

2014



[ANNUAL FINANCIAL REPORT]

FOR THE FINANCIAL YEAR ENDED – 30 JUNE 2014

MAGELLAN GLOBAL FUND: ABN 18 387 878 844

MAGELLAN INFRASTRUCTURE FUND: ABN 64 144 747 279

MAGELLAN INFRASTRUCTURE FUND (UNHEDGED): ABN 79 874 701 620

MAGELLAN GLOBAL FUND (HEDGED): ABN 72 263 210 345

MAGELLAN HIGH CONVICTION FUND: ABN 20 120 243 491

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RESPONSIBLE ENTITY'S REPORT

for the year ended 30 June 2014

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946), the responsible entity of Magellan Global Fund, Magellan Infrastructure Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund (Unhedged) and Magellan High Conviction Fund ("the Funds") present their report on the Funds for the year ended 30 June 2014.

1.0 Directors

The following persons were Directors of Magellan Asset Management Limited during the year and up to the date of this report:

Name	Directorship	Appointed
Hamish Douglass	Chairman and Chief Executive Officer	21 Nov 2006
Brett Cairns	Independent Non-executive Director	22 Jan 2007
Robert Fraser	Independent Non-executive Director	23 Apr 2014
Paul Lewis	Independent Non-executive Director	20 Dec 2006
Karen Phin	Independent Non-executive Director	23 Apr 2014

1.1 Principal activity

The Funds are registered managed investment schemes domiciled in Australia, with a principal place of business at Level 7, 1 Castlereagh Street, Sydney, New South Wales 2000.

Magellan Global Fund (MGF) commenced on 1 July 2007. The MGF is a quality-focused, long-only unit trust that invests in a concentrated portfolio of global equities that spans sectors including financial services, consumer and retail, healthcare, technology and media, and infrastructure. The investment objectives of MGF are to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 16 June 2014 and the Constitution. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially unhedged.

Magellan Infrastructure Fund (MIF) commenced on 1 July 2007. The principal activity of MIF is investment in listed entities on any stock exchange whose primary business is the ownership and operation of infrastructure assets, such as airports, distribution, toll roads, water utilities, integrated power and communications infrastructure, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 30 June 2013 and the Constitution. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially hedged.

Magellan Infrastructure Fund (Unhedged) (MIFU) commenced on 26 June. MIFU's principal activity is to invest in infrastructure securities listed on any stock exchange. MIFU aims to achieve attractive risk-adjusted returns over the medium to long-term, while reducing the risk of permanent capital loss, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 16 June 2014 and the Constitution.

Magellan Global Fund (Hedged) (MGFH) commenced on 26 June 2013. The MGFH has the same investment strategy as MGF, except that the capital component of the foreign currency exposure, arising from investment in overseas markets, is substantially hedged. The investment strategy is detailed in the Product Disclosure Statement, issued 16 June 2014 and the Constitution.

Magellan High Conviction Fund (MHCF) commenced on 26 June 2013 as a registered managed investment scheme. On 1 July 2013, MHCF was opened to external investors. The MHCF is a quality-focused, long-only unit trust that invests in a highly concentrated portfolio of global equities that spans sectors including financial services, consumer and retail, healthcare, technology and media, and infrastructure. The investment objectives of MHCF are to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, and managing a higher tolerance in volatility in investment returns. The fund is targeted towards more sophisticated higher net worth retail investors. The fund's investment strategy is detailed in the current Product Disclosure Statement, issued 16 June 2014 and the Constitution.

1.2 Significant changes in state of affairs

There were no significant changes during the year in the investment strategies of the Funds.

RESPONSIBLE ENTITY'S REPORT

for the year ended 30 June 2014

1.3 Review of operations

a) Financial results for the year

The performance of the Funds, as represented by the results of their operations for the year ended 30 June 2014, was as follows:

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged) ^(A)	Magellan Global Fund (Hedged) ^(A)	Magellan High Conviction ^(A)
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2014 \$'000	30 June 2014 \$'000
Results							
Total net investment income	555,571	893,015	116,408	57,716	5,726	1,720	14,707
Total expenses	79,519	54,541	8,758	6,559	599	214	2,843
Net operating profit	476,052	838,474	107,650	51,157	5,127	1,506	11,864
Distribution paid and payable to unitholders for the year	196,127	76,314	17,284	11,793	963	687	3,144
Distribution - cents per unit	5.9876	3.2550	2.7926	2.2710	1.5681	2.0000	2.8258
Performance							
Growth return	7.8%	36.7%	18.6%	14.5%	20.5%	13.2%	13.3%
Distribution return	3.9%	3.0%	3.4%	3.2%	1.5%	2.0%	2.9%
Total return	11.7%	39.7%	22.0%	17.7%	22.0%	15.2%	16.2%
Redemption unit price (ex distribution) as at 30 June	\$ 1.6352	\$ 1.5169	\$ 1.0318	\$ 0.8700	\$ 1.2029	\$ 1.1305	\$ 1.1322
Indirect cost ratio							
Management fee	1.35%	1.35%	1.06%	1.05%	1.05%	1.35%	1.50%
Performance fee	0.00%	0.73%	0.08%	0.35%	0.12%	0.00%	1.06%
Total indirect cost ratio	1.35%	2.08%	1.14%	1.40%	1.17%	1.35%	2.56%
The unit prices of the Funds at 30 June (ex-distribution)	\$ 1.6368	\$ 1.5184	\$ 1.0333	\$ 0.8713	\$ 1.2047	\$ 1.1316	\$ 1.1333

(A) the Funds were formed on 26 June 2013 and launched on 28 June 2013

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

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

b) Strategy and future outlook

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations. The Funds provide daily unit prices, monthly fund updates and six monthly investor reports which can found in the Magellan Funds section of the Magellan Financial Group Limited website, www.magellangroup.com.au. These fund updates and investor reports include detailed discussions in relation to some investee companies from time to time to the market along with fund outlook commentary.

1.4 Fees paid to and interest held by the responsible entity and related parties

Fees paid to the Responsible Entity of the Funds and holdings held in the Funds by the Responsible Entity or its related parties are disclosed in Note 10 to the financial statements.

RESPONSIBLE ENTITY'S REPORT

for the year ended 30 June 2014

1.5 Interest in the Funds

The movement in units on issue in the Funds during the year are disclosed in Note 8 to the financial statements.

As at 30 June 2014 net assets attributable to unitholders were as follows:

	30 June 2014 \$'000	30 June 2013 \$'000
Magellan Global Fund	5,360,980	3,558,946
Magellan Infrastructure Fund	638,304	453,301
Magellan Infrastructure Fund (Unhedged) ^(A)	73,844	na
Magellan Global Fund (Hedged) ^(A)	38,889	na
Magellan High Conviction Fund ^(A)	126,071	na

(A) the Funds were formed on 26 June 2013 and launched on 28 June 2013

The basis of valuation of the assets is disclosed in Note 2.

