



Annual Financial Reports

for the year ended 30 June 2017

MAGELLAN GLOBAL FUND: ABN 18 387 878 844

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

MAGELLAN HIGH CONVICTION FUND: ABN 20 120 243 491

MAGELLAN INFRASTRUCTURE FUND: ABN 64 144 747 279

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

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Responsible Entity's Report

for the year ended 30 June 2017

The Directors of Magellan Asset Management Limited ("MAM") (ABN 31 120 593 946), the Responsible Entity of Magellan Global Fund, Magellan Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Funds") present their report on the Funds for the year ended 30 June 2017.

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 |
|-----------------|-------------------------|-------------|
| Brett Cairns | Executive Chairman | 22 Jan 2007 |
| Hamish Douglass | Chief Executive Officer | 21 Nov 2006 |
| John Eales | Non-executive Director | 1 July 2017 |
| Robert Fraser | Non-executive Director | 23 Apr 2014 |
| Paul Lewis | Non-executive Director | 20 Dec 2006 |
| Hamish McLennan | Non-executive Director | 01 Mar 2016 |
| Karen Phin | 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 36, 19 Martin Place, Sydney, New South Wales 2000.

Magellan Global Fund (MGF) is a quality-focused, long-only unit trust that invests in a concentrated portfolio of global equities which spans sectors including financial services, consumer and retail, health care, pharmaceutical, telecommunications, computer hardware and software and internet related products and services. 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 Product Disclosure Statement, issued 7 July 2016. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially unhedged.

Magellan Global Fund (Hedged) (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 7 July 2016.

Magellan High Conviction Fund (MHCF) is a quality-focused, long-only unit trust that invests in a highly concentrated portfolio of global equities which spans sectors including financial services, retail, computer hardware and software and internet related products and services. 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, managing a higher tolerance in volatility in investment returns, with the ability to manage foreign exchange exposures. The fund is targeted towards more sophisticated higher net worth retail investors. The fund's investment strategy is detailed in the Product Disclosure Statement, issued 7 July 2016.

Magellan Infrastructure Fund (MIF) invests in listed entities on any stock exchange whose primary business is the ownership and operation of infrastructure assets, such as roads and airports, water and sewage, energy and communications infrastructure in accordance with its investment strategy as detailed in the Product Disclosure Statement, issued 7 July 2016. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially hedged.

Magellan Infrastructure Fund (Unhedged) (MIFU) invests 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 Product Disclosure Statement, issued 7 July 2016. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially unhedged.

Responsible Entity's Report

for the year ended 30 June 2017

1.2 Significant changes in state of affairs

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

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 years ended 30 June, was as follows:

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|---|----------------------|-----------------|-------------------------------|----------------|-------------------------------|----------------|------------------------------|----------------|---|---------------|
| | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 |
| Results | | | | | | | | | | |
| Total net investment income (\$'000) | 1,340,211 | 90,330 | 73,731 | 1,561 | 64,808 | (336) | 122,658 | 165,718 | 42,894 | 48,313 |
| Total expenses (\$'000) | 146,917 | 148,376 | 7,066 | 4,026 | 8,300 | 4,770 | 18,027 | 18,002 | 8,867 | 6,193 |
| Net operating profit/(loss) (\$'000) | 1,193,294 | (58,046) | 66,665 | (2,465) | 56,508 | (5,106) | 104,631 | 147,716 | 34,027 | 42,120 |
| Distributions | | | | | | | | | | |
| Distribution paid and payable to unitholders (\$'000) | 224,295 | 643,672 | 8,931 | 4,953 | 7,492 | 20,580 | 113,724 | 72,919 | 14,999 | 16,181 |
| Distribution paid and payable (cents per unit) | 4.8578 | 15.2344 | 2.9998 | 2.0000 | 3.5000 | 10.4415 | 11.2144 | 9.1339 | 4.0662 | 6.1024 |
| Redemption unit price (ex-distribution) (\$) | 1.9354 | 1.7197 | 1.4318 | 1.2205 | 1.5397 | 1.3034 | 1.2294 | 1.2367 | 1.6184 | 1.5780 |
| Indirect cost ratio | | | | | | | | | | |
| Management fee (%) | 1.35 | 1.35 | 1.35 | 1.35 | 1.50 | 1.50 | 1.05 | 1.06 | 1.05 | 1.06 |
| Performance fee (%) | 0.13 | 0.31 | 0.27 | - | 1.00 | 0.01 | 0.10 | 0.56 | 0.18 | 0.59 |
| Total indirect cost ratio (%) | 1.48 | 1.66 | 1.62 | 1.35 | 2.50 | 1.51 | 1.15 | 1.62 | 1.23 | 1.65 |
| Unit prices (net asset value) (ex-distribution) (\$) | 1.9373 | 1.7214 | 1.4332 | 1.2217 | 1.5412 | 1.3047 | 1.2312 | 1.2386 | 1.6208 | 1.5804 |

The Total Indirect Cost Ratio (ICR) is the ratio of the Funds' management costs over their average gross assets attributable to unitholders, expressed as a percentage, for the year ended 30 June. Management costs, accrued within the Funds' unit prices on a daily basis, include management, administration and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

Responsible Entity's Report

for the year ended 30 June 2017

1.3 Review of operations (continued)

a) Financial results for the year (continued)

The performance returns for the 12 months ended 30 June shown in the table below have been calculated using redemption unit prices for the Funds, which are after fees and expenses, assuming reinvestment of distributions. The returns are calculated daily, compounded to produce longer period returns.

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|------------------------------------|----------------------|---------------|-------------------------------|---------------|-------------------------------|---------------|------------------------------|---------------|---|---------------|
| | 30 Jun 2017 % | 30 Jun 2016 % | 30 Jun 2017 % | 30 Jun 2016 % | 30 Jun 2017 % | 30 Jun 2016 % | 30 Jun 2017 % | 30 Jun 2016 % | 30 Jun 2017 % | 30 Jun 2016 % |
| Performance | | | | | | | | | | |
| Growth return ^(A) | 12.5 | (8.2) | 17.3 | (2.5) | 18.1 | (8.6) | (0.6) | 9.5 | 2.6 | 12.5 |
| Distribution return ^(B) | 2.8 | 8.1 | 2.5 | 1.6 | 2.7 | 7.3 | 9.2 | 8.3 | 2.6 | 4.8 |
| Total return ^(C) | 15.3 | (0.1) | 19.8 | (0.9) | 20.8 | (1.3) | 8.6 | 17.8 | 5.2 | 17.3 |

^(A) The Growth return for the year ended 30 June is calculated as a percentage by dividing the end of year unit price (ex-distribution) by the prior year end redemption unit price (ex-distribution) minus 1.

^(B) The Distribution return is calculated as a percentage by subtracting the Growth return from the Total return.

^(C) The Total return for the year ended 30 June is calculated as a percentage by dividing the end of year redemption unit price (cum-distribution) by the prior year end redemption unit price (ex-distribution) minus 1. When an interim distribution is paid, the Total return is adjusted to reflect the increase in value attributable to the unit holder, assuming the distribution is re-invested.

Distributions

The distributions paid and payable shown in the table on page 4 were declared for the year ended 30 June 2017. The distributions were paid on 13 July 2017. The distributions shown in the table for MIF and MIFU comprise an interim dividend for the six months to 31 December 2016 and final distribution for the year ended 30 June 2017. The interim distributions were paid on 6 January 2017.

b) Strategy and future outlook

The Funds provide daily unit prices, monthly fund updates and six monthly investor reports which can be 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 along with fund outlook commentary.

