)	(45)	(39)	(15)
Net cash inflow from operating activities	7(b)	492	427	668	137
Cash flows from investing activities					
Purchase of investments		(55,137)	(23,039)	(34,053)	(5,904)
Proceeds from sale of investments		8,760	1,850	3,366	306
Net cash flows from foreign exchange hedging activities		-	-	1,459	116
Proceeds from close out of equity swap positions		389	-	-	-
Net foreign exchange gains / (losses)		(252)	(20)	(840)	3
Net cash outflow from investing activities		(46,240)	(21,209)	(30,068)	(5,479)
Cash flows from financing activities					
Receipts from issue of units		52,620	27,906	34,884	6,692
Payments for redemption of units		(4,323)	(1,320)	(1,939)	(62)
Distributions paid		(189)	-	(57)	-
Net cash inflow from financing activities		48,108	26,586	32,888	6,630
Net increase in cash and cash equivalents					
Cash and cash equivalents at beginning of the year		5,778	-	1,289	-
Effect of exchange rate fluctuations on cash and cash equivalents		634	(26)	254	1
Cash and cash equivalents at the end of the year	7(a)	8,772	5,778	5,031	1,289

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. Reporting entity

Magellan Infrastructure Fund and Magellan Global Fund (the "Funds") are registered managed investment schemes under the Corporations Act 2001. In accordance with the Funds' Constitutions, they commenced on the date that the first units were issued, which was 1 July 2007. The financial report of the Funds is for the year ended 30 June 2009.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in these financial statements.

(a) Basis of preparation

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The financial report is presented in Australian Dollars which is the Funds' functional currency.

(b) Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations adopted by the Australian Accounting Standards Board), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The financial report complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The Financial Statements were approved by the Board of Directors of the Responsible Entity, Magellan Asset Management Limited, on 3 September 2009.

(c) Investments

Recognition

The Funds recognise financial assets and financial liabilities on the date they become a party to the contractual provisions of the instrument.

Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of AASB 139 *Financial Instruments: Recognition and Measurement* ("AASB 139").

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NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (continued)

(c) Investments (continued)

Classification

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

- Financial instruments held for trading

Derivative financial instruments held by the Funds are classified as held for trading investments. Derivative instruments used by the Funds during the period include foreign forward exchange contracts and equity swaps. The only such instruments held by the Funds at the reporting date were forward foreign exchange contracts held by Magellan Infrastructure Fund. All derivatives in a net receivable position (positive fair value) are reported as financial assets held-for-trading. All derivatives in a net payable position (negative fair value) are reported as financial liabilities held-for-trading.

- Financial instruments designated at fair value through profit and loss upon initial recognition.

The Funds have designated all their non-derivative investments as fair value through profit and loss. The fair value through profit or loss classification is in accordance with AASB 139. The fair value through profit and loss classification is available for the majority of the financial assets held by the Funds and the financial liabilities arising from the units on issue must be fair valued. Therefore, not fair valuing the financial assets used in the calculation of the financial liability would result in an accounting mismatch. In addition, the Funds' performance and risk management are assessed on a fair value basis.

Financial assets that are classified as loans and receivables include accounts receivable.

Financial liabilities that are not at fair value through profit or loss include payables.

Measurement

Financial instruments are measured initially at transaction price. Transaction costs are expensed immediately. Subsequent to initial recognition, all instruments classified as held for trading or as fair value through profit or loss are measured at fair value. Changes in fair value are recognised in the Income Statement.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Financial liabilities arising from the redeemable units issued by the Funds are carried at redemption amount representing the investors' right to a residual interest in the Funds' assets, effectively fair value at reporting date.

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NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (continued)

(c) Investments (continued)

Fair Value Measurement Principles

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flows techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

(e) Cash and cash equivalents

For Cash Flow Statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Revenue recognition

Dividend income and trust distributions are recognised on the ex-dividend / distribution declaration date with any related foreign withholding tax recorded as an expense. In some cases the Funds may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Funds recognise the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

Interest income is recognised on an accruals basis.

(g) Expenses

Expenses are recognised in the Income Statement on an accruals basis.