1.6 Likely developments and expected results of operations

The Funds will continue to invest in companies and businesses in accordance with the investment strategy as detailed in their Product Disclosure Statements. Additional comments on the expected results of operations of the Funds are included in this report in Section 1.3 under the Review of Operations. The methods of operating the Funds are not expected to change in the foreseeable future.

1.7 Environmental regulation

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

1.8 Events subsequent the to end of the year

There have been no matters or circumstances arising after the end of year 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.

1.9 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:

- any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgment 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
- 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 year, Magellan Financial Group Limited paid, on behalf of the Responsible Entity, an insurance premium to insure the Directors and the Responsible Entity. The terms of the contract prohibit the disclosure of the premiums paid.

1.10 Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/100 (as amended) and consequently amounts in the Directors' Report have been rounded off to the nearest thousand dollars in accordance with that Class Order, or in certain cases, the nearest dollar.

RESPONSIBLE ENTITY'S REPORT

for the year ended 30 June 2014

1.11 Auditor

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001*.

1.12 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on Page 7.

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

A handwritten signature in black ink, appearing to read 'Hamish M Douglass', with a long horizontal stroke extending to the right.

Hamish M Douglass

Chairman

Sydney, 5 September 2014

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as the Responsible Entity of Magellan Global Fund, Magellan Infrastructure Fund, Magellan High Conviction Fund, Magellan Global Fund (Hedged) and Magellan Infrastructure Fund (Unhedged), (the "Schemes")

In relation to our audit of the financial report of the Schemes for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Graeme McKenzie
Partner
5 September 2014

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2014

		Magellan Global Fund	Magellan Infrastructure Fund	Magellan Infrastructure Fund (Unhedged) ^(A)	Magellan Global Fund (Hedged) ^(A)	Magellan High Conviction ^(A)
	Note	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000
Investment Income						
Interest income		1,545	1,678	254	645	30
Dividend and distribution income		100,496	48,541	23,632	13,941	1,740
Net change in fair value of investments						
- held for trading		-	-	3,163	(27,191)	-
- designated at fair value through profit or loss		455,406	839,997	90,713	69,928	3,973
Net foreign exchange gain/(loss)		(1,876)	2,799	(1,354)	393	(17)
Total net investment income		555,571	893,015	116,408	57,716	5,726
Expenses						
Management fees	10(iii)	65,997	30,772	5,961	3,457	356
Performance fees	10(iv)	26	16,803	456	1,179	41
Swap finance costs		-	-	-	592	-
Transaction costs		665	614	108	107	35
Withholding tax on dividends		12,831	6,352	2,233	1,224	167
Total expenses		79,519	54,541	8,758	6,559	599
Net operating profit		476,052	838,474	107,650	51,157	5,127
Finance costs attributable to unitholders						
Distributions to unitholders	3	(196,127)	(76,314)	(17,284)	(11,793)	(963)
Increase in net assets attributable to unitholders		(279,925)	(762,160)	(90,366)	(39,364)	(4,164)
Profit / (loss) for the year		-	-	-	-	-
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-

(A) the Funds were formed on 26 June 2013 and launched on 28 June 2013. The Funds' first full year reporting period covers 28 June 2013 to 30 June 2014 and as a result there are no prior year comparatives.

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

for the year ended 30 June 2014

		Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged) ^(A)	Magellan Global Fund (Hedged) ^(A)	Magellan High Conviction ^(A)
	Note	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2014 \$'000	30 June 2014 \$'000
Assets								
Cash and cash equivalents	4	227,705	148,121	21,920	89,797	4,668	2,117	2,874
Receivables	5	29,488	19,700	6,531	14,126	727	235	425
Investments	6(a)	5,309,389	3,506,547	627,180	438,867	71,747	37,916	126,215
Total assets		5,566,582	3,674,368	655,631	542,790	77,142	40,268	129,514
Liabilities								
Investments	6(b)	-	-	-	25,014	-	-	-
Payables	7	205,602	115,422	17,327	64,475	3,298	1,379	3,443
Total liabilities (excluding net assets attributable to unitholders)		205,602	115,422	17,327	89,489	3,298	1,379	3,443
Net assets attributable to unitholders	8	5,360,980	3,558,946	638,304	453,301	73,844	38,889	126,071

(A) the Funds were formed on 26 June 2013 and launched on 28 June 2013. The Funds' first full year reporting period covers 28 June 2013 to 30 June 2014 and as a result there are no prior year comparatives.

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2014

The Funds' net assets attributable to unit holders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Funds have equity for financial reporting purposes and no changes in equity at the start or end of the current or prior years.

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2014

		Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged) ^(A)	Magellan Global Fund (Hedged) ^(A)	Magellan High Conviction ^(A)
	Note	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2014 \$'000	30 June 2014 \$'000
Cash flows from operating activities								
Interest received		1,646	1,438	292	601	26	7	56
Dividends and distributions received		74,570	35,935	18,698	10,796	1,022	172	1,283
Other income		-	-	-	-	9	-	-
Management and performance fees paid		(77,740)	(31,288)	(5,132)	(4,078)	(330)	(129)	(2,421)
Other expenses paid		(1,476)	(1,327)	(166)	(163)	(53)	(13)	(86)
Net cash inflows/(outflows) from operating activities	9(a)	(3,000)	4,758	13,692	7,156	674	37	(1,168)
Cash flows from investing activities								
Purchase of investments		(2,331,532)	(2,009,887)	(287,935)	(177,497)	(69,778)	(37,500)	(161,774)
Proceeds from sale of investments		971,088	574,096	143,082	58,217	4,195	1,135	48,334
Net cash flows from foreign exchange hedging activities		-	-	(23,430)	(3,175)	-	593	-
Proceeds from close out of equity swap positions		-	-	-	3,533	-	-	-
Net foreign exchange gains/(losses)		369	2,967	(1,270)	10	36	(94)	16
Net cash inflows/(outflows) from investing activities		(1,360,075)	(1,432,824)	(169,553)	(118,912)	(65,547)	(35,866)	(113,424)
Cash flows from financing activities								
Receipts from issue of units		2,068,568	1,724,365	160,357	221,288	70,901	39,190	119,163
Payments for redemption of units		(561,792)	(189,811)	(65,282)	(30,638)	(1,360)	(1,244)	(1,681)
Distributions paid		(62,663)	(22,664)	(7,044)	(8,789)	-	-	-
Net cash inflows/(outflows) from financing activities		1,444,113	1,511,890	88,031	181,861	69,541	37,946	117,482
Net increase/(decrease) in cash and cash equivalents		81,038	83,824	(67,830)	70,105	4,668	2,117	2,890
Cash and cash equivalents at the beginning of the year		148,121	63,492	89,797	19,549	-	-	-
Effect of exchange rate fluctuations on cash and cash equivalents		(1,454)	805	(47)	143	-	-	(16)
Cash and cash equivalents at the end of the year	4	227,705	148,121	21,920	89,797	4,668	2,117	2,874

(A) the Funds were formed on 26 June 2013 and launched on 28 June 2013. The Funds' first full year reporting period covers 28 June 2013 to 30 June 2014 and as a result there are no prior year comparatives.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

1. General Information

The financial reports cover the Magellan Global Fund, Magellan Infrastructure Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund (Unhedged) and Magellan High Conviction Fund ("the Funds"), as individual entities.

