

**MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND**

Annual Financial Report for the Year Ended 30 June 2010

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MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Directors' Report
For the Year Ended 30 June 2010

Directors' Report

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") submit their financial report in respect of the year ended 30 June 2010.

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
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 Nov 2008	26 May 2009
Hamish Douglass	Executive Director and Chairman of the Board	31 July 2006	-	-

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	
	2010 \$'000	2009 \$'000	2010 \$	2009 \$
Results				
Net profit/(loss) attributable to unit holders	13,173	336	4,980	(2,552)
Distribution paid and payable for the year	4,057	1,427	10,048	1,903
Distribution – cents per unit	1.5000	1.7424	8.6010	3.3656
Performance				
Growth return	12.1%	4.9%	(0.1%)	(23.6%)
Distribution return	1.8%	2.2%	14.3%	4.2%
Total return	13.9%	7.1%	14.2%	(19.4%)
Redemption unit price (ex distribution) as at 30 June				
	\$0.9486	\$0.8461	\$0.6013	\$0.6018
Indirect cost ratio	1.36%	1.36%	1.06%	1.06%

Directors' Report (continued)

Review and Result of Operations (continued)

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 2010 net assets attributable to unitholders of Magellan Global Fund were \$257,010,000 (2009: \$69,421,000) and net assets attributable to unitholders of Magellan Infrastructure Fund were \$70,202,000 (2009: \$34,034,000). The basis for valuation of assets is disclosed in Note 2.

Significant Events After the End of the Reporting Period

As at 26 August 2010, the redemption unit price of Magellan Infrastructure Fund had increased from its value at reporting date of \$0.6013 to \$0.6638. The unit price of Magellan Global Fund had not materially changed.

There have been no other matters or circumstances arising after the end of the reporting period 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.

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.

Directors' Report (continued)

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, employee, 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.

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.



Hamish Douglass
Chairman
Magellan Asset Management Limited

Sydney
26 August 2010

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Auditor's Independence Declaration



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 2010 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

KPMG

A handwritten signature in black ink, appearing to read 'Robert Warren'.

Robert Warren
Partner

Sydney

26 August 2010

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Statement of Comprehensive Income
For the Year Ended 30 June 2010

Statement of Comprehensive Income

	Note	Magellan Global Fund		Magellan Infrastructure Fund	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Investment income					
Interest income		314	325	234	205
Dividend and distribution income		4,429	1,031	3,108	1,228
Net change in fair value of investments					
- held for trading		-	389	4,789	1,902
- designated at fair value through profit or loss		10,211	(1,100)	(2,944)	(4,924)
Net foreign exchange gain/(loss)		1,147	382	848	(582)
Other income		1	1	-	1
Total investment income		16,102	1,028	6,035	(2,170)
Expenses					
Management fees	8	2,381	542	748	265
Performance fees		17	-	-	-
Transaction costs		61	41	33	33
Withholding tax on dividends		469	109	274	84
Other expenses		1	-	-	-
Total expenses		2,929	692	1,055	382
Profit / (loss) from operating activities		13,173	336	4,980	(2,552)
Distributions to unitholders		(4,057)	(1,427)	(10,048)	(1,903)
Change in net assets attributable to unit holders / Total comprehensive income		9,116	(1,091)	(5,068)	(4,455)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Statement of Financial Position
As at 30 June 2010

Statement of Financial Position

	Note	Magellan Global Fund		Magellan Infrastructure Fund	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Assets					
Cash and cash equivalents	7(a)	14,677	8,772	6,435	5,031
Receivables	3	1,457	688	913	387
Investments	4(a), 4(b)	245,372	61,643	76,986	32,062
Total assets		261,506	71,103	84,334	37,480
Liabilities					
Investments	4(b)	-	-	2,143	-
Payables	5	4,496	1,682	11,989	3,446
Total liabilities (excluding net assets attributable to unit holders)		4,496	1,682	14,132	3,446
Net assets attributable to unitholders	6(b)	257,010	69,421	70,202	34,034