1.4 Likely developments and expected results of operations

The Funds will continue to invest in companies and businesses in accordance with the investment strategies 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, however the results of the Funds' operations may be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and past returns should not be used to predict future returns.

Responsible Entity's Report

for the year ended 30 June 2017

1.5 Interest in the Funds

The movement in units on issue in the Funds during the year ended 30 June 2017 is disclosed in note 7 a) and note 7 b) to the financial statements.

As at 30 June 2017, the net assets attributable to unitholders of each Fund were as follows:

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|---|-----------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|------------------------------|-----------------------|---|-----------------------|
| | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 |
| Net assets attributable to unitholders | 8,944,954 | 7,273,143 | 426,666 | 302,530 | 329,921 | 257,154 | 1,247,606 | 988,057 | 597,430 | 418,757 |

1.6 Events subsequent to the end of the year

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

1.7 Indemnification and insurance of Directors and Officers

The Directors and Officers of the Responsible Entity in office are insured to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in their capacity of Directors and Officers of the Responsible Entity, other than for conduct involving a wilful breach of duty in relation to the Responsible Entity. During the year, Magellan Financial Group Limited paid, on behalf of the Responsible Entity, an insurance premium to insure the Directors and Officers of the Responsible Entity. The terms of the contract prohibit the disclosure of the premiums paid.

1.8 Rounding of amounts

The Funds are of a kind referred to in the *Australian Securities & Investments Commission's Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and consequently amounts in the Responsible Entity's Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

1.9 Auditor

Ernst & Young continues in office as auditor. A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7. Refer to note 13 for details on the auditor's remuneration.

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



Brett Cairns
Executive Chairman

Sydney, 1 September 2017



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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 Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged), (the 'Schemes')

As lead auditor for the audit of the Schemes for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Rita Da Silva'.

Rita Da Silva
Partner

1 September 2017

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|--|--------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|---------------------------------|--------------------------|---|--------------------------|
| Note | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 |
| Investment income | | | | | | | | | | |
| Interest income | 2,788 | 1,134 | 720 | 681 | 55 | 29 | 1,378 | 1,431 | 97 | 50 |
| Dividend and distribution income | 142,898 | 132,096 | 6,371 | 4,220 | 4,472 | 4,692 | 44,481 | 31,619 | 20,770 | 11,332 |
| Net change in fair value of investments | | | | | | | | | | |
| - held for trading | - | - | 11,188 | 5,133 | 5,114 | 3,225 | 28,897 | 6,973 | 6 | - |
| - designated at fair value through profit or loss | 1,226,814 | (72,255) | 55,363 | (8,279) | 55,863 | (9,301) | 48,828 | 125,963 | 22,935 | 36,915 |
| Net gains/(losses) on foreign exchange settlements, contracts and cash | (32,290) | 29,355 | 89 | (194) | (696) | 1,019 | (964) | (268) | (931) | 16 |
| Other income | 1 | - | - | - | - | - | 38 | - | 17 | - |
| Total net investment income | 1,340,211 | 90,330 | 73,731 | 1,561 | 64,808 | (336) | 122,658 | 165,718 | 42,894 | 48,313 |
| Expenses | | | | | | | | | | |
| Management and administration fees | 9 c) i) 115,056 | 106,278 | 5,110 | 3,430 | 4,616 | 4,105 | 12,470 | 9,568 | 5,757 | 3,203 |
| Performance fees | 9 c) ii) 11,516 | 24,193 | 1,042 | 8 | 3,083 | 16 | 1,171 | 5,070 | 964 | 1,796 |
| Transaction costs | 647 | 767 | 34 | 43 | 48 | 33 | 225 | 169 | 107 | 80 |
| Withholding tax on dividends | 19,698 | 17,138 | 880 | 545 | 553 | 616 | 4,161 | 3,195 | 2,039 | 1,114 |
| Total expenses | 146,917 | 148,376 | 7,066 | 4,026 | 8,300 | 4,770 | 18,027 | 18,002 | 8,867 | 6,193 |
| Net operating profit/(loss) | 1,193,294 | (58,046) | 66,665 | (2,465) | 56,508 | (5,106) | 104,631 | 147,716 | 34,027 | 42,120 |
| Finance costs attributable to unitholders | | | | | | | | | | |
| Distributions of income and capital to unitholders (Increase)/Decrease in net assets attributable to unitholders | 2 (224,295) | (643,672) | (8,931) | (4,953) | (7,492) | (20,580) | (113,724) | (72,919) | (14,999) | (16,181) |
| | 7 b) (968,999) | 701,718 | (57,734) | 7,418 | (49,016) | 25,686 | 9,093 | (74,797) | (19,028) | (25,939) |
| Profit/(loss) for the year | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive income for the year | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | - | - |

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

Statements of Financial Position

as at 30 June 2017

| | Note | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|---|------|-----------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|------------------------------|-----------------------|---|-----------------------|
| | | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 |
| Assets | | | | | | | | | | | |
| Cash and cash equivalents | 3 | 1,372,498 | 1,298,609 | 66,369 | 49,745 | 30,516 | 24,849 | 114,379 | 106,078 | 51,300 | 50,277 |
| Receivables | 4 | 23,010 | 18,255 | 1,061 | 812 | 349 | 259 | 25,153 | 8,239 | 10,980 | 3,546 |
| Investments | 5 a) | 7,804,373 | 6,621,561 | 370,437 | 257,474 | 308,785 | 253,402 | 1,230,632 | 940,159 | 555,959 | 378,915 |
| Total assets | | 9,199,881 | 7,938,425 | 437,867 | 308,031 | 339,650 | 278,510 | 1,370,164 | 1,054,476 | 618,239 | 432,738 |
| Liabilities | | | | | | | | | | | |
| Payables | 6 | 30,632 | 21,610 | 2,270 | 548 | 2,237 | 776 | 18,839 | 1,841 | 9,439 | 529 |
| Distributions payable | | 224,295 | 643,672 | 8,931 | 4,953 | 7,492 | 20,580 | 103,719 | 64,578 | 11,370 | 13,452 |
| Total liabilities | | 254,927 | 665,282 | 11,201 | 5,501 | 9,729 | 21,356 | 122,558 | 66,419 | 20,809 | 13,981 |
| Net assets attributable to unitholders | 7 b) | 8,944,954 | 7,273,143 | 426,666 | 302,530 | 329,921 | 257,154 | 1,247,606 | 988,057 | 597,430 | 418,757 |

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

Statements of Changes in Equity

for the year ended 30 June 2017

Under Australian Accounting Standards, the Funds' net assets attributable to unitholders are classified as a liability. As a result the Funds have no equity for financial reporting purposes and there were 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 2017