(h) Distributions

Distributions are recognised at the date at which the Responsible Entity determines that amounts of profit, income, capital or tax credits are to become distributable to unitholders. Unitholders will be entitled to a share of any amounts thus declared based on the number of units they hold in the Funds on the distribution date determined by the Responsible Entity.

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NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (continued)

(i) Income tax

Under current legislation, the Funds are not subject to income tax provided the net taxable income of the Funds is fully distributed to unitholders.

The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Income Statement. The benefits of foreign withholding tax paid, and of imputation credits attaching to Australian franked dividends, are passed on to unitholders.

(j) Foreign exchange gains and losses

Purchases and sales of foreign currency denominated financial assets or liabilities are translated into Australian Dollars using the closing London 4pm exchange rate on the trade date of the transaction. Unrealised foreign exchange gains and losses arising on revaluation of financial assets and liabilities are included in the net change in fair value of investments in the Income Statement.

Foreign exchange gains and losses arising from:

- the difference between trade date and settlement date of purchase and sale of foreign currency denominated financial assets, and
- revaluation of foreign cash balances and all foreign currency denominated financial assets and liabilities except for investment assets and forward foreign exchange contracts

are recognised in the Income Statement as net gains or losses on foreign exchange.

(k) Receivables

Receivables comprise amounts due from brokers for sales of assets unsettled at balance sheets date, dividends and trust distributions declared but not yet received, and reclaimable taxes. They are recognised and carried at cost, adjusted for changes in foreign exchange rates where applicable, less a provision for uncollectible amounts, which is a good approximation to fair value.

(l) Payables

Payables are classified as other financial liabilities and comprise amounts due to brokers for purchases of assets unsettled at balance sheet date, distributions declared but not yet paid by the Funds, and management fees accrued at balance sheet date. They are recognised and carried at cost, adjusted for changes in foreign exchange rates where applicable, which is a good approximation to fair value.

(m) Units on issue

Units issued by the Funds provide investors with the right to require redemption for cash and give rise to a financial liability.

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of units redeemed.

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NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (continued)

(n) Goods and services tax

Management fees and other expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO).

Payables are stated with the amount of GST included.

GST recoverable from the ATO is included in receivables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis.

(o) Application of accounting standards

(i) New accounting standards and interpretations early adopted

The following standards are not mandatory for the reporting year covered by this financial report but the Funds have elected for early adoption and they have been applied in the preparation of this financial report.

AASB 8 *Operating Segments* is effective for reporting periods beginning on or after 1 January 2009 and has the effect of removing the requirement to disclose segment information for entities whose securities are not traded in a public market. The Funds adoption of this standard removes disclosures that would otherwise have been required under AASB114 *Segment Reporting*.

(ii) New accounting standards and interpretations not yet adopted

The following standards and amendments have been identified as those which may impact the Funds in the period of initial application. They are available for early adoption at 30 June 2009 but are not yet mandatory, and have not been applied in the preparation of this financial report.

(ii) New accounting standards and interpretations not yet adopted (continued)

Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary statement") the "Statement of Comprehensive Income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The standard will become mandatory for the Funds' 30 June 2010 financial statements. The Funds have not yet determined the potential effect of the revised standard on their disclosures.

AASB 2008-02 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation* changes the definition of a financial liability, and requires puttable instruments that meet certain conditions to be classified as equity. AASB 2008-02 is effective for years beginning on or after 1 January 2009. The Funds have not yet determined the potential effect of the revised standard on the Funds' disclosures.

AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Funds' 30 June 2010 financial statements, are not expected to have any impact on the financial statements.

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2. Summary of significant accounting policies (continued)

(p) Use of estimates and judgements

There are not considered to be any accounting estimates and assumptions used, or judgements made, having a significant impact on the accounts recognised in the financial report.