Magellan Asset Management Limited (ABN 31 120 593 946) is the Responsible Entity of the Funds.

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 unit was issued, which is set out as follows:

Fund	Date of Commencement
Magellan Global Fund	1 July 2007
Magellan Infrastructure Fund	1 July 2007
Magellan Infrastructure Fund (Unhedged)	28 June 2013
Magellan Global Fund (Hedged)	28 June 2013
Magellan High Conviction Fund	28 June 2013

Magellan Infrastructure Fund (Unhedged), Magellan Global Fund (Hedged) and Magellan High Conviction Fund were formed on 26 June 2013 and launched on 28 June 2013. All amounts shown in the following notes to the financial statements in respect of the Funds, will represent this period, and no comparatives for 2013 will be presented.

The Funds terminate on the day immediately preceding the 80th anniversary of their Date of Commencement, unless terminated earlier in accordance with the provisions of each Fund's Constitution.

The financial reports were authorised for issue by the Directors of the Responsible Entity on 4 September 2014. The Directors have the power to amend the financial reports after issue.

2. Summary of Significant Accounting Policies

a) Basis of preparation

The financial reports are general purpose financial reports which are presented in Australian dollars and have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and other mandatory professional reporting requirements. The Funds are for-profit unit trusts for the purpose of preparing these financial reports.

Compliance with IFRS

The financial reports comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Changes in accounting policy, accounting standards and interpretations

The accounting policies are consistent with those of the previous financial year and corresponding reporting period except for the adoption of the new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2013.

(i) New and amended standards and interpretations

In the current year the Funds adopted the following new and amended Australian Accounting Standards and interpretations as of 1 July 2013:

- **AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13**

AASB 13 provides guidance for determining the fair value of assets and liabilities. It does not change when the Funds are required to use fair value, but, rather, provides guidance on how to determine fair value when fair value is required. It has also expanded the disclosure requirements for all assets and liabilities carried at fair value. The Funds reviewed their policies for measuring fair values of assets and liabilities and the adoption of AASB 13 has not resulted in any change in the fair value measurements of the assets and liabilities of the Funds, however additional disclosure has been included in Note 11 e).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

2. Summary of Significant Accounting Policies (continued)

a) Basis of preparation (continued)

(i) *New and amended standards and interpretations (continued)*

- **AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities.**

AASB 2012-2 requires additional disclosure about the rights of set-off and related arrangements (such as collateral agreements). The aim of the amendments is to provide information about the effect of such rights and arrangements on the Funds' financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with AASB 132 Financial Instruments: Presentation. These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with AASB 132 Financial Instruments: Presentation. The application of these amendments has not had any effect on the financial position or performance of the Funds however additional disclosures have been included in Note 2 n).

(ii) *Accounting Standards and interpretations issued but not yet effective*

The Australian and International Accounting Standards issued but not yet mandatory for the 30 June 2014 reporting period have not been adopted by the Funds in the preparation of these financial reports.

The assessment of the impact of the new standards and interpretations, which may have a material impact on the Funds, are set out below:

- **AASB 9: Financial Instruments and AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective 1 July 2018)**

AASB 9 contains new requirements for classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 Financial Instruments: Recognition and Measurement. Under the new requirements the four current categories of financial assets discussed at Note 2(k) will be replaced with two measurement categories: fair value and amortised cost. Financial assets will only be able to be measured at amortised cost where very specific conditions are met. At 30 June 2014, no significant impact is expected on adoption of this standard as the Funds currently classify financial assets and financial liabilities at either fair value or amortised cost and the carrying value of investments measured at amortised cost approximates fair value. The Funds continue to evaluate the disclosure requirements of this standard.

- **AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities**

AASB 2012-3 amends AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132. These amendments are not expected to impact the Funds' financial position or performance and will apply to the Funds from 1 July 2014.

There are no other standards that are not yet effective that are expected to have a material impact on the Funds in future reporting periods.

b) Foreign currency translation

The functional and presentation currency of the Funds as determined in accordance with AASB 121: The Effects of Changes in Foreign Exchange Rates is the Australian dollar. Transactions denominated in foreign currencies are translated into Australian currency at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign currency closing exchange rate ruling at the balance date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

2. Summary of Significant Accounting Policies (continued)

b) Foreign currency translation (continued)

Foreign currency exchange differences arising on translation, and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Statements of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in the Statements of Profit or Loss and Other Comprehensive Income.

c) Investment income

Dividend/distribution income

Dividend and distribution income is recognised on the applicable ex-dividend/distribution date gross of withholding tax. Foreign dividends and trust distributions received are recognised net of withholding tax in the Statements of Cash Flows, with the foreign withholding tax recorded as an expense in the Statements of Profit or Loss and Other Comprehensive Income.

Net changes in fair value of investments

Realised and unrealised gains and losses on investments measure at fair value through profit or loss are recognised in the Statements of Profit or Loss and Other Comprehensive Income.

Interest income

Interest income is recognised on an accrual basis using the effective interest rate method.

d) Expenses

All expenses are recognised in the Statements of Profit or Loss and Other Comprehensive Income on an accruals basis. Management and performance fees are set out in Note 10.

e) Distributions

Distributions are recognised in the Statements of Profit or Loss and Other Comprehensive Income as finance costs attributable to unitholders. Unitholders will be entitled to a share of any amounts declared based on the number of units they hold in the Funds on the distribution date determined by the Responsible Entity.

f) Income tax

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

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Funds are not subject to capital gains tax.

Realised losses are not distributed to unitholders but are retained in the Funds to be offset against any future realised capital gains. If realised capital gains exceed realised losses, the excess is distributed to the unitholders.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

2. Summary of Significant Accounting Policies (continued)

g) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as custodial services and investment management fees have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of 55% to 75% and are also eligible to recover GST on offshore transactions. Management fees, performance fees and other expenses have been recognised in the Statements of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the Statements of Financial Position as a receivable or payable. Cash flows are included in the Statements of Cash Flows on a gross basis.

h) Cash and cash equivalents

Cash includes cash at bank and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

i) 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.

j) Derivatives

Derivatives are contracts whose value is derived from one or more underlying price, index or other variable.