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | | |
|---|-------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|---------------------------------|--------------------------|---|--------------------------|-----------|
| | Note | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | |
| Cash flows from operating activities | | | | | | | | | | | |
| Interest received | | 2,819 | 1,119 | 717 | 654 | 57 | 25 | 1,380 | 1,437 | 103 | 45 |
| Dividends and distributions received | | 138,258 | 134,877 | 6,093 | 4,223 | 4,508 | 4,833 | 41,140 | 28,430 | 18,947 | 9,366 |
| Other income received | | 1 | - | - | - | - | 1 | 38 | - | 17 | - |
| Management, administration and performance fees paid | | (111,437) | (130,463) | (4,838) | (3,042) | (5,897) | (4,911) | (10,279) | (14,524) | (5,532) | (4,982) |
| Withholding tax paid | | (19,698) | (17,138) | (880) | (545) | (553) | (616) | (4,161) | (3,195) | (2,039) | (1,114) |
| Other expenses paid | | (1,114) | (851) | (75) | (108) | (69) | (47) | (307) | (212) | (164) | (131) |
| Net cash inflows/(outflows) from operating activities | 8 | 8,829 | (12,456) | 1,017 | 1,182 | (1,954) | (715) | 27,811 | 11,936 | 11,332 | 3,184 |
| Cash flows from investing activities | | | | | | | | | | | |
| Purchase of investments | | (2,188,815) | (2,731,106) | (144,941) | (208,810) | (159,558) | (138,097) | (610,919) | (407,083) | (305,941) | (256,302) |
| Proceeds from sale of investments | | 2,220,198 | 2,530,834 | 94,549 | 65,538 | 162,128 | 100,306 | 355,166 | 347,356 | 152,485 | 84,075 |
| Net cash flows from foreign exchange hedging activities | | - | - | 3,914 | 244 | 2,368 | 2,242 | 44,010 | (39,748) | - | - |
| Net foreign exchange gains/(losses) | | (1,936) | 18,023 | 124 | 181 | 13 | 1,303 | 357 | 976 | (530) | 794 |
| Net cash inflows/(outflows) from investing activities | | 29,447 | (182,249) | (46,354) | (142,847) | 4,951 | (34,246) | (211,386) | (98,499) | (153,986) | (171,433) |
| Cash flows from financing activities | | | | | | | | | | | |
| Receipts from issue of units | | 1,815,908 | 2,017,700 | 143,543 | 213,155 | 44,545 | 63,532 | 382,041 | 281,288 | 255,570 | 226,987 |
| Payments for redemption of units | | (1,220,428) | (986,256) | (77,340) | (42,538) | (27,809) | (21,620) | (138,440) | (169,656) | (97,073) | (22,704) |
| Distributions paid | | (533,848) | (731,554) | (4,249) | (1,879) | (13,578) | (7,087) | (51,740) | (13,681) | (14,702) | (5,932) |
| Net cash inflows from financing activities | | 61,632 | 299,890 | 61,954 | 168,738 | 3,158 | 34,825 | 191,861 | 97,951 | 143,795 | 198,351 |
| Net increase/(decrease) in cash and cash equivalents | | 99,908 | 105,185 | 16,617 | 27,073 | 6,155 | (136) | 8,286 | 11,388 | 1,141 | 30,102 |
| Cash and cash equivalents at the beginning of the year | | 1,298,609 | 1,195,592 | 49,745 | 22,672 | 24,849 | 25,493 | 106,078 | 94,772 | 50,277 | 20,888 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | (26,019) | (2,168) | 7 | - | (488) | (508) | 15 | (82) | (118) | (713) |
| Cash and cash equivalents at end of year | 3 | 1,372,498 | 1,298,609 | 66,369 | 49,745 | 30,516 | 24,849 | 114,379 | 106,078 | 51,300 | 50,277 |

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 2017

1. Summary of significant accounting policies

The financial reports cover the Magellan Global Fund, Magellan Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Funds"), as individual entities, for the year ended 30 June 2017.

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 Global Fund (Hedged) | 28 June 2013 |
| Magellan High Conviction Fund | 28 June 2013 |
| Magellan Infrastructure Fund (Unhedged) | 28 June 2013 |

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.

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

The financial reports were authorised for issue by the Directors of the Responsible Entity on 1 September 2017. The Directors have the power to amend and reissue the financial reports.

a) Basis of preparation

The financial reports are general purpose financial reports 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 and the Funds' Constitutions.

The financial reports are presented in Australian dollars. 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.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Changes in accounting policy, accounting standards and interpretations

i) New and amended 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 2016. None of the new standards or amendments affected any of the amounts or the disclosures in the current or prior year.

ii) Accounting Standards and interpretations issued but not yet effective

The Australian and International Accounting Standards issued, but not yet mandatory, for the reporting period ended 30 June 2017 have not been adopted by the Funds in the preparation of these financial reports. An assessment of the impact of the new standards and interpretations, which may have a material impact on the Funds, is set out below:

- **AASB 9: Financial Instruments (AASB 9), (effective 1 July 2018) (AASB 9)**

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 will be replaced with two measurement categories fair value and amortised cost, which are discussed at note 1 h). Financial assets will only be able to be measured at amortised cost where very specific conditions are met.

AASB 9 includes new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. It also introduced a new expected-loss impairment model that requires credit losses to be recognised when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

No material financial impact is expected on adoption of AASB 9 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 and the Funds do not apply hedge accounting.

- **AASB 15: Revenue from Contracts with Customers (effective 1 July 2018) (AASB 15)**

AASB 15 supersedes the revenue recognition guidance in AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates. The core principle in AASB 15 is that an entity recognises revenue at an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for selling goods or services to customers. AASB 15 has also introduced specific criteria for determining whether to capitalise certain costs, distinguishing between those costs associated with obtaining a contract (e.g. sales commissions) and those costs associated with fulfilling a contract.

No material change to the timing or manner of recognition of the funds' key revenues as interest revenue, dividend and distribution income and investment gains are excluded from the scope of AASB 15.

There are no other pronouncements or accounting standards, not yet effective at this time, that are expected to have a material impact to the financial statements in future reporting periods.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

b) Foreign currency translation

The functional and presentation currency of the Funds is the Australian dollar as determined in accordance with AASB 121: The Effects of Changes in Foreign Exchange Rates. Transactions denominated in foreign currencies are translated into Australian currency at the foreign currency exchange rate 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 at the reporting date.

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 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 and 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 gross 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 are measured at fair value through profit or loss and 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, administration and performance fees are set out in note 9 c).

e) Distributions

The Funds have a contractual obligation under the Funds' Constitutions to distribute all their distributable income to unitholders, by cash or reinvestment. Distributions are recognised as finance costs attributable to unitholders in the Statements of Profit or Loss and Other Comprehensive Income. A distribution payable is recognised in the Statements of Financial Position where the amount remains unpaid at reporting date.

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. Net realised tax losses are not distributed to unitholders but are retained in the Funds to be offset against any future assessable income or realised gains.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain would be included in net taxable income. Realised capital losses can only be utilised to offset any realised capital gains. Net realised capital losses are retained in the Funds to be offset against any future realised capital gains.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

f) Income tax (continued)

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.

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, management and administration 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, administration and 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) 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 are acquired and the liabilities are incurred.

Financial assets and liabilities designated at fair value

Financial assets and financial liabilities measured 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 to note 1 k) 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. Refer to note 5 for further details.

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 initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment losses (if any). Refer to note 4 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. Refer to note 6 for further details.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

h) Financial assets and liabilities (continued)

Measurement (continued)

The fair value of equity securities traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Funds is the current bid price, and the quoted market price for financial liabilities is the 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 flow 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 10 f).

Financial assets and financial liabilities are derecognised when the Funds no longer control the contractual rights that comprise the financial instrument which is normally the case when the instrument is sold or the liability is discharged.

i) 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.

j) Receivables

Receivables comprise amounts due from brokers for sales of assets and applications for units in the Fund 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 amortised cost using the effective interest rate method, and adjusted for changes in foreign exchange rates where applicable, less a provision for uncollectible amounts.

k) Derivatives

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

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 included in 'net change in fair value of investments – held for trading'. 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.

l) Payables

Payables comprise trade creditors and accrued expenses owing by the Funds at reporting date which are unpaid and includes redemptions of units in the Fund unsettled at the end of the reporting period. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Payables are initially 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 reporting date.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

m) Net assets attributable to unitholders

The units issued by the Funds are classified as liabilities in the Statements of Financial Position as the Funds' Constitutions require the net income of the Funds to be distributed to unitholders of the Funds. Changes in net assets attributable to unitholders are recognised in the Statements of Profit or Loss and Other Comprehensive Income as finance costs.