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

The Funds' net assets attributable to unit holders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Funds have no equity, and no items of changes in equity have been presented for the current or comparative periods.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Statement of Cash Flows
For the Year Ended 30 June 2010

Statement of Cash Flows

Note	Magellan Global Fund		Magellan Infrastructure Fund	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash flows from operating activities				
	314	325	234	205
	3,260	709	2,030	687
	1	1	-	1
	(2,165)	(490)	(572)	(186)
	(106)	(53)	(43)	(39)
	<hr/>			
	1,304	492	1,649	668
7(b)				
Cash flows from investing activities				
	(203,078)	(55,137)	(67,625)	(34,053)
	29,634	8,760	20,208	3,366
	-	-	7,363	1,459
	-	389	-	-
	145	(252)	751	(840)
	<hr/>			
	(173,299)	(46,240)	(39,303)	(30,068)
Cash flows from financing activities				
	193,296	52,620	50,296	34,884
	(15,324)	(4,323)	(11,071)	(1,939)
	(1,058)	(189)	(262)	(57)
	<hr/>			
	176,914	48,108	38,963	32,888
Net (decrease)/increase in cash and cash equivalents				
	4,919	2,360	1,309	3,488
<hr/>				
	8,772	5,778	5,031	1,289
	986	634	95	254
	<hr/>			
	14,677	8,772	6,435	5,031
7(a)				

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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 2010.

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 Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

(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 Statements*.

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 Financial Instruments: Recognition and Measurement. The fair value through profit and loss classification is available for the majority of the financial assets held by the Funds. 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 at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in the Statement of Comprehensive Income.

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.

Fair Value Measurement Principles

The fair value of financial instruments is based on their quoted market prices at the end of the reporting period 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.

2 Summary of significant accounting policies (continued)

(c) Investments (continued)

Fair Value Measurement Principles (continued)

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.

(d) Comparatives

The current reporting period is for the year ended 30 June 2010. Comparative figures are for the previous financial year ended 30 June 2009.

(e) Cash and cash equivalents

For Statement of Cash Flows 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 Statement of Comprehensive Income 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.

(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 Statement of Comprehensive Income. The benefits of foreign withholding tax paid, and of imputation credits attaching to Australian franked dividends, are passed on to unitholders.

2 Summary of significant accounting policies (continued)

(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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income as net gains or losses on foreign exchange.

(k) Receivables

Receivables comprise amounts due from brokers for sales of assets unsettled at the end of the reporting period, 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 the end of the reporting period, distributions declared but not yet paid by the Funds, and management fees accrued at the end of the reporting period. 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

The Funds' Constitutions require the net income of the Funds to be distributed to members of the Funds. As such, units in the Funds are deemed to be 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.

(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 Statement of Financial Position.

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

2 Summary of significant accounting policies (continued)

(o) Application of accounting standards

(i) *New accounting standards and interpretations adopted*

Effective 1 July 2009, the Funds have applied the following new standards which are applicable for reporting periods beginning on or after 1 January 2009:

Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*. AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of the Income Statement with the Statement of Comprehensive Income;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;
- the renaming of the 'Cash Flow Statement' to 'Statement of Cash Flows' and the 'Balance Sheet' to 'Statement of Financial Position'.

AASB 2009-2 *Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments*. The amendments require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations are set out below:

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. It only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Funds are yet to assess its full impact.

(p) Use of estimates and judgements

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

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2010

3 Loans and receivables

	Magellan Global Fund		Magellan Infrastructure Fund	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Income receivable	678	191	537	342
Recoverable GST and foreign withholding tax	173	46	134	37
Applications receivable	606	451	242	8
Total loans and receivables	1,457	688	913	387

4 Investments

a) Financial assets designated at fair value through profit or loss

Equity securities

Australian equity and stapled securities

15,488 1,363 18,678 8,986

International equity securities

229,884 60,280 58,308 22,645

Total financial assets designated at fair value through profit or loss

245,372 61,643 76,986 31,631

b) Held for trading financial assets/(liabilities)

Derivatives

Foreign currency forward contracts

- - (2,143) 431

Total held for trading financial assets/(liabilities)

- - (2,143) 431

The Funds' assets are classified into the following fair value measurement hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All Australian and international equity securities held by the Funds are Level 1 assets. All foreign currency forward contracts held by the Funds are Level 2 assets. The Funds do not hold any Level 3 assets.