Derivatives that hedge the fair value of the underlying exposure to financial assets denominated in currencies other than the Australian dollar can qualify as a fair value hedge under AASB 139.

Fair value hedge

Derivatives that qualify as a fair value hedge, under AASB 139, are measured at fair value. Changes in fair value are recorded in the Statements of Profit or Loss and Other Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The foreign currency component of the change in the fair value of the hedged asset or liability is offset against the change in the fair value of forward exchange contracts. Consequently, there is no impact on the total "net change in fair value of investments" recognised in the Statements of Profit or Loss and Other Comprehensive Income in the reporting period.

Derivatives that qualify as fair value hedges, under AASB 139, are included in the Statements of Financial Position as a current asset or current liability as the duration of the derivative, and hedged asset or liability, is less than 12 months.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting under AASB 139. These derivatives are recognised at fair value and changes in the fair value are recorded in the Statements of Profit or Loss and Other Comprehensive Income and are included in 'net change in fair value of investments'. The derivatives are included in the Statements of Financial Position as a current asset when the fair value at balance date is positive and classified as a current liability when the fair value at balance date is negative.

k) Financial assets and liabilities

The Funds classify their financial assets into one of the four following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories. Financial liabilities are classified as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost. The classification of financial assets and liabilities depends on the purpose for which the assets and liabilities are acquired.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

2. Summary of Significant Accounting Policies (continued)

k) Financial assets and liabilities (continued)

Financial assets and liabilities designated at fair value

The category of financial assets and financial liabilities designated 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. Refer Note 2 j) for further details.
- Financial instruments designated at fair value through profit or loss upon initial recognition.
The Funds have designated all equity securities as fair value through profit or loss. The fair value through profit or loss classification is in accordance with AASB 139 Financial Instruments: Recognition and Measurement. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Funds as set out in the Funds' Product Disclosure Statements and Constitutions.

Measurement

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, which in the case of the Funds is the transaction price. Transaction costs are expensed immediately in the Statements of Profit or Loss and Other Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities classified at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in the Statements of Profit or Loss and Other 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). Refer to Note 5 for further details.

Financial liabilities, other than those at fair value through the Statements of Profit or Loss and Other Comprehensive Income, 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 balance date.

The fair value of financial instruments traded in active markets is based on their quoted market prices at the end of the balance date without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Funds is the current bid price, while financial liabilities are priced at current asking price.

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. Further details are at Note 6.

l) Payables

Payables comprise trade creditors and accrued expenses owing by the Funds at balance date which are unpaid. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Trade creditors are unsecured and usually paid within 30 days of recognition. Payables are recognised at fair value. A distribution payable to unitholders of the Funds is recognised for the amount of any net profit, capital or tax credits distributable to unitholders in accordance with the Funds' Constitutions but not distributed at balance date.

m) Net assets attributable to unitholders

Net assets attributable to unitholders of the Funds include 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

2. Summary of Significant Accounting Policies (continued)

m) Net assets attributable to unitholders (continued)

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.

The Investment Manager, where permitted under the law, may provide rebates to dealer groups, wholesale and certain sophisticated and professional investors, Investor Directed Portfolio Service (IDPS) operations, stockbrokers and other licensees who invest in the Funds. Rebates can be elected to be paid in cash or in units, which are reinvested in the applicable fund. Further details on the rebates are set out in the Funds' Product Disclosure Statements.

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity in various circumstances, including if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Funds' Constitutions require the net income of the Funds to be distributed to members of the Funds. The units can be put back to a fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the year if unitholders exercised their right to redeem units in the fund.

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statements of Profit or Loss and Other Comprehensive Income as finance costs.

n) Offsetting financial instruments

Financial assets and financial liabilities are presented net in the Statements of Financial Position where the Funds currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Derivative assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. The ISDA agreements in place meet the criteria for offsetting in the Statements of Financial Position as the Funds have a currently legally enforceable right to offset recognised amounts.

o) Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/100 (as amended) and amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with the Class Order, or in certain cases, the nearest dollar.

p) Critical accounting estimates and judgements

The preparation of the financial statements requires the Directors to make judgments, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices (refer to further detail in Note 11 e)). As most investments are valued with reference to the listed quoted prices, the Funds' financial assets are not subject to significant judgement or complexity nor are the Funds' liabilities.

q) Including different registered scheme financial reports in a single document

The registered schemes have applied Australian Securities & Investments Commission's Class Order 06/441, which allows registered schemes with a common responsible entity to include their financial statements in adjacent columns in a single financial report.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

3. Distributions to unitholders

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	Magellan Global Fund (Hedged)	Magellan High Conviction
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2014	30 June 2014
Interim distribution to unitholders \$'000	-	-	5,215	1,927	-	-	-
Final distribution to unitholders \$'000	196,127	76,314	12,069	9,866	963	687	3,144
Total distribution to unitholders \$'000	196,127	76,314	17,284	11,793	963	687	3,144
Total cents per unit	5.9876	3.2550	2.7926	2.2710	1.5681	2.0000	2.8258
Distributions payable at end of year \$'000	196,127	76,314	12,069	9,866	963	687	3,144

4. Cash and cash equivalents

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	Magellan Global Fund (Hedged)	Magellan High Conviction
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2014 \$'000	30 June 2014 \$'000
Cash and cash equivalents							
Cash at bank - denominated in A\$	157,343	124,689	19,743	85,509	4,410	2,014	1,474
Cash at bank - denominated in foreign currency	70,362	23,432	2,177	4,288	258	103	1,400
Total cash and cash equivalents	227,705	148,121	21,920	89,797	4,668	2,117	2,874

5. Receivables

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	Magellan Global Fund (Hedged)	Magellan High Conviction
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2014 \$'000	30 June 2014 \$'000
Dividend receivable	12,323	6,431	4,762	2,866	521	77	327
Interest receivable	142	243	22	59	4	2	2
Recoverable GST and foreign withholding tax	9,730	4,813	1,137	838	42	27	92
Receivable on spot transactions	-	130	9	-	4	-	-
Applications receivable	7,293	8,083	601	10,363	156	129	4
Total loans and receivables	29,488	19,700	6,531	14,126	727	235	425

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

6. Investments

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	Magellan Global Fund (Hedged)	Magellan High Conviction
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2014 \$'000	30 June 2014 \$'000
(a) Investment assets							
<i>Financial assets designated at fair value through profit or loss</i>							
Australian listed equity and stapled securities	-	-	127,368	65,475	14,890	-	-
International listed equity securities	5,309,389	3,506,547	498,232	373,392	56,857	37,760	126,215
Total financial assets designated at fair value through profit or loss	5,309,389	3,506,547	625,600	438,867	71,747	37,760	126,215
Held for trading financial assets							
<i>Derivatives</i>							
Forward foreign currency contracts	-	-	1,580	-	-	156	-
Total held for trading financial assets	-	-	1,580	-	-	156	-
Total investment assets	5,309,389	3,506,547	627,180	438,867	71,747	37,916	126,215
(b) Investment Liabilities							
<i>Held for trading financial liabilities</i>							
Forward foreign currency contracts	-	-	-	25,014	-	-	-
Total investment liabilities	-	-	-	25,014	-	-	-

Fair value disclosures

An overview of the risk exposures and fair value measurement relating to investments held at fair value through the Statements of Profit or Loss and Other Comprehensive Income, is included in Note 11 e).