Applications received for units in the Funds are recorded net of entry fees. Redemptions from the Funds are recorded gross of exit fees. The Funds recognise the units issued or redeemed when settled, which is trade date.

n) Offsetting financial instruments

Financial assets and financial liabilities are presented net in the Statements of Financial Position where the Funds 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. Refer to note 10 g) for further detail.

o) Rounding of amounts

The Funds are of a kind referred to in the *Australian Securities & Investments Commission's Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and consequently amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

p) Critical accounting estimates and judgements

The preparation of the Funds' financial statements requires the Directors to make judgements, 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 10 c)). 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 Funds have applied Australian Securities & Investments Commission's (Related Scheme Reports) Instrument 2015/839, 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 2017

2. Distributions to unitholders

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|--|----------------------|----------------|-------------------------------|---------------|-------------------------------|----------------|------------------------------|---------------|---|---------------|
| | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 |
| Interim distribution paid to unitholders \$'000 | - | - | - | - | - | - | 10,005 | 8,341 | 3,629 | 2,730 |
| Final distribution payable to unitholders \$'000 | 224,295 | 643,672 | 8,931 | 4,953 | 7,492 | 20,580 | 103,719 | 64,578 | 11,370 | 13,451 |
| Total distribution to unitholders \$'000 | 224,295 | 643,672 | 8,931 | 4,953 | 7,492 | 20,580 | 113,724 | 72,919 | 14,999 | 16,181 |
| The total distribution consisted of: | | | | | | | | | | |
| Income \$'000 | 224,295 | 643,672 | 4,886 | 1,046 | 6,056 | 20,580 | 113,724 | 72,919 | 14,999 | 16,181 |
| Return of capital \$'000 | - | - | 4,045 | 3,907 | 1,436 | - | - | - | - | - |
| Total distribution cents per unit | 4.8578 | 15.2344 | 2.9998 | 2.0000 | 3.5000 | 10.4415 | 11.2144 | 9.1339 | 4.0662 | 6.1024 |

The final distribution in respect of the year ended 30 June 2017 for each Fund was declared on 23 June 2017, paid on 13 July 2017 and classified as a payable in each of the Statements of Financial Position.

a) Distribution Reinvestment Plan (DRP)

A DRP operated in each Fund during the years ended 30 June 2017 and 30 June 2016. Unitholders may request their distributions to be applied as subscriptions for additional units in the respective Fund at the Issue Price (as defined in the respective Fund's Constitution), determined after the number of units on issue is calculated for the purpose of making the distribution.

The DRP issue price of each Fund is as follows:

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|---|----------------------|-------------|-------------------------------|-------------|-------------------------------|-------------|------------------------------|-------------|---|-------------|
| | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 |
| DRP issue price (final distribution - units issued 1 July) | \$ 1.9373 | \$ 1.7214 | \$ 1.4332 | \$ 1.2217 | \$ 1.5412 | \$ 1.3047 | \$ 1.2312 | \$ 1.2386 | \$ 1.6208 | \$ 1.5804 |
| | | | | | | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
| | | | | | | | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2015 |
| DRP issue price (interim distribution - units issued 1 January) | | | | | | | \$ 1.1920 | \$ 1.2006 | \$ 1.5147 | \$ 1.5181 |

Notes to the Financial Statements

for the year ended 30 June 2017

3. Cash and cash equivalents

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|--|------------------------|------------------------|-------------------------------|------------------------|-------------------------------|------------------------|------------------------------|------------------------|---|------------------------|
| | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| Cash at bank - denominated in A\$ | 40,847 | 65,041 | 65,869 | 48,915 | 2,453 | 5,695 | 112,777 | 104,551 | 3,871 | 15,344 |
| Cash at bank - denominated in foreign currency | 1,331,651 | 1,233,568 | 500 | 830 | 28,063 | 19,154 | 1,602 | 1,527 | 47,429 | 34,933 |
| Total cash and cash equivalents | 1,372,498 | 1,298,609 | 66,369 | 49,745 | 30,516 | 24,849 | 114,379 | 106,078 | 51,300 | 50,277 |

4. Receivables

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|---|------------------------|------------------------|-------------------------------|------------------------|-------------------------------|------------------------|------------------------------|------------------------|---|------------------------|
| | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| Dividend receivable | - | - | - | - | - | - | 6,975 | 5,638 | 3,208 | 2,228 |
| Interest receivable | 13 | 44 | 67 | 64 | 2 | 4 | 145 | 147 | 2 | 8 |
| Recoverable GST and foreign withholding tax | 14,979 | 9,333 | 513 | 170 | 128 | 107 | 1,881 | 1,208 | 658 | 255 |
| Due from brokers | - | - | - | - | - | 5 | 14,678 | - | 6,746 | - |
| Applications receivable | 8,018 | 8,878 | 481 | 578 | 219 | 143 | 1,474 | 1,246 | 366 | 1,055 |
| Total receivables | 23,010 | 18,255 | 1,061 | 812 | 349 | 259 | 25,153 | 8,239 | 10,980 | 3,546 |

Notes to the Financial Statements

for the year ended 30 June 2017

5. Investments

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|--|------------------------|------------------------|-------------------------------|------------------------|-------------------------------|------------------------|------------------------------|------------------------|---|------------------------|
| | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| Investment assets | | | | | | | | | | |
| <i>Financial assets designated at fair value through profit or loss</i> | | | | | | | | | | |
| Australian listed equity securities | - | 168,196 | - | 6,474 | - | - | 206,950 | 148,824 | 95,209 | 62,271 |
| International listed equity securities | 7,804,373 | 6,453,365 | 358,914 | 246,750 | 304,393 | 251,755 | 1,005,559 | 758,099 | 460,744 | 316,644 |
| Total financial assets designated at fair | 7,804,373 | 6,621,561 | 358,914 | 253,224 | 304,393 | 251,755 | 1,212,509 | 906,923 | 555,953 | 378,915 |
| <i>Derivatives</i> | | | | | | | | | | |
| Foreign currency contracts | - | - | 11,523 | 4,250 | 4,392 | 1,647 | 18,123 | 33,236 | 6 ^(a) | - |
| Total held for trading financial assets | - | - | 11,523 | 4,250 | 4,392 | 1,647 | 18,123 | 33,236 | 6 | - |
| Total investment assets | 7,804,373 | 6,621,561 | 370,437 | 257,474 | 308,785 | 253,402 | 1,230,632 | 940,159 | 555,959 | 378,915 |

(a) MIFU can use foreign exchange contracts to facilitate settlement of stock purchases.

Fair value disclosures

An overview of the fair value measurements relating to investments held at fair value through Profit or Loss is included in note 10 f).