3. Receivables

	Magellan Global Fund		Magellan Infrastructure Fund	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Income receivable	191	36	342	57
Recoverable GST and foreign withholding tax	46	3	37	1
Pending applications	451	-	8	-
Total receivables	688	39	387	58

4. Investments

	Magellan Global Fund		Magellan Infrastructure Fund	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
a) Financial assets designated at fair value through profit or loss upon initial recognition				
Equity securities				
- Australian equity securities	1,363	172	8,986	1,343
- International equity securities	60,280	16,660	22,645	2,865
Total financial assets designated at fair value through profit or loss upon initial recognition	61,643	16,832	31,631	4,208
b) Held for trading financial assets / (liabilities)				
Derivatives				
- Foreign currency forward contracts	-	-	431	(11)
Total held for trading financial assets / (liabilities)	-	-	431	(11)

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5. Payables

	Magellan Global Fund		Magellan Infrastructure Fund	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Distribution payable	1,427	515	1,903	285
Outstanding settlements	74	565	1,512	-
Management fees payable	78	27	31	6
Pending redemptions	103	-	-	-
Total payables	1,682	1,107	3,446	291

6. Net assets attributable to unit holders

	Magellan Global Fund		Magellan Infrastructure Fund	
	2009	2008	2009	2008
	Number of units	Number of units	Number of units	Number of units
(a) Units on issue				
Units on issue as at beginning of financial year	26,669,335	-	6,649,312	-
Units issued during the financial year	60,156,660	28,128,731	53,007,404	6,718,719
Units redeemed during the financial year	(4,943,588)	(1,459,396)	(3,104,785)	(69,407)
Units on issue as at the end of the financial year	81,882,407	26,669,335	56,551,931	6,649,312

Terms and conditions of units

Each unit confers upon the unit holder an equal interest in that Fund, and is of equal value to other units in the same Fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Funds. The rights of unit holders are contained in the Funds' Constitutions and include:

- the right to redeem units, subject to restrictions disclosed in the Funds' Product Disclosure Statements;
- the right to receive a share of any distribution determined by the Responsible Entity in proportion to the units held on the distribution date;
- the right to attend and vote at meetings of unit holders; and
- the right to participate in the termination and winding up of the Funds.

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6. Net assets attributable to unit holders (continued)

	<u>Magellan Global Fund</u>		<u>Magellan Infrastructure Fund</u>	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(b) Net assets attributable to unit holders are represented by:				
Net assets attributable to unit holders at redemption prices	69,281	21,503	34,033	5,241
Differences between redemption and net asset unit prices	172	53	86	13
Adjustments arising from different unit pricing and AIFRS valuation principles	(32)	(14)	(85)	(1)
Net assets attributable to unit holders	69,421	21,542	34,034	5,253

Net assets attributable to unit holders comprises unrealised changes in the fair value of investments, accumulated capital losses, and undistributed income, which may include income not yet assessable and expenses not yet deductible.

	<u>Magellan Global Fund</u>		<u>Magellan Infrastructure Fund</u>	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(c) Changes in net assets attributable to unit holders				
Balance beginning of the year	21,542	-	5,253	-
Profit/(loss) from operating activities	337	(4,528)	(2,552)	(1,092)
Transactions with unit holders in their capacity as unit holders				
Applications	53,396	27,905	35,175	6,692
Redemptions	(4,427)	(1,320)	(1,939)	(62)
Distributions paid or payable	(1,427)	(515)	(1,903)	(285)
Net transactions with unit holders	47,542	26,070	31,333	6,345
Net assets attributable to unit holders	69,421	21,542	34,034	5,253

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7. Notes to the Cash Flow Statement

	Magellan Global Fund		Magellan Infrastructure Fund	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(a) Cash and cash equivalents				
Cash at bank – denominated in A\$	6,967	5,242	5,030	1,289
Cash at bank – denominated in foreign currency	1,805	536	1	0
	8,772	5,778	5,031	1,289
(b) Reconciliation of cash flows from operating activities				
Profit/(loss) from operating activities	336	(4,528)	(2,552)	(1,092)
Adjusted for:				
- Income entitlements reinvested	(27)	(36)	(142)	(57)
- Net (increases) in fair value of held for trading investments	(389)	-	(1,902)	(105)
- Net losses on investments designated fair value through profit or loss	1,100	4,957	4,920	1,448
- Net foreign exchange (gains) / losses on currency transactions	(382)	46	586	(4)
- Fee rebate	-	-	54	-
Changes in operating receivables and payables				
- Net (increase) in receivables and other assets	(198)	(39)	(320)	(58)
- Net increase in payables and other liabilities	52	27	24	5
Net cash inflow/(outflow) from operating activities	492	427	668	137
(c) Non-cash investing activities				
Investments purchased by way of reinvestment of income entitlements	27	36	142	57