7. Payables

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	Magellan Global Fund (Hedged)	Magellan High Conviction
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2014 \$'000	30 June 2014 \$'000
Distribution payable	196,127	76,314	12,069	9,867	963	687	3,144
Management fees payable	6,320	3,907	577	347	66	45	164
Performance fees payable	-	16,406	10	-	1	-	-
Due to brokers	-	15,444	4,526	53,875	2,251	642	-
Redemptions payable	3,155	3,351	145	386	17	5	135
Total payables	205,602	115,422	17,327	64,475	3,298	1,379	3,443

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

8. Net assets attributable to unitholders

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	Magellan Global Fund (Hedged)	Magellan High Conviction
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2014	30 June 2014
	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units
a) Units on issue							
Units on issue as at beginning of year	2,344,526,411	1,133,192,364	519,298,445	280,465,759	-	-	-
Units issued during the financial year	1,271,362,051	1,360,226,850	168,649,917	274,760,539	62,579,474	35,515,192	112,877,922
Units redeemed during the financial year	(340,306,321)	(148,892,803)	(69,028,460)	(35,927,853)	(1,167,546)	(1,141,349)	(1,626,115)
Units on issue at the end of the financial year	3,275,582,141	2,344,526,411	618,919,902	519,298,445	61,411,928	34,373,843	111,251,807

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		Magellan Infrastructure Fund (Unhedged)	Magellan Global Fund (Hedged)	Magellan High Conviction
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2014	30 June 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
b) Changes in net assets attributable to unit holders							
Opening balance	3,558,946	1,258,312	453,301	212,995	-	-	-
Applications	2,067,777	1,725,831	150,595	226,308	71,057	39,310	119,167
Redemptions	(561,595)	(192,322)	(65,041)	(30,964)	(1,377)	(1,248)	(1,816)
Reinvestment of distributions and management fee rebates	15,927	4,965	9,083	5,598	-	8	-
Increase in net assets attributable to unitholders	279,925	762,160	90,366	39,364	4,164	819	8,720
Closing balance	5,360,980	3,558,946	638,304	453,301	73,844	38,889	126,071

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

9. Notes to the Statement of Cash Flows

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	Magellan Global Fund (Hedged)	Magellan High Conviction Fund
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2014 \$'000	30 June 2014 \$'000
a) Reconciliation of cash flows from operating activities							
Profit from operating activities	476,052	838,474	107,650	51,157	5,127	1,506	11,864
Adjusted for:							
Income entitlements reinvested	(3,336)	-	(593)	-	-	(21)	-
Net changes in fair value of investments:							
- held for trading	-	-	(3,163)	30,726	(48)	(749)	(36)
- designated at fair value through profit or loss	(455,406)	(839,997)	(90,713)	(69,928)	(3,973)	(634)	(12,863)
Net losses/(gains) on currency transactions	2,710	(2,022)	1,424	(393)	65	(2)	127
Proceeds from close out of equity swap positions reclassified to investing cash flows	-	-	-	(3,533)	-	-	-
Fee rebates reinvested into units in the Funds	2,276	985	1,045	640	-	-	-
Changes in operating receivables and payables							
- Net increase in receivables and other assets	(11,303)	(7,985)	(2,199)	(1,431)	(565)	(108)	(424)
- Net increase in payables and other liabilities	(13,993)	15,303	241	(82)	68	45	164
Net cash flow from operating activities	(3,000)	4,758	13,692	7,156	674	37	(1,168)
b) Non-cash investing and financing activities							
Investments purchased via reinvestment of income entitlements	3,336	-	593	-	-	21	-
Fee rebates reinvested into units in the Funds	2,276	985	1,045	640	-	-	-
Distributions reinvested into units in the Funds	13,651	3,981	8,038	4,957	-	-	-

10. Related Parties

Responsible Entity

The Responsible Entity of the Funds is Magellan Asset Management Limited (MAM). MAM is a wholly owned subsidiary of Magellan Financial Group Limited (ASX code: MFG), the immediate and ultimate parent entity of the Responsible Entity, and both are considered to be related parties of the Funds.

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 considered to be a KMP. The Funds do not employ personnel in their own right.

(i) Directors

The Directors of MAM, the Responsible Entity of the Funds, are considered to be KMP. The following persons were Directors of the Funds during the year and up to the date of this report:

Brett Cairns
Hamish Douglass
Robert Fraser (appointed 23 April 2014)
Paul Lewis
Karen Phin (appointed 23 April 2014)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

10. Related Parties (continued)

Key management personnel (continued)

(ii) Other key management personnel

In addition to the Directors noted above, the following persons are KMPs with the authority for strategic direction and management of the Funds:

Name	Position	Employer
Nerida Campbell	Chief Operating Officer	MAM
Frank Casarotti	Head of Distribution	MAM
Gerald Stack	Head of Research	MAM

Remuneration of Key Management Personnel

The Directors of the Responsible Entity and Other KMP are all employees of MAM and are not compensated by the Funds. AASB 124 requires compensation provided by the Funds or on behalf of the Funds to be disclosed. MAM provides Responsible Entity / investment management services to the Funds and a portion of the compensation paid to its employees is in relation to managing the affairs of the Funds. MAM has not made any determination as to what proportion of its employees' compensation relates to the Funds. MAM compensated the KMP employees as follows:

	30 June 2014 \$	30 June 2013 \$
Short-term benefits		
- Salary	2,567,007	1,393,660
- Cash Bonus	2,846,469	1,899,207
Post-employment benefits	77,516	66,340
Long-term benefits	284,623	143,982
Other benefits	156,568	320,521
Total remuneration paid to KMP	5,932,183	3,823,710

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

10. Related Parties (continued)

Compensation is paid to the Responsible Entity in the form of fees as set out below:

Responsible Entity Fees

(iii) Management and administration fees

The Responsible Entity is entitled to receive management fees from the Funds. The Responsible Entity also charges an administration fee of 0.10% to each of the Funds 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 (before fees) of the Funds at the end of that month.

The management and administration fees paid/payable by the Funds during the year are net of any applicable reduced input tax credits – refer to Note 2 g).