Notes to the Financial Statements

for the year ended 30 June 2017

6. Payables

| | Note | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|--------------------------|----------|------------------------|------------------------|-------------------------------|------------------------|-------------------------------|------------------------|------------------------------|------------------------|---|------------------------|
| | | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| Management fees payable | 9 c) i) | 10,449 | 8,982 | 497 | 349 | 429 | 350 | 1,197 | 930 | 540 | 381 |
| Performance fees payable | 9 c) ii) | 11,480 | - | 1,019 | 3 | 1,723 | - | 1,171 | 45 | 965 | 7 |
| Due to brokers | | - | 7,744 | - | - | - | 404 | 15,887 | 281 | 7,179 | - |
| Redemptions payable | | 8,703 | 4,884 | 754 | 196 | 85 | 22 | 584 | 585 | 755 | 141 |
| Total payables | | 30,632 | 21,610 | 2,270 | 548 | 2,237 | 776 | 18,839 | 1,841 | 9,439 | 529 |

Notes to the Financial Statements

for the year ended 30 June 2017

7. Net assets attributable to unitholders

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|--------------------------------------|
| | 30 June 2017 No. of Units '000 | 30 June 2016 No. of Units '000 | 30 June 2017 No. of Units '000 | 30 June 2016 No. of Units '000 | 30 June 2017 No. of Units '000 | 30 June 2016 No. of Units '000 | 30 June 2017 No. of Units '000 | 30 June 2016 No. of Units '000 | 30 June 2017 No. of Units '000 | 30 June 2016 No. of Units '000 |
| a) Units on issue | | | | | | | | | | |
| Units on issue at beginning of year | 4,225,126 | 3,615,489 | 247,642 | 110,603 | 197,095 | 165,881 | 798,333 | 699,827 | 265,165 | 132,981 |
| Units issued during the year | 1,044,991 | 1,111,416 | 107,726 | 170,981 | 35,434 | 45,258 | 326,629 | 239,492 | 166,466 | 146,985 |
| Units redeemed during the year | (652,871) | (501,779) | (57,660) | (33,942) | (18,479) | (14,044) | (110,872) | (140,986) | (62,762) | (14,801) |
| Units on issue at end of year | 4,617,246 | 4,225,126 | 297,708 | 247,642 | 214,050 | 197,095 | 1,014,090 | 798,333 | 368,869 | 265,165 |

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 at the end of the half year for interim distributions and the end of the year for final distributions;
- 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 Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|--|------------------------|------------------------|-------------------------------|------------------------|-------------------------------|------------------------|------------------------------|------------------------|---|------------------------|
| | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| b) Changes in net assets attributable to unit holders | | | | | | | | | | |
| Opening balance | 7,273,143 | 6,781,352 | 302,530 | 138,517 | 257,154 | 236,758 | 988,057 | 791,126 | 418,757 | 186,566 |
| Applications | 1,815,048 | 2,020,524 | 143,446 | 213,585 | 44,621 | 63,475 | 382,269 | 282,082 | 254,881 | 227,783 |
| Redemptions | (1,224,247) | (977,687) | (77,898) | (42,691) | (27,872) | (21,579) | (138,439) | (169,879) | (97,688) | (22,767) |
| Reinvestment of distributions and management fee rebates | 112,011 | 150,672 | 854 | 537 | 7,002 | 4,186 | 24,812 | 9,931 | 2,452 | 1,236 |
| Increase/(Decrease) in net assets to unitholders | 968,999 | (701,718) | 57,734 | (7,418) | 49,016 | (25,686) | (9,093) | 74,797 | 19,028 | 25,939 |
| Closing balance | 8,944,954 | 7,273,143 | 426,666 | 302,530 | 329,921 | 257,154 | 1,247,606 | 988,057 | 597,430 | 418,757 |

Notes to the Financial Statements

for the year ended 30 June 2017

8. Notes to the Statements of Cash Flows

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|--|------------------------|------------------------|-------------------------------|------------------------|-------------------------------|------------------------|------------------------------|------------------------|---|------------------------|
| | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| a) Reconciliation of cash flows from operating activities | | | | | | | | | | |
| Net operating profit/(loss) | 1,193,294 | (58,046) | 66,665 | (2,465) | 56,508 | (5,106) | 104,631 | 147,716 | 34,027 | 42,120 |
| Adjusted for: | | | | | | | | | | |
| Income entitlements reinvested | - | - | - | - | - | - | (986) | (2,700) | (437) | (690) |
| Net changes in fair value of investments: | | | | | | | | | | |
| - held for trading | - | - | (11,188) | (5,133) | (5,114) | (3,225) | (28,897) | (6,973) | (6) | - |
| - designated at fair value through profit or loss | (1,226,814) | 72,255 | (55,363) | 8,279 | (55,863) | 9,301 | (48,828) | (125,963) | (22,935) | (36,915) |
| Net losses/(gains) on foreign currency transactions and cash settlements | 32,830 | (28,946) | (65) | 204 | 732 | (991) | 575 | 400 | 770 | 20 |
| Fee rebates reinvested into units in the Funds | 2,187 | 2,226 | 150 | 204 | - | - | 1,969 | 1,274 | 72 | 45 |
| Changes in operating receivables and payables | | | | | | | | | | |
| - Net (increase)/decrease in receivables and other assets | (5,615) | 2,273 | (346) | (99) | (19) | 96 | (2,046) | (658) | (1,276) | (1,368) |
| - Net increase/(decrease) in payables and other liabilities | 12,947 | (2,218) | 1,164 | 192 | 1,802 | (790) | 1,393 | (1,160) | 1,117 | (28) |
| Net cash inflow/(outflow) from operating activities | 8,829 | (12,456) | 1,017 | 1,182 | (1,954) | (715) | 27,811 | 11,936 | 11,332 | 3,184 |
| b) Non-cash investing and financing activities | | | | | | | | | | |
| Investments purchased via reinvestment of income entitlements | - | - | - | - | - | - | 986 | 2,700 | 437 | 690 |
| Fee rebates reinvested into units in the Funds | 2,187 | 2,226 | 150 | 204 | - | - | 1,969 | 1,274 | 72 | 45 |
| Distributions reinvested into units in the Funds | 109,824 | 148,446 | 704 | 333 | 7,002 | 4,186 | 22,843 | 8,657 | 2,380 | 1,191 |

Notes to the Financial Statements

for the year ended 30 June 2017

9. Related parties

a) Responsible entity

The Responsible Entity of the Funds is 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. Refer to note 9 c) for detail on Responsible Entity's fees.

MAM provides Responsible Entity / investment management services to the Funds.

b) 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 Directors of MAM during the year and up to the date of this report are Dr Brett Cairns, Mr Hamish Douglass, Mr Robert Fraser, Mr Paul Lewis, Mr Hamish McLennan, Ms Karen Phin and Mr John Eales (who was appointed on 1 July 2017).

(ii) Other key management personnel (Other KMP)

In addition to the Directors, the following persons also had authority for strategic direction and management of the Funds, directly or indirectly, during the year:

| Name | Position | Employer |
|-----------------|---|----------|
| Frank Casarotti | Head of Distribution | MAM |
| Gerald Stack | Head of Investments | MAM |
| Kirsten Morton | Chief Financial Officer | MAM |
| Marcia Venegas | Head of Risk, Compliance and Legal | MAM |
| Craig Wright | Head of Governance and Advisory | MAM |
| Nerida Campbell | Chief Operating Officer (ceased 1 Feb 2017) | MAM |

Notes to the Financial Statements

for the year ended 30 June 2017

9. Related parties (continued)

b) Key management personnel (continued)

(ii) Other key management personnel (Other KMP) (continued)

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 *Related Party Disclosures* requires compensation provided by the Funds or on behalf of the Funds to be disclosed. MAM pays a portion of the compensation to its employees 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 KMP as follows:

| Short term benefits Salary | | Short term benefits Cash bonus | | Post-employment benefits | | Long-term benefits | | Termination benefits | | Other benefits | | Total remuneration paid to KMP | |
|-------------------------------|--------------------------------|-----------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------|--------------------------------|-------------------------|--------------------------------|-------------------|--------------------------------|-----------------------------------|--------------------------------|
| 30 June 2017 | 30 June 2016 ^(A) | 30 June 2017 | 30 June 2016 ^(A) | 30 June 2017 | 30 June 2016 ^(A) | 30 June 2017 | 30 June 2016 ^(A) | 30 June 2017 | 30 June 2016 ^(A) | 30 June 2017 | 30 June 2016 ^(A) | 30 June 2017 | 30 June 2016 ^(A) |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 6,333,330 | 4,228,847 | 3,461,121 | 3,992,887 | 161,768 | 125,970 | 284,346 | 50,804 | 432,597 | - | 124,178 | 116,980 | 10,797,340 | 8,515,488 |

(A) Ms Marcia Venegas and Mr Craig Wright were not KMP's for the year ended 30 June 2016.

c) Responsible Entity fees

Compensation is paid to the Responsible Entity in the form of fees as follows:

(i) 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. Management and administration fees are collectively referred to as management fees in these financial statements.