5 Payables

	Magellan Global Fund		Magellan Infrastructure Fund	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Distribution payable	4,057	1,427	10,048	1,903
Outstanding settlements	-	-	1,870	1,512
Management fees payable	295	78	71	31
Performance fees payable	17	-	-	-
Due to brokers	-	74	-	-
Redemptions payable	127	103	-	-
	4,496	1,682	11,989	3,446

6 Net assets attributable to unit holders

	Magellan Global Fund		Magellan Infrastructure Fund	
	2010 No. of units	2009 No. of units	2010 No. of units	2009 No. of units
(a) Units on issue				
Units on issue as at beginning of financial year	81,882,407	26,669,335	56,551,931	6,649,312
Units issued during the financial year	204,737,054	60,156,660	76,568,195	53,007,404
Units redeemed during the financial year	(16,151,644)	(4,943,588)	(16,293,052)	(3,104,785)
Units on issue at the end of the financial year	270,467,817	81,882,407	116,827,074	56,551,931

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Notes to the Financial Statements
For the Year Ended 30 June 2010

6 Net assets attributable to unit holders (continued)

(a) Units on issue (continued)

Terms and conditions of units

Each unit confers upon the unitholder 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 unitholders 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 unitholders; and
- the right to participate in the termination and winding up of the Funds.

	Magellan Global Fund		Magellan Infrastructure Fund	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
(b) Net assets attributable to unit holders are represented by:				
Net assets attributable to unit holders at redemption prices	256,566	69,281	70,248	34,033
Differences between redemption and net asset unit prices	649	172	175	86
Adjustments arising from different unit pricing and AIFRS valuation principles	(205)	(32)	(221)	(85)
Net assets attributable to unit holders	257,010	69,421	70,202	34,034

Net assets attributable to unit holders includes 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.

	Magellan Global Fund		Magellan Infrastructure Fund	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
(c) Changes in net assets attributable to unit holders				
Balance beginning of the year	69,421	21,542	34,034	5,253
Profit/(loss) from operating activities	13,173	337	4,980	(2,552)
Transactions with unit holders in their capacity as unit holders				
Applications	193,821	53,396	52,307	35,175
Redemptions	(15,348)	(4,427)	(11,071)	(1,939)
Distributions paid or payable	(4,057)	(1,427)	(10,048)	(1,903)
Net transactions with unit holders	174,416	47,542	31,188	31,333
Net assets attributable to unit holders	257,010	69,421	70,202	34,034

7 Notes to the Statement of Cash Flows

(a) Cash and cash equivalents

Cash at bank – denominated in A\$	6,476	6,967	6,373	5,027
Cash at bank – denominated in foreign currency	8,201	1,805	62	4
	14,677	8,772	6,435	5,031

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2010

7 Notes to the Statement of Cash Flows (continued)

	Magellan Global Fund		Magellan Infrastructure Fund	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
(b) Reconciliation of cash flows from operating activities				
Profit/(loss) from operating activities	13,173	336	4,980	(2,552)
Adjusted for:				
Income entitlements reinvested	(146)	(27)	(523)	(142)
Net (increases) in fair value of held for trading investments	-	(389)	(4,789)	(1,902)
Net (increases)/decreases on investments designated fair value through profit or loss	(10,211)	1,100	2,944	4,920
Net foreign exchange (gains) / losses on currency transactions	(1,147)	(382)	(848)	586
Fee rebates reinvested into units in the Funds	-	-	136	54
Changes in operating receivables and payables				
- Net (increase) in receivables and other assets	(598)	(198)	(291)	(320)
- Net increase in payables and other liabilities	233	52	40	24
Net cash inflow from operating activities	1,304	492	1,649	668
(c) Non-cash investing and financing activities				
Investments purchased via reinvestment of income entitlements	146	27	523	142
Fee rebates reinvested into units in the Funds	-	-	136	54

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 Funds, 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.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2010

8 Related Parties (continued)

Responsible Entity fees and other transactions (continued)

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			
	2010		2009	
	% pa	\$	% pa	\$
Management fee	1.26	2,204,892	1.26	501,744
Administration fee	0.10	176,209	0.10	40,155
	1.36	2,381,101	1.36	541,899

Performance fees of \$17,140 crystallised in Magellan Global Fund during the year (2009: \$nil).