The management and administration fees paid/payable by the Funds during the year were as follows:

	30 June 2014		30 June 2013	
	% pa	\$	% pa	\$
Magellan Global Fund				
Management fee	1.25	61,105,826	1.25	28,490,512
Administration fee	0.10	4,890,764	0.10	2,281,783
Total	1.35	65,996,590	1.35	30,772,295
Magellan Infrastructure Fund				
Management fee	0.95	5,392,945	0.95	3,127,952
Administration fee	0.10	568,022	0.10	329,099
Total	1.05	5,960,967	1.05	3,457,051
Magellan Infrastructure Fund (Unhedged)				
Management fee	1.25	321,672		
Administration fee	0.10	33,858		
Total	1.35	355,530	-	na
Magellan Global Fund (Hedged)				
Management fee	1.25	160,536		
Administration fee	0.10	12,842		
Total	1.35	173,378	-	na
Magellan High Conviction Fund				
Management fee	1.40	1,414,442		
Administration fee	0.10	101,030		
Total	1.50	1,515,472	-	na

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

10. Related Parties (continued)

Responsible Entity fees (continued)

(iv) Performance fees

Performance fees are calculated on six monthly calculation periods ending on 30 June and 31 December of each calendar year. Except for Magellan High Conviction Fund (MHCF), the Responsible Entity's entitlement to a performance fee is dependent on a fund exceeding both index relative and absolute return hurdles over a given calculation period, as well as exceeding the applicable high watermark. The Responsible Entity is entitled to a performance fee in respect of MCHF, where performance exceeds an absolute return hurdle only. Performance fees crystallise at the end of a calculation period, or when units are redeemed, subject to a performance fee entitlement existing at the date of redemption. Further details of the performance fees can be found in the Funds' Product Disclosure Statements.

The performance fees paid/payable by the Funds during the year were as follows:

	30 June 2014 \$	30 June 2013 \$
Magellan Global Fund	26,324	16,803,310
Magellan Infrastructure Fund	456,255	1,178,746
Magellan Infrastructure Fund (Unhedged)	40,885	na
Magellan Global Fund (Hedged)	-	na
Magellan High Conviction Fund	1,069,568	na

(v) Management and performance fees payable

At the end of the year, amounts payable to the Responsible Entity in respect of management, performance and administration fees were as follows:

	30 June 2014 \$	30 June 2013 \$
Magellan Global Fund	-	16,406,192
Magellan Infrastructure Fund	10,299	-
Magellan Infrastructure Fund (Unhedged)	735	na
Magellan Global Fund (Hedged)	-	na
Magellan High Conviction Fund	6	na

Related Party transactions

The number of units held and related transactions in the Funds' during the year by related parties (including each KMP, including their personally-related parties) are set out on page 25.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

10. Related Parties (continued)

		Units acquired during the year ^(A)	Units redeemed during the year	Units held at end of year		Distribution paid or payable
		Number	Number	Number	%	\$
Magellan Global Fund						
Magellan Financial Group Ltd	2014	10,544,523	-	48,126,971	1.5	2,881,628
	2013	664,882	-	37,582,448	1.6	1,223,304
Directors						
Hamish Douglass ^(B)	2014	345,927	-	1,206,312	(C)	72,229
	2013	15,221	-	860,385	(C)	28,005
Paul Lewis	2014	7,376	-	351,437	(C)	21,043
	2013	6,086	-	344,061	(C)	11,199
Other Key Management Personnel						
Nerida Campbell	2014	32,712	-	53,782	(C)	3,220
	2013	373	-	21,070	(C)	686
Gerald Stack	2014	1,155	-	55,022	(C)	3,294
	2013	953	-	53,867	(C)	1,754
Magellan Infrastructure Fund						
Magellan Financial Group Ltd	2014	70,352	-	2,287,083	0.4	65,210
	2013	146,462	(1,739,130) (D)	2,216,731	0.4	42,118
Directors						
Paul Lewis	2014	1,219	-	39,624	(C)	1,130
	2013	1,422	-	38,405	(C)	730
Other Key Management Personnel						
Gerald Stack	2014	2,217	-	72,071	(C)	2,055
	2013	2,586	-	69,854	(C)	1,327
Magellan Global Fund (Hedged)						
Magellan Financial Group Ltd	2014	499,838	-	499,838	1.5	9,997
	2013	-	-	-	-	-
Magellan Infrastructure Fund (Unhedged)						
Magellan Financial Group Ltd	2014	1,504,518	-	1,504,518	2.4	23,592
	2013	-	-	-	-	-
Magellan High Conviction Fund						
Magellan Financial Group Ltd	2014	17,166,176	-	17,166,176	15.4	485,075
	2013	-	-	-	-	-
Directors						
Hamish Douglass ^(B)	2014	1,482,751	-	1,482,751	1.3	41,899
	2013	-	-	-	-	-

(A) includes the re-investment of 30 June 2012 and 30 June 2013 distributions in the years ended 30 June 2013 and 30 June 2014 respectively.

(B) in addition to the above direct holdings, Mr Douglass and Mr Casarotti selected the Magellan Global Fund product via their superannuation funds and currently have holdings of 403,233 and 169,824 units at a value of \$445,814 and \$291,146 respectively as at 30 June 2014 (June 2013: holdings of 385,356 and 155,739 units at a value of \$387,206 and \$239,837 respectively).

(C) less than 0.1%.

(D) during the year ended 30 June 2013, units in Magellan Infrastructure Fund were disposed and the proceeds from disposal were invested in Magellan Infrastructure Fund (Unhedged), a new registered managed investment scheme launched on 28 June 2013.

Transactions between the Funds and related parties are subject to the same terms and conditions as those entered into by other unitholders.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

11. Capital and Financial Risk Management

a) Financial risk management

The Funds' investment portfolios primarily comprise listed equity investments. Each fund's investment objective is to seek long term capital growth through investing in undervalued securities globally. The Funds' investment objectives are described in their respective Product Disclosure Statements. The Funds' investing activities expose them to various types of risks; market risks, credit risk and liquidity risk.

Financial risk management is carried out 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 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.

An increase of 5% in the market prices of each of the Funds' investments held at the end of the year would have increased the net assets attributable to unitholders and the net operating profit, as follows:

	30 June 2014 \$'000	30 June 2013 \$'000
Magellan Global Fund	265,469	175,394
Magellan Infrastructure Fund	31,280	21,986
Magellan Infrastructure Fund (Unhedged)	3,587	na
Magellan Global Fund (Hedged)	1,888	na
Magellan High Conviction Fund	6,311	na

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 assets attributable to unitholders and the net operating profit.

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, forward foreign currency contracts, outstanding broker settlements, and outstanding receipts of income from foreign companies.