The management fees paid/payable by the Funds during the year are net of any applicable reduced input tax credits – refer to note 1 g) for further details.

(ii) 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 MHCF, 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 management, administration and performance fees paid/payable by the Funds during the year are set out on the following page.

Notes to the Financial Statements

for the year ended 30 June 2017

9. Related parties (continued)

c) Responsible Entity fees (continued)

| | 30 June 2017 | | 30 June 2016 | |
|--|--------------|--------------------|--------------|--------------------|
| | % pa | \$ | % pa | \$ |
| Magellan Global Fund | | | | |
| Management fee | 1.25 | 106,532,917 | 1.25 | 98,405,823 |
| Administration fee | 0.10 | 8,522,633 | 0.10 | 7,872,466 |
| Total management and administration fees | 1.35 | 115,055,550 | 1.35 | 106,278,289 |
| Performance fee | | 11,515,948 | | 24,192,689 |
| Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income | | 126,571,498 | | 130,470,978 |
| Total management, administration and performance fees payable per the Statement of Financial Position | | 21,929,058 | | 8,982,374 |
| Magellan Global Fund (Hedged) | | | | |
| Management fee | 1.25 | 4,731,632 | 1.25 | 3,176,135 |
| Administration fee | 0.10 | 378,531 | 0.10 | 254,091 |
| Total management and administration fees | 1.35 | 5,110,163 | 1.35 | 3,430,226 |
| Performance fee | | 1,041,657 | | 7,632 |
| Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income | | 6,151,820 | | 3,437,858 |
| Total management, administration and performance fees payable per the Statement of Financial Position | | 1,516,376 | | 351,452 |
| Magellan High Conviction Fund | | | | |
| Management fee | 1.40 | 4,308,242 | 1.40 | 3,832,907 |
| Administration fee | 0.10 | 307,732 | 0.10 | 272,351 |
| Total management and administration fees | 1.50 | 4,615,974 | 1.50 | 4,105,258 |
| Performance fee | | 3,083,316 | | 16,285 |
| Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income | | 7,699,290 | | 4,121,543 |
| Total management, administration and performance fees payable per the Statement of Financial Position | | 2,151,518 | | 350,253 |
| Magellan Infrastructure Fund | | | | |
| Management fee | 0.95 | 11,282,021 | 0.95 | 8,657,032 |
| Administration fee | 0.10 | 1,187,581 | 0.10 | 911,267 |
| Total management and administration fees | 1.05 | 12,469,602 | 1.05 | 9,568,299 |
| Performance fee | | 1,170,683 | | 5,070,227 |
| Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income | | 13,640,285 | | 14,638,526 |
| Total management, administration and performance fees payable per the Statement of Financial Position | | 2,367,531 | | 974,416 |
| Magellan Infrastructure Fund (Unhedged) | | | | |
| Management fee | 1.25 | 5,208,740 | 1.25 | 2,898,486 |
| Administration fee | 0.10 | 548,288 | 0.10 | 305,104 |
| Total management and administration fees | 1.35 | 5,757,028 | 1.35 | 3,203,590 |
| Performance fee | | 964,367 | | 1,795,564 |
| Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income | | 6,721,395 | | 4,999,154 |
| Total management, administration and performance fees payable per the Statement of Financial Position | | 1,504,683 | | 388,325 |

Notes to the Financial Statements

for the year ended 30 June 2017

9. Related parties (continued)

Related party transactions

The number of units held and related transactions during the year by each KMP, including their personally-related parties, in the Funds are as follows:

| | 30 June 2017 | | | | | 30 June 2016 | | | | |
|--|---|--------------------------------|---------------------------|-----|------------------------------|---|--------------------------------|---------------------------|-----|------------------------------|
| | Units acquired during the year ^(A) | Units redeemed during the year | Units held at end of year | | Distribution paid or payable | Units acquired during the year ^(A) | Units redeemed during the year | Units held at end of year | | Distribution paid or payable |
| | Number | Number | Number | % | \$ | Number | Number | Number | % | \$ |
| Magellan Global Fund | | | | | | | | | | |
| Magellan Financial Group Limited | 4,333,653 | - | 53,301,469 | 1.2 | 7,459,950 | 5,624,390 | - | 48,967,816 | 1.2 | 7,459,950 |
| Directors | | | | | | | | | | |
| Hamish Douglass ^(B) | 125,024 | - | 1,537,725 | (C) | 74,699 | 162,261 | - | 1,412,701 | (C) | 215,216 |
| Paul Lewis | 36,424 | - | 505,920 | (C) | 23,790 | 105,203 | - | 469,496 | (C) | 71,525 |
| Other Key Management Personnel | | | | | | | | | | |
| Nerida Campbell ^(D) | 5,574 | - | 68,557 | (C) | - | 7,234 | - | 62,983 | (C) | 9,595 |
| Gerald Stack | 5,705 | - | 70,138 | (C) | 3,407 | 7,401 | - | 64,433 | (C) | 9,816 |
| Magellan Global Fund (Hedged) | | | | | | | | | | |
| Magellan Financial Group Limited | 8,314 | - | 516,133 | 0.2 | 15,484 | 7,981 | - | 507,819 | 0.2 | 10,156 |
| Magellan High Conviction Fund | | | | | | | | | | |
| Magellan Financial Group Limited | 1,439,215 | - | 19,422,675 | 9.1 | 679,794 | 817,284 | - | 17,983,460 | 9.1 | 1,877,744 |
| Directors | | | | | | | | | | |
| Hamish Douglass | 127,414 | - | 1,719,490 | 0.8 | 470,182 | 72,354 | - | 1,592,076 | 0.8 | 166,237 |
| Magellan Infrastructure Fund | | | | | | | | | | |
| Magellan Financial Group Limited | - | 2,370,596 | - | - | - | 64,240 | - | 2,370,596 | 0.3 | 219,925 |
| Directors | | | | | | | | | | |
| Paul Lewis | 332,936 | - | 374,782 | (C) | 42,233 | 1,134 | - | 41,846 | (C) | 3,882 |
| Other Key Management Personnel | | | | | | | | | | |
| Gerald Stack | 5,685 | - | 81,797 | (C) | 9,217 | 2,063 | - | 76,112 | (C) | 7,061 |
| Magellan Infrastructure Fund (Unhedged) | | | | | | | | | | |
| Magellan Financial Group Limited | - | 1,566,503 | - | - | - | 51,000 | - | 1,566,503 | 0.6 | 102,736 |

(A) Includes the re-investment of 30 June 2015 and 30 June 2016 distributions in the years ended 30 June 2016 and 30 June 2017 respectively.