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8. Related Parties

Responsible Entity

The Responsible Entity of the Funds is Magellan Asset Management Limited. Magellan Financial Group Limited (ASX code: MFG) is the immediate and ultimate parent entity of the Responsible Entity.

Key management personnel

Key management personnel ('KMP') are those persons or corporate entities who have authority and responsibility for planning, directing and controlling the activities of the Funds. The Responsible Entity is responsible for managing the activities of the Funds and this is considered to be the KMP. The Funds do not employ personnel in their own right.

The Directors of the Responsible Entity are the KMP of that company.

Responsible Entity fees and other transactions

The Responsible Entity is entitled to receive a management fee from each of the Funds. The Responsible Entity also charges an administration fee from which the operating expenses of the fund, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs, are paid. Management and administration fees are calculated and payable monthly, based on the net asset value of the Funds at the end of that month.

The rates at which management and administration fees have been payable during the year, inclusive of the net effects of GST, and the amounts that have been charged to the Funds are:

	Magellan Global Fund				Magellan Infrastructure Fund			
	2009		2008		2009		2008	
	% pa	\$	% pa	\$	% pa	\$	% pa	\$
Management fee	1.26	501,744	1.26	267,038	0.96	239,829	0.96	55,868
Administration fee	0.10	40,155	0.10	23,562	0.10	25,252	0.10	5,538
	1.36	541,899	1.36	290,600	1.06	265,081	1.06	61,406

At balance sheet date, Magellan Global Fund and Magellan Infrastructure Funds had balances payable to the Responsible Entity in respect of management and administration fees of \$78,351 (2008: \$27,198) and \$31,080 (2008: \$5,232) respectively.

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8. Related Parties (continued)

Related Party investments in the Funds

Details of unit holdings and related transactions in Magellan Global Fund by related parties were as follows:

2009

Related party	Units acquired during the year*	Units redeemed during the year	Units held at balance sheet date		Distributions paid or payable^
	Number	Number	Number	%	\$
Magellan Financial Group Ltd <i>Directors and Director related interests:</i>	3,249,709	-	18,249,710	22.3	317,975
Hamish Douglass	18,700	-	800,659	1.0	13,950
Chris Mackay	9,366	-	400,985	0.5	6,987
Paul Lewis	135,049	-	161,793	0.2	2,819

2008

Related party	Units acquired during the year	Units redeemed during the year	Units held at balance sheet date		Distributions paid or payable^
	Number	Number	Number	%	\$
Magellan Financial Group Ltd <i>Directors and Director related interests:</i>	15,000,001	-	15,000,001	56.2	289,948
Hamish Douglass	781,959	-	781,959	2.9	15,115
Chris Mackay	391,619	-	391,619	1.5	7,570
Paul Lewis	26,744	-	26,744	0.1	517

* Includes re-invested distributions received in respect of 30 June 2008

^ Distributions paid or payable were re-invested as units in the Fund)

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8. Related Parties (continued)

Related Party investments in the Funds (continued)

Details of unit holdings and related transactions in Magellan Infrastructure Fund by related parties were as follows:

2009

Related party	Units acquired during the year*	Units redeemed during the year	Units held at balance sheet date		Distributions paid or payable^
	Number	Number	Number	%	\$
Magellan Financial Group Ltd <i>Directors and Director related interests:</i>	271,662	-	5,271,663	9.3	177,423
Paul Lewis	1,432	-	27,792	0.1	935