The currency risk of Magellan Global Fund, Magellan Infrastructure Fund (Unhedged) and Magellan High Conviction Fund is managed on an unhedged basis and therefore the returns of these funds are exposed to changes in exchange rates relative to the Australian dollar. In exceptional circumstances the Responsible Entity may elect to hedge currency exposure in these funds to a major currency. No such hedging activities were undertaken in respect of these funds during the years ended 30 June 2013 and 30 June 2014 .

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

11. Capital and Financial Risk Management (continued)

b) Market Risk (continued)

Currency risk (continued)

Magellan Infrastructure Fund and Magellan Global Fund (Hedged) are 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 funds to any individual foreign currency is greater than 5% of the net assets of the respective fund.

The Funds total net exposure to fluctuations in foreign currency exchange rates at the Statements of Financial Position date is:

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	Magellan Global Fund (Hedged)	Magellan High Conviction Fund
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2014	30 June 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
US Dollars	3,994,846	2,829,547	4,385	1,075	16,293	115	106,699
Euro	651,097	258,319	6,445	1,257	20,645	182	8,724
British Pounds	369,007	175,775	3,170	8,816	9,001	157	12,582
Swiss Francs	385,835	272,449	1,013	637	3,497	147	1
New Zealand Dollars	-	-	1,434	(607)	3,154	-	-
Chilean Pesos	-	-	(43)	(894)	1,806	-	-
Canadian Dollars	-	-	315	-	3,084	-	-

The changes in net assets attributable to unitholders and profit or loss 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 assets and liabilities), at 30 June are as follows:

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)		Magellan Global Fund (Hedged)		Magellan High Conviction Fund	
	30 June 2014		30 June 2014		30 June 2014		30 June 2014		30 June 2014	
	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000
US Dollars	(190,231)	210,255	(209)	231	(776)	858	(6)	6	(5,081)	5,616
Euro	(31,005)	34,268	(307)	339	(983)	1,087	(9)	10	(415)	459
British Pounds	(17,572)	19,421	(151)	167	(429)	474	(7)	8	(599)	662
Swiss Francs	(18,373)	20,307	(48)	53	(167)	184	(7)	8	-	-
New Zealand Dollars	-	-	(68)	75	(150)	166	-	-	-	-
Chilean Pesos	-	-	2	(2)	(86)	95	-	-	-	-
Canadian Dollars	-	-	(15)	17	(147)	162	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

11. Capital and Financial Risk Management (continued)

b) Market risk (continued)

Currency risk (continued)

	Magellan Global Fund 2013		Magellan Infrastructure Fund 2013	
	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000
US Dollars	(134,740)	148,924	(51)	57
Euro	(12,301)	13,596	(60)	66
British Pounds	(8,370)	9,251	(420)	464
Swiss Francs	(12,974)	14,339	(30)	34
New Zealand Dollars	-	-	29	(32)
Chilean Pesos	-	-	43	(47)
Canadian Dollars	-	-	-	-

Magellan Global Fund (Hedged) and Magellan Infrastructure Fund are managed on a currency hedged basis using forward foreign currency contracts. Magellan Global Fund (Hedged) and Magellan Infrastructure Fund invest into financial assets denominated in currencies other than the Australian dollar, and are therefore exposed to the risk that movements in foreign exchange rates will cause fluctuations in profit or loss. Magellan Global Fund (Hedged) and Magellan Infrastructure Fund use forward foreign currency contracts to mitigate this risk by hedging the underlying exposure to financial assets denominated in currencies other than the Australian dollar.

The Responsible Entity of Magellan Global Fund (Hedged) has adopted hedge accounting under AASB 139 to designate some forward foreign currency contracts entered into during the reporting period as a fair value hedge (refer to Note 2 j)).

The application of hedge accounting does not impact the accounting treatment of the hedging instruments (forward foreign currency contracts) or the hedged items (the financial assets and financial liabilities denominated in currencies other than the Australian dollar) as all financial assets and financial liabilities are designated at fair value through profit or loss.

Whilst the Magellan Infrastructure Fund also uses forward foreign currency contracts, these derivatives did not qualify for hedge accounting under AASB 139 during the financial years ended 30 June 2013 and 30 June 2014.

The adoption of hedging accounting by Magellan Global Fund (Hedged) has not impacted the results reported in the Statements of Profit or Loss and Other Comprehensive Income in the financial year ended 30 June 2014 (refer to Note 2 j)). At 30 June 2014, the net fair value of the financial assets and financial liabilities being hedged is \$27,987,000, while the principal amount of the forward foreign currency contracts that qualify as fair value hedges is (\$27,964,426). The net fair value of the forward foreign currency contracts that qualify as fair value hedges, at 30 June 2014, is \$221,217. Since adopting hedge accounting on 1 July 2013, the fair value net gain arising on the hedging instruments was \$418,867, and the fair value net loss on hedged items was (\$445,215).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

11. Capital and Financial Risk Management (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 Australian dollar cash balances held by the Funds at 30 June 2014, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would increase the annual interest income earned by the Funds as follows:

	30 June 2014 \$'000	30 June 2013 \$'000
Magellan Global Fund	161	53
Magellan Infrastructure Fund	20	86
Magellan Infrastructure Fund (Unhedged)	5	na
Magellan Global Fund (Hedged)	2	na
Magellan High Conviction Fund	1	na

A decrease of 10 basis points in floating interest rates would have an equal but opposite effect on interest income earned. The level of cash held by the Funds may vary from time to time, depending on the level of recent capital flows into and out of the Funds, and on the Responsible Entity's judgement. The cash balances held by the Funds as at 30 June 2014 may therefore not be typical of the amounts of cash generally held by the Funds.

The Funds held US dollar cash balances during the year. Based on the US dollar cash balances held by the Funds at 30 June 2014, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would increase the annual interest income earned by the Funds as follows:

	30 June 2014 \$'000	30 June 2013 \$'000
Magellan Global Fund	66	19
Magellan Infrastructure Fund	1	1
Magellan Infrastructure Fund (Unhedged)	-	na
Magellan Global Fund (Hedged)	-	na
Magellan High Conviction Fund	1	na

A decrease of 10 basis points in floating interest rates would have an equal but opposite effect on interest income earned.

None 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 on the due date or will be forced to sell financial assets at a value which is less than they are worth. This risk is managed by the Funds maintaining sufficient cash and cash equivalents to meet their normal operating requirements. In addition, the Funds' Constitutions and Product Disclosure Statements allow the Responsible Entity, Magellan Asset Management Limited, 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 Responsible Entity reasonably considers it to be in the interests of remaining unitholders of the Funds.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

11. Capital and Financial Risk Management (continued)

c) Liquidity risk (continued)

	Payables		Cash and cash equivalents	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Magellan Global Fund	205,602	115,422	227,705	148,121
Magellan Infrastructure Fund	17,327	64,475	21,920	89,797
Magellan Infrastructure Fund (Unhedged)	3,298	na	4,668	na
Magellan Global Fund (Hedged)	1,379	na	2,117	na
Magellan High Conviction Fund	3,443	na	2,874	na

At 30 June 2014, the Funds had an obligation to settle payables with cash and cash equivalents as set out in the table below. The Funds' payables had maturities between 0 to 30 days (refer Note 7).