(B) In addition to the above holdings, Mr Douglass and Mr Casarotti selected the Magellan Global Fund product via their employer superannuation account and currently have holdings of 440,031 and 39,898 units at a value of \$696,480 and \$63,151 respectively as at 30 June 2017 (June 2016: 428,892 and 242,961 units at a value of \$596,116 and \$337,692 respectively). Mr Casarotti also reweighted into his SMSF with 24,916 units in a Magellan Global Fund product at a value of \$61,588 and 200,000 units in Magellan Global Equities Fund (reflected in the table above) at a value of \$554,000 (June 2016: Nil).

(C) Less than 0.1%.

(D) Reflects balance held at date of cessation of employment.

Transactions between the Funds and related parties are subject to the same terms and conditions as those entered into by other unitholders. Unless specified above, no other Non-Executive Director or KMP held units in the Funds.

Notes to the Financial Statements

for the year ended 30 June 2017

10. 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, concentration risk, 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) Concentration risk

Concentration indicates the relative sensitivity of the Funds' performance to developments affecting a particular industry or geographical location. The Funds hold a concentrated portfolio of investments, and the returns of the Funds may be dependent upon the performance of individual companies. The concentrated exposure may lead to increased volatility in the Funds' unit price, and also increases the risk of poor performance.

The Funds' concentration risk is managed in accordance with the Portfolio Risk Controls for each Fund, which are approved by the Investment Committee.

c) 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.

i) 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.

Notes to the Financial Statements

for the year ended 30 June 2017

10. Capital and financial risk management (continued)

c) Market risk (continued)

Sensitivity analysis

An increase of 5% in the market price of each of the Funds' investments held at 30 June, assuming all other variables remain constant, would have had the following impact on the Funds' net operating profit and net assets attributable to unitholders:

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|---|-----------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|------------------------------|-----------------------|---|-----------------------|
| | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 |
| Impact on net operating profit and net assets attributable to unitholders | 390,219 | 331,078 | 17,946 | 12,661 | 15,220 | 12,588 | 60,625 | 45,346 | 27,798 | 18,946 |

A decrease of 5% in the market price of each of the Funds' investments would have had an equal but opposite effect on the Funds' net operating profit and net assets attributable to unitholders.

ii) 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 and Magellan Infrastructure Fund (Unhedged) 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 2016 and 30 June 2017.

Magellan High Conviction Fund may hedge some or all of the capital component of the foreign currency exposure of the fund, arising from investments in overseas markets, back to Australian dollars. However there is no guarantee that any or all of the Fund will be hedged at any point in time.

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 in 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.

Notes to the Financial Statements

for the year ended 30 June 2017

10. Capital and financial risk management (continued)

c) Market risk (continued)

ii) Currency risk (continued)

Due to daily changes in the fair value of underlying assets, the face value of hedging contracts will not always completely eliminate currency exposure. Where it is a strategy of the fund to substantially 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 in the Statements of Financial Position is:

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|---------------------|--------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|---------------------------------|--------------------------|---|--------------------------|
| | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 |
| US dollars | 7,772,083 | 6,632,723 | 2,717 | 8,817 | 188,966 | 129,882 | 1,652 | 24,877 | 213,352 | 140,546 |
| Euro | 277,177 | 249,836 | (747) | 176 | 8 | 8 | (1,267) | 2,361 | 147,633 | 111,313 |
| British pounds | 442,379 | 435,287 | (2,323) | 1,500 | 8 | 29,088 | 2,214 | 13,048 | 49,962 | 47,112 |
| Swiss francs | 656,239 | 368,019 | 253 | 116 | 1 | 1 | (2,657) | 1,071 | 24,155 | 16,493 |
| Canadian dollars | - | - | - | - | - | - | (270) | 1,721 | 46,782 | 17,820 |
| New Zealand dollars | - | - | - | - | - | - | 2,298 | 271 | 17,033 | 11,723 |
| Chilean pesos | - | - | - | - | - | - | 702 | (699) | 10,569 | 8,114 |

Notes to the Financial Statements

for the year ended 30 June 2017

10. Capital and financial risk management (continued)

c) Market risk (continued)

ii) Currency risk (continued)

Sensitivity analysis

A 5% increase or decrease in the Australian dollar relative to each currency to which the Funds had significant exposure, assuming all other variables remain constant, would have had the following impact on the Funds' net operating profit and net assets attributable to unitholders:

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|--|------------------------|------------------------|-------------------------------|------------------------|-------------------------------|------------------------|------------------------------|------------------------|---|------------------------|
| | 30 June 2017 | | 30 June 2017 | | 30 June 2017 | | 30 June 2017 | | 30 June 2017 | |
| | 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 |
| Assets and liabilities denominated in: | | | | | | | | | | |
| US dollars | (370,099) | 349 | (129) | 143 | (8,998) | 9,946 | (79) | 87 | (10,160) | 11,229 |
| Euro | (13,199) | 14,588 | 36 | (39) | - | - | 60 | (67) | (7,030) | 7,770 |
| British pounds | (21,066) | 23,283 | 111 | (122) | - | - | (105) | 117 | (2,379) | 2,630 |
| Swiss francs | (31,249) | 34,539 | (12) | 13 | - | - | 127 | (140) | (1,150) | 1,271 |
| Canadian dollars | - | - | - | - | - | - | 13 | (14) | (2,228) | 2,462 |
| New Zealand dollars | - | - | - | - | - | - | (109) | 121 | (811) | 896 |
| Chilean pesos | - | - | - | - | - | - | (33) | 37 | (503) | 556 |
| | | | | | | | | | | |
| | 30 June 2016 | | 30 June 2016 | | 30 June 2016 | | 30 June 2016 | | 30 June 2016 | |
| | 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 |
| Assets and liabilities denominated in: | | | | | | | | | | |
| US dollars | (315,844) | 349,091 | (420) | 464 | (6,185) | 6,836 | (1,185) | 1,309 | (6,693) | 7,397 |
| Euro | (11,897) | 13,149 | (8) | 9 | - | - | (112) | 124 | (5,301) | 5,859 |
| British pounds | (20,728) | 22,910 | (71) | 79 | (1,385) | 1,531 | (621) | 687 | (2,243) | 2,480 |
| Swiss francs | (17,525) | 19,369 | (6) | 6 | - | - | (51) | 56 | (785) | 868 |
| Canadian dollars | - | - | - | - | - | - | (82) | 91 | (849) | 938 |
| New Zealand dollars | - | - | - | - | - | - | (13) | 14 | (558) | 617 |
| Chilean pesos | - | - | - | - | - | - | 33 | (37) | (386) | 427 |

Notes to the Financial Statements

for the year ended 30 June 2017

10. Capital and financial risk management (continued)

c) Market risk (continued)

iii) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Funds' exposure to interest rate risk relates to cash balances.

Sensitivity analysis

Based on the Australian and US dollar cash balances held by the Funds at 30 June, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would have had the following impact on the Funds' net operating profit and net assets attributable to unitholders:

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|--|--------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|---------------------------------|--------------------------|---|--------------------------|
| | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 |
| Australian dollar cash balances | 41 | 65 | 66 | 49 | 2 | 6 | 113 | 105 | 4 | 15 |
| US dollar cash balances | 1,332 | 1,234 | - | - | 28 | 19 | 1 | 1 | 47 | 35 |
| Impact on net operating profit and net assets attributable to unitholders | 1,373 | 1,299 | 66 | 49 | 30 | 25 | 114 | 106 | 51 | 50 |

A decrease of 10 basis points in floating interest rates would have an equal but opposite effect on the Funds' net operating profit and net assets attributable to unitholders.

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 may therefore not be typical of the amounts of cash generally held by the Funds.

None of the Funds hold other significant cash balances exposed to interest rates in other currencies. In addition the Funds did not have any borrowings, or other financial liabilities or assets with direct exposure to changes in interest rates.