2008

Related party	Units acquired during the year	Units redeemed during the year	Units held at balance sheet date		Distributions paid or payable^
	Number	Number	Number	%	\$
Magellan Financial Group Ltd <i>Directors and Director related interests:</i>	5,000,001	-	5,000,001	75.2	214,667
Paul Lewis	26,360	-	26,360	0.4	1,132

* Includes re-invested distributions received in respect of 30 June 2008

^ Distributions paid or payable were re-invested as units in the Fund

From time to time the Responsible Entity, its related corporate entities, or its Director-related entities may invest in or withdraw from the Funds. Unit holders who invest in the Funds directly rather than through a financial adviser are liable to pay a contribution fee of 1.25% to the Responsible Entity on applications to the Funds. The Responsible Entity has the right to waive this fee in respect of certain investors and has exercised this discretion in respect of applications from all employees of the Responsible Entity and from Directors and their related entities.

In all other respects, transactions between the Funds and related parties are subject to the same terms and conditions as those entered into by other unit holders in the Funds.

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9. Risk Management

(a) Financial risk management objectives, policies and processes

The Funds' investment portfolios primarily comprise listed equity investments. It is the Funds' investment objective to seek long term capital growth through investing in undervalued securities across the world. The Funds' investing activities expose them to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Funds are exposed are market risk, credit risk and liquidity risk.

Financial risk management is carried out by the investment management department under policies approved by the Responsible Entity. The risk management programme focuses on ensuring compliance with the Funds' Product Disclosure Statements and seeks to maximise the returns derived for the level of risk to which the Funds are exposed.

The following disclosures in relation to the various risks of the Funds' portfolio have been based on the Funds' direct holdings.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, foreign exchange rates, and interest rates.

Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. The investment philosophy of the Funds is to invest in portfolios of assets of between 15 to 50 stocks weighted towards the manager's highest conviction ideas. The size and diversification of the portfolios is sufficient to ensure the Funds' returns are not overly correlated to a single company, industry specific or macroeconomic risk but the returns of the portfolios are not expected to be perfectly correlated to any market or sector index. If equity markets as a whole rise or fall by 5%, the returns of the Funds may increase or decrease by different amounts.

Notwithstanding the lack of correlation of the Funds' portfolios to market indices, an increase of 5% in the market prices of each of the Funds' investments held at balance sheet date would have increased the net assets attributable to unit holders and the profit or loss from operating activities of Magellan Global Fund by \$3,083,000 (2008: \$842,000) and increased the net assets attributable to unit holders and the profit or loss from operating activities of Magellan Infrastructure Fund by \$1,582,000 (2008: \$210,000). A decrease of 5% in the market prices of each of the Funds' investments would have had an equal but opposite effect on the net loss of the Funds' attributable to unit holders.

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9. Risk Management (continued)

(b) Market Risk (continued)

Currency Risk

Currency risk is the risk that the fair value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. Assets and liabilities that the Funds may typically own and that can be affected by foreign exchange rate fluctuations include equities listed on foreign exchanges, foreign cash, foreign exchange forward contracts, outstanding broker settlements with foreign exchanges, and outstanding receipts of income from foreign companies.

Magellan Global Fund is managed on an unhedged basis and therefore the returns of the Fund are exposed to changes in exchange rates relative to the Australian Dollar. In certain circumstances the manager may elect to hedge currency exposure to a major currency. No such hedging activities were undertaken during the year.

Magellan Infrastructure Fund is managed on a hedged basis using forward foreign currency contracts. Due to daily changes in the fair value of underlying assets, the face value of hedging contracts will not always completely eliminate currency exposure. The appropriateness of the amounts hedged is monitored daily and adjusted if the total net exposure of the fund to any individual foreign currency is greater than 10% of the net assets of the fund.