Maturities of financial liabilities

At 30 June 2014, the Funds' financial liabilities comprised payables which mature in 1 year or less (June 2013: 1 year or less) (refer to Note 7).

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 financial assets and liabilities when valued at fair value.

The Funds minimise concentrations of credit risk by undertaking transactions with numerous reputable brokers, and by ensuring cash balances are held with and managed by counterparties that are reputable financial intermediaries with acceptable credit ratings determined by a recognised rating agency. In addition the credit rating and financial positions of the brokers used, by the Funds, are regularly monitored to further mitigate this risk. Credit risk relating to outstanding settlements is considered small due to the short settlement period involved.

Magellan Global Fund, Magellan Infrastructure Fund (Unhedged) and Magellan High Conviction Fund do not hold derivatives. Magellan Infrastructure Fund and Magellan Global Fund (Hedged) use derivative financial instruments for currency hedging purposes. Derivatives are not used to gear (leverage) the portfolio. Magellan Global Fund (Hedged) and Magellan Infrastructure Fund may have credit risk arising from forward foreign currency positions if the market value of those positions is positive.

At 30 June 2014 the market values of forward foreign currency contracts were: Magellan Infrastructure Fund \$1,580,000 (June 2013: (\$25,014,000)) and Magellan Global Fund (Hedged) \$156,000 (June 2013: nil).

The Responsible Entity has appointed The Northern Trust Company (NT) as the custodian of the Funds. In acting as custodian, NT is required to comply with the relevant provisions of the Corporations Act, applicable ASIC regulatory guides and class orders relating to registered managed investment scheme property arrangements with custodians. The former custodian and prime broker of the Funds was Merrill Lynch International (MLI).

The credit quality of NT's senior debt is rated, as at 30 June 2014, by Standard and Poors as AA- and by Moody's as Aa3 (AA- and Aa3 respectively at 30 June 2013). At 30 June 2014 and 30 June 2013, the Funds' maximum exposure to credit risk is the carrying value of the financial assets recognised in the Statements of Financial Position.

Ageing analysis of receivables

At 30 June 2014, the Funds' receivables were due within 0 to 30 days (June 2013: 0 to 30 days). No amounts are impaired or past due at 30 June 2014 or 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

11. Capital and Financial Risk Management (continued)

e) Fair value disclosures

The Funds classify the fair value measurements of financial assets and financial liabilities using the three fair value hierarchy set out below to reflect the source of valuation inputs used when determining the fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing bid price for the security as quoted on the relevant exchange.

Level 2: valuation techniques using observable inputs either directly (as prices) or indirectly (derived from prices). The fair value of derivatives is based on a discounted cash flow analysis using quoted market inputs (spot and forward rates, volatility) adjusted for specific features of the instruments and applied debit and credit valuation adjustments based on the Funds' or the derivative counterparties' current credit worthiness.

Level 3: valuation techniques using non-market observable inputs.

The following table presents the Funds' assets and liabilities measured and recognised at fair value:

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	Magellan Global Fund (Hedged)	Magellan High Conviction Fund
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2014 \$'000	30 June 2014 \$'000
Assets measured at fair value							
Level 1: Investments - valued using quoted price ^(A)	5,309,389	3,506,547	625,600	438,867	71,747	37,760	126,215
Level 2: Forward foreign currency contracts	-	-	1,580	-	-	156	-
Total financial assets	5,309,389	3,506,547	627,180	438,867	71,747	37,916	126,215
Liabilities measured at fair value							
Level 2: Forward foreign currency contracts	-	-	-	25,014	-	-	-
Total financial liabilities	-	-	-	25,014	-	-	-

(A) All Australian and international equity securities held by the Funds are Level 1 assets.

There have been no transfers between any of the three levels in the hierarchy during the year and the Funds' policies are to recognise transfers into and out of fair value hierarchy levels as at the end of the year.

The Funds do not hold any level 3 assets.

12. Contingent Assets, Liabilities and Commitments for Expenditure

The Funds have no contingent assets or liabilities, or commitments as at 30 June 2014 (June 2013: nil).

13. Events Subsequent to the End of the Year

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

14. Auditor's Remuneration

Amounts received or due and receivable by the auditor of the Funds, Ernst & Young:

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	Magellan Global Fund (Hedged)	Magellan High Conviction
	2014	2013	2014	2013	2014	2014	2014
	\$	\$	\$	\$	\$	\$	\$
Audit Services							
Audit of the financial reports	18,500	15,500	18,500	15,500	13,500	13,500	18,500
	18,500	15,500	18,500	15,500	13,500	13,500	18,500
Non-Audit Services							
Taxation services	10,000	9,000	10,000	9,000	10,000	10,000	10,000
Total auditor's remuneration	28,500	24,500	28,500	24,500	23,500	23,500	28,500

DIRECTORS' DECLARATION

for the year ended 30 June 2014

In the opinion of the directors, the financial statements and notes of:

Magellan Global Fund

Magellan Infrastructure Fund

Magellan Infrastructure Fund (Unhedged)

Magellan Global Fund (Hedged)

Magellan High Conviction Fund (together "the Funds") as set out on pages 8 to 32

(a) 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 2014 and of their performance as represented by the results of their operations, changes in equity and their cash flows for the year ended on that date; and
- (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

(b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and

(c) Note 2 a) confirms that the financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Directors of the Responsible Entity.



Hamish M Douglass
Chairman

Sydney, 5 September 2014

INDEPENDENT AUDITOR'S REPORT



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Independent auditor's report to the unitholders of Magellan Global Fund, Magellan Infrastructure Fund, Magellan High Conviction Fund, Magellan Global Fund (Hedged) and Magellan Infrastructure Fund (Unhedged)

Report on the financial report

We have audited the accompanying financial report of Magellan Global Fund, Magellan Infrastructure Fund, Magellan High Conviction Fund, Magellan Global Fund (Hedged) and Magellan Infrastructure Fund (Unhedged) ("the Schemes"), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

INDEPENDENT AUDITOR'S REPORT



Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of the Schemes is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Schemes' financial position as at 30 June 2014 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (a).

Ernst & Young

Graeme McKenzie
Partner

Sydney

5 September 2014

CORPORATE INFORMATION

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Brett Cairns
Robert Fraser
Paul Lewis
Karen Phin

Company Secretary of the Responsible Entity

Geoffrey Stirton

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