Notes to the Financial Statements

for the year ended 30 June 2017

10. Capital and financial risk management (continued)

d) 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 would require the disposal of 5% or more of the Trust Property 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.

At 30 June, the Funds had an obligation to settle payables with cash and cash equivalents as set out in the table below:

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|---------------------------|--------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|---------------------------------|--------------------------|---|--------------------------|
| | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 |
| Payables | 30,632 | 21,610 | 2,270 | 548 | 2,237 | 776 | 18,839 | 1,841 | 9,439 | 529 |
| Distributions payable | 224,295 | 643,672 | 8,931 | 4,953 | 7,492 | 20,580 | 103,719 | 64,578 | 11,370 | 13,452 |
| Cash and cash equivalents | 1,372,498 | 1,298,609 | 66,369 | 49,745 | 30,516 | 24,849 | 114,379 | 106,078 | 51,300 | 50,277 |

At 30 June 2017, the Funds' financial liabilities comprised payables which mature in less than a month (June 2016: less than one month) (refer note 6).

Notes to the Financial Statements

for the year ended 30 June 2017

10. Capital and financial risk management (continued)

e) 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 periods involved.

Magellan Global Fund and Magellan Infrastructure Fund (Unhedged) do not hold derivatives. Magellan Global Fund (Hedged), Magellan High Conviction Fund and Magellan Infrastructure Fund, use derivative financial instruments for currency hedging purposes. Derivatives are not used to gear (leverage) the portfolio. Magellan Global Fund (Hedged), Magellan High Conviction Fund 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 2017 the market values of forward foreign currency contracts were: Magellan Global Fund (Hedged) \$11,523,000 (June 2016: \$4,250,000), Magellan High Conviction Fund \$4,392,000 (June 2016:\$1,647,000) and Magellan Infrastructure Fund \$18,123,000 (June 2016: \$33,236,000).

The Responsible Entity has appointed The Northern Trust Company (NT) as the Funds' custodian. 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 schemes property arrangements with custodians. The credit quality of NT's senior debt is rated, as at 30 June 2017, by Standard and Poors as A+ and by Moody's as A2 (June 2016: AA- and A2 respectively).

At 30 June 2017 and 30 June 2016, the Funds' maximum exposure to credit risk is the carrying value of the financial assets recognised in the Statements of Financial Position.

i) Ageing analysis of receivables

At 30 June 2017, the Funds' receivables, excluding recoverable GST and foreign withholding tax, were due within 0 to 30 days (June 2016: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2016: 30 to 90 days). Foreign withholding tax is due within 2 to 10 years dependent on the jurisdiction (June 2016: 2 to 5 years). No amounts are impaired or past due at 30 June 2017 or 30 June 2016.

Notes to the Financial Statements

for the year ended 30 June 2017

10. Capital and financial risk management (continued)

f) Fair value disclosures

The Funds classify the fair value measurements of financial assets and financial liabilities using the three level, 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 fair value measurement hierarchy of the Funds' financial assets and liabilities:

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|---|--------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|---------------------------------|--------------------------|---|--------------------------|
| | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 |
| Assets measured at fair value | | | | | | | | | | |
| Level 1: Investments - valued using quoted price ^(A) | 7,804,373 | 6,621,561 | 358,914 | 253,224 | 304,393 | 251,755 | 1,212,509 | 906,923 | 555,953 | 378,915 |
| Level 2: Forward foreign currency contracts | - | - | 11,523 | 4,250 | 4,392 | 1,647 | 18,123 | 33,236 | 6 | - |
| Total financial assets | 7,804,373 | 6,621,561 | 370,437 | 257,474 | 308,785 | 253,402 | 1,230,632 | 940,159 | 555,959 | 378,915 |
| Liabilities measured at fair value | | | | | | | | | | |
| Level 2: Forward foreign currency contracts | - | - | - | - | - | - | - | - | - | - |
| Total financial liabilities | - | - | - | - | - | - | - | - | - | - |

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

The Funds do not hold any level 3 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 each reporting period.

Notes to the Financial Statements

for the year ended 30 June 2017

10. Capital and financial risk management (continued)

g) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented net in the Statements of Financial Position where the Funds currently have a legally enforceable right to offset 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 that are subject to legally enforceable master netting agreements, such as an International Swaps and Derivatives Association (ISDA) master netting agreements. Foreign currency contracts are contracted individually with the intention to settle the forward asset or liability simultaneously if required.

The following table presents the Funds' gross and net positions of derivative assets and liabilities that have been offset:

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|--|-----------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|------------------------------|-----------------------|---|-----------------------|
| | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 | 30 Jun 2017 \$'000 | 30 Jun 2016 \$'000 |
| Gross amounts of financial assets | | | | | | | | | | |
| Foreign currency contracts | - | - | 11,523 | 4,250 | 4,392 | 1,647 | 19,980 | 35,582 | 11 | - |
| Gross amounts offset in the Statements of Financial Position | - | - | - | - | - | - | (1,857) | (2,346) | (5) | - |
| Gross amounts of financial liabilities | | | | | | | | | | |
| Foreign currency contracts | - | - | - | - | - | - | (1,857) | (2,346) | (5) | - |
| Gross amounts offset in the Statements of Financial Position | - | - | - | - | - | - | 1,857 | 2,346 | 5 | - |
| Net amount of financial assets presented in the Statement of Financial Position | - | - | 11,523 | 4,250 | 4,392 | 1,647 | 18,123 | 33,236 | 6 | - |

11. Contingent assets, contingent liabilities and commitments

The Funds have no contingent assets, contingent liabilities or commitments at 30 June 2017 (June 2016: nil).

12. Events subsequent to the end of the year

The Directors are not aware of any other matter or circumstance not otherwise dealt with in the financial reports that have significantly affected, or may significantly affect, the Funds' operations, the results of those operations, or the Funds' state of affairs in future years.

Notes to the Financial Statements

for the year ended 30 June 2017

13. Auditor's remuneration

During the year, the following amounts were paid or payable by the Responsible Entity on behalf of the Funds for services provided by the auditor of the Funds, Ernst & Young:

| | Magellan Global Fund | | Magellan Global Fund (Hedged) | | Magellan High Conviction Fund | | Magellan Infrastructure Fund | | Magellan Infrastructure Fund (Unhedged) | |
|---|-------------------------|-----------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|---------------------------------|-----------------------|---|-----------------------|
| | 30 June 2017 \$ | 30 June 2016 \$ | 30 June 2017 \$ | 30 June 2016 \$ | 30 June 2017 \$ | 30 June 2016 \$ | 30 June 2017 \$ | 30 June 2016 \$ | 30 June 2017 \$ | 30 June 2016 \$ |
| Audit services | | | | | | | | | | |
| Statutory audit and review of financial reports | 17,700 | 18,500 | 17,700 | 18,500 | 17,700 | 18,500 | 17,700 | 18,500 | 17,700 | 18,500 |
| Other audit services | 2,000 | 3,000 | 2,000 | 3,000 | 2,000 | 3,000 | 2,000 | 3,000 | 2,000 | 3,000 |
| Non-audit services | | | | | | | | | | |
| Tax compliance services | 7,500 | 10,500 | 6,500 | 10,500 | 6,500 | 10,500 | 6,500 | 10,500 | 6,500 | 10,500 |
| Total auditor's remuneration | 27,200 | 32,000 | 26,200 | 32,000 | 26,200 | 32,000 | 26,200 | 32,000 | 26,200 | 32,000 |

Directors' Declaration

for the year ended 30 June 2017

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

Magellan Global Fund
Magellan Global Fund (Hedged)