The Australian Dollar (A\$) net exposures of the Funds as at balance sheet date to assets and liabilities denominated in foreign currencies were as follows:

	Magellan Global Fund	
	2009	2008
	\$'000	\$'000
US Dollars	44,865	11,919
Euro	6,897	917
Swiss Francs	5,086	1,608
British Pounds	5,406	2,509
	Magellan Infrastructure Fund	
	2009	2008
	\$'000	\$'000
US Dollars	364	16
Euro	610	(152)
Swiss Francs	(85)	-
British pounds	107	-
New Zealand Dollars	338	(10)
Hong Kong Dollars	86	18

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9. Risk Management (continued)

(b) Market Risk (continued)

Currency Risk

The changes in net assets attributable to unit holders and profit or loss from operating activities that would arise from a 5% increase or decrease in the Australian Dollar relative to each currency to which the Funds are exposed, based on monetary and non-monetary financial assets and liabilities held by the Funds at 30 June 2009, are as follows:

2009

	Magellan Global Fund		Magellan Infrastructure Fund	
	2009		2009	
	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000
US Dollars	(2,136)	2,361	(17)	19
Euro	(328)	363	(29)	32
Swiss Francs	(242)	268	4	(4)
British Pounds	(257)	284	(5)	6
New Zealand Dollars	-	-	(16)	18
Hong Kong Dollars	-	-	(4)	5

2008

	Magellan Global Fund		Magellan Infrastructure Fund	
	2008		2008	
	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000
US Dollars	(568)	627	1	(1)
Euro	(44)	48	7	(8)
Swiss Francs	(77)	85	-	-
British Pounds	(120)	132	-	-
Hong Kong Dollars	-	-	(1)	1

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9. Risk Management (continued)

(b) Market Risk (continued)

Interest Rate Risk

The primary exposure to interest rates arises on cash balances held by the Funds, which are all held in floating interest rate accounts. Based on the cash balances held by the Funds at 30 June 2009, an increase in Australian interest rates of 10 basis points would increase the annual interest earned by Magellan Global Fund by \$7,000 (2008: \$5,000) and for Magellan Infrastructure Fund by \$5,000 (2008: \$1,000). A decrease of 10 basis points in Australian dollar interest rates would reduce the annual interest earned by the Funds by equivalent amounts. The level of cash held by the Funds may vary from time to time, depending on the level in recent capital flows into and out of the Funds, and on the manager's judgement. The cash balances held by the Funds as at 30 June 2009 may therefore not be typical of the amounts of cash generally held by the Funds.

Magellan Global Fund held US dollar cash balances at times during the year. At balance sheet date, the Australian dollar equivalent of the US dollar cash balance was \$1,805,000 (2008: \$536,000). If the fund were to maintain this level of US dollar cash, a 10 basis points increase in US dollar interest rates would increase the annual interest earned by the fund by \$2,000 (2008: \$500). A 10 basis points decrease in US dollar interest rates would decrease the annual interest earned by an equivalent amount. Neither of the Funds holds other significant cash balances exposed to interest rates in other currencies.

The Funds did not have any borrowings, or other financial liabilities or assets with direct exposure to changes in interest rates.

(c) Liquidity Risk

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Funds' investment in listed securities which are considered to be readily realisable as they are all listed on international stock exchanges. In addition, the Funds maintain sufficient cash and cash equivalents to meet normal operating requirements. The Funds' Constitutions and Product Disclosure Statements allow the manager to suspend capital withdrawals from the funds for up to 28 days, at its discretion, if withdrawal requests exceed 5% of the net assets of the Funds, the payment of withdrawals would disadvantage remaining unit holders by imposing a disproportionate share of capital gains tax liabilities, or if the manager reasonably considers it to be in the interests of remaining unit holders of the Funds.

As at 30 June 2009, the Funds held cash balances significantly in excess of its liabilities excluding net assets attributable to unitholders. All liabilities existing at balance sheet date are to be settled within four months of the balance sheet date.

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9. Risk Management (continued)

(d) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of on-balance sheet financial assets and liabilities as they are marked to market. The total credit risk for on-balance sheet items, other than derivatives, is therefore limited to the amount carried on the Balance Sheet.

Magellan Global Fund may have credit risk arising from unsettled derivative positions if the market value of those positions is positive. At 30 June 2009 there were no unsettled derivative positions. Potential credit risk arising from derivative transactions is managed by using only top-tier financial institutions as counterparties. In addition, contracts are usually of relatively short duration, typically maturing within 30 days of inception date.