	Magellan Infrastructure Fund			
	2010		2009	
	% pa	\$	% pa	\$
Management fee	0.96	677,335	0.96	239,829
Administration fee	0.10	71,204	0.10	25,252
	1.06	748,539	1.06	265,081

No performance fees were paid by Magellan Infrastructure Fund during the year (2009: nil).

At the end of the reporting period, Magellan Global Fund and Magellan Infrastructure Funds had balances payable to the Responsible Entity in respect of management, performance and administration fees of \$311,124 (2009: \$78,351) and \$70,594 (2009: \$31,080) respectively.

Related Party investments in the Funds

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

	Units acquired during the year*	Units redeemed during the year	Units held at end of the reporting period		Distribution paid or payable^	
	Number	Number	Number	%		\$
2010						
Magellan Financial Group Ltd <i>Directors and Director related interests:</i>	13,187,892	-	31,437,602	11.6		471,561
Hamish Douglass	16,447	-	817,106	0.3		12,256
Chris Mackay	8,237	-	409,222	0.2		6,138
Paul Lewis	164,961	-	326,754	0.1		4,901
2009						
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

* Includes re-invested distributions in respect of 30 June 2009 (2009: in respect of 30 June 2008)

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

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2010

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:

	Units acquired during the year* Number	Units redeemed during the year Number	Units held at end of the reporting period Number	%	Distribution paid or payable [^] \$
2010					
Magellan Financial Group Ltd <i>Directors and Director related interests:</i>	294,087	-	5,565,750	4.8	478,711
Paul Lewis	1,551	-	29,343	β	2,524
2009					
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

* Includes re-invested distributions received in respect of 30 June 2009 (2009: in respect of 30 June 2008)

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

β less than 0.1%

From time to time the Responsible Entity, its related corporate entities, or its Director-related entities may invest in or withdraw from the Funds. Unitholders 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 unitholders in the Funds.

9 Risk Management

(a) Financial risk management objectives, policies and processes

The Funds' investment portfolio primarily comprises 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.

9 Risk Management (continued)

(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 Funds each aim to hold 20 to 40 stocks. 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.

Over the past 10 years, the annual movement in the major global indices has varied between +40% and -24% (in AUD terms). The annual movement in the major infrastructure indices has varied between -34% and +31%. Past performance of markets is not always a reliable guide to future performance, and the Funds' investment portfolios do not attempt to mirror the indices, but this very wide range of historical movements in the index provides an indication of the magnitude of equity price movements that might reasonably be expected within the Funds over the next twelve months. The impact of equity price movements, expressed in percentage terms, on the change in net assets attributable to unitholders and the profit or loss from operating activities is linear.

An increase of 5% in the market prices of each of the Funds' investments held at the end of the reporting period would have increased the net assets attributable to unitholders and the profit or loss from operating activities of Magellan Global Fund by \$12,276,000 (2009: \$3,083,000) and increased the net assets attributable to unitholders and the profit or loss from operating activities of Magellan Infrastructure Fund by \$3,859,000 (2009: \$1,582,000). 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 unitholders.