Magellan Infrastructure Fund may have credit risk arising from its forward foreign exchange positions if the market value of those positions is positive. At 30 June 2009 the market value of its open positions was negative. Potential credit risk arising from its foreign currency hedging activities is managed by using only top-tier financial institutions as counter-parties. In addition, contracts are usually of relatively short duration, typically maturing within six months of inception date.

The Responsible Entity has entered into International Prime Brokerage Agreements (IPBA) with Merrill Lynch International (Australia) Limited ('Merrill') on behalf of the Funds. The services provided by Merrill include lending, clearance, settlement and custody services. The IPBA with Merrill is in a form that is typical of prime brokerage arrangements. All of the Funds' investments are held directly by Merrill Lynch International Bank (MLIB) as custodian.

During the financial year Merrill Lynch was acquired by Bank of America, one of the 'systemically important' global financial institutions. The credit quality of Bank of America / Merrill Lynch's senior debt is rated, at 30 June 2009, by Standard & Poor's as being A, and by Moody's as being A2. In the unlikely event of Merrill becoming insolvent the Funds may rank as an unsecured creditor in regard to any investments that may have been lent or used as collateral by Merrill.

At balance sheet date, the Funds did not have any receivables that were past due date or which were considered impaired.

10. Fair Values

The Funds' financial assets and liabilities included in the Balance Sheet are carried at their fair value or at amounts that approximate their fair values. The methods and assumptions for determining fair value are disclosed in Note 2 c).

11. Contingent Assets, Liabilities, Commitments for Expenditure and Charges

No contingent assets or liabilities and commitments for expenditure exist as at 30 June 2009 (June 2008: none).

The Funds' investment assets are held in custody with Merrill Lynch, a wholly owned subsidiary of Bank of America. The Responsible Entity has granted Merrill Lynch a fixed and floating charge over the Funds' rights, title and interest in the assets as security for the performance of obligations under this arrangement.

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12. Events Subsequent to the Balance Sheet Date

There have been no matters or circumstances arising after the balance sheet date that have significantly affected, or may significantly affect, the Funds' operations in future financial years, the results of those operations, or the Funds' state of affairs in future financial years.

13. Auditor's Remuneration

	Magellan Global Fund		Magellan Infrastructure Fund	
	2009	2008	2009	2008
	\$	\$	\$	\$
Audit Services				
Auditors of the Funds - KPMG				
Audit of the financial reports	14,952	7,000	11,215	7,000
Other regulatory audit services	5,125	5,000	5,125	5,000
	20,077	12,000	16,340	12,000

All costs of auditing the Funds are borne by the Responsible Entity out of the administration fee charged to the Funds.

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**DIRECTORS DECLARATION
FOR THE YEAR ENDED 30 JUNE 2009**

In the opinion of the Directors of Magellan Asset Management Limited, the Responsible Entity for the Magellan Global Fund and the Magellan Infrastructure Fund ("the Funds"):

- (a) the financial statements, notes and the additional disclosures included in the Directors Report designated as audited, of the Funds are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Funds as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*; and
- (b) the financial reports also complies with International Financial Reporting Standards as disclosed in Note 2 b); and
- (c) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2009.

Signed in accordance with a resolution of the Directors of Magellan Asset Management Limited:



Hamish Douglass
Chairman
Magellan Asset Management Limited
Sydney

3 September 2009



Independent auditor's report to the unitholders of Magellan Global Fund and Magellan Infrastructure Fund

We have audited the accompanying financial report of Magellan Global Fund and Magellan Infrastructure Fund (the Funds), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 13 and the directors' declaration set out on pages 6 to 27.

Directors' responsibility for the financial report

The directors of Magellan Asset Management Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(b), the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audits. We conducted our audits in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Funds' preparation and fair presentation of the financial report 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 Funds' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australia Accounting Interpretations) a view which is consistent with our understanding of the Funds' financial positions, and of their performance.



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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:


(a) the financial report of Magellan Global Fund and Magellan Infrastructure Fund is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of each of the Funds' financial positions as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(b).


KPMG


Robert Warren
Partner

Sydney

3 September 2009