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, 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 exceptional 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 5% of the net assets of the fund.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2010

9 Risk Management (continued)

(b) Market Risk (continued)

Currency Risk (continued)

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

	Magellan Global Fund		Magellan Infrastructure Fund	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
US Dollars	210,621	44,865	(71)	364
Euro	9,679	6,897	(986)	610
Swiss Francs	12,218	5,086	(133)	(85)
British Pounds	6,653	5,406	(12)	107
New Zealand Dollars	-	-	(60)	338
Hong Kong Dollars	-	-	152	86

The changes in net assets attributable to unitholders 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 2010, are as follows:

	Magellan Global Fund		Magellan Infrastructure Fund	
	2010		2010	
	5% increase	5% decrease	5% increase	5% decrease in
	in A\$'000	in A\$'000	in A\$'000	A\$'000
US Dollars	(10,030)	11,085	3	(4)
Euro	(461)	509	47	(52)
Swiss Francs	(582)	643	6	(7)
British Pounds	(317)	350	1	(1)
New Zealand Dollars	-	-	3	(3)
Hong Kong Dollars	-	-	(7)	8

	Magellan Global Fund		Magellan Infrastructure Fund	
	2009		2009	
	5% increase	5% decrease	5% increase	5% decrease in
	in A\$'000	in A\$'000	in A\$'000	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

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 2010, an increase in Australian interest rates of 10 basis points would increase the annual interest earned by Magellan Global Fund by \$6,000 (2009: \$7,000) and for Magellan Infrastructure Fund by \$6,000 (2009: \$5,000). 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 2010 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 reporting date, the Australian dollar equivalent of the US dollar cash balance was \$8,182,000 (2009: \$1,805,000). 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 \$8,000 (2009: \$2,000). 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 unitholders by imposing a disproportionate share of capital gains tax liabilities, or if the manager reasonably considers it to be in the interests of remaining unitholders of the Funds.

(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 Statement of Financial Position.

Magellan Global Fund does not have credit risk arising from derivative positions. 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 2010 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.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2010

9 Risk Management (continued)

(d) Credit Risk (continued)

The Responsible Entity has entered into International Prime Brokerage Agreements (IPBA) with Merrill Lynch International (Australia) Limited ('Merrill'), a wholly owned subsidiary of Bank of America, 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 as custodian.

The credit quality of Merrill's senior debt is rated, as at 30 June 2010, by Standard & Poor's as being A, and by Moody's as being A2. In the unlikely event of Merrill Lynch becoming insolvent, the Funds may rank as an unsecured creditor with regard to any securities that have been lent or used as collateral by Merrill Lynch.

At the end of the reporting date, the Funds did not have any receivables that were past due date or which were considered impaired.

10 Contingent Assets, Liabilities and Commitments for Expenditure

No contingent assets or liabilities, or commitments for expenditure exist as at 30 June 2010.

11 Events Subsequent to the End of the Reporting Period

As at 26 August 2010, the redemption unit price of Magellan Infrastructure Fund had increased from its value at reporting date of \$0.6013 to \$0.6638. The unit price of Magellan Global Fund had not materially changed.

There have been no other matters or circumstances arising after the end of the reporting period 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.

12 Auditor's Remuneration

	Magellan Global Fund		Magellan Infrastructure Fund	
	2010	2009	2010	2009
	\$	\$	\$	\$
Audit Services				
Auditors of the Funds - KPMG				
Audit of the financial reports	14,250	14,952	9,000	11,215
Other regulatory audit services	6,700	5,125	6,700	5,125
	20,950	20,077	15,700	16,340

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

**MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Directors' Declaration
For the Year Ended 30 June 2010**

Directors' Declaration

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 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), International Financial Reporting Standards, 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 2010.

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



Hamish Douglass
Chairman
Magellan Asset Management Limited

Sydney
26 August 2010



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

Report on the financial report

We have audited the accompanying financial report of Magellan Global Fund and Magellan Infrastructure Fund (the Funds), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 12 and the directors' declaration.

Directors' responsibility for the financial report

The directors of Magellan Asset Management (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 audit. We conducted our audit 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

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Independent Auditor's Report



Standards (including the Australia Accounting Interpretations) a view which is consistent with our understanding of the Funds' financial position, 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 the Funds' financial position as at 30 June 2010 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).

A handwritten signature in black ink, appearing to read 'Robert Warren'.

KPMG

A handwritten signature in black ink, appearing to read 'Robert Warren'.

Robert Warren
Partner

Sydney

26 August 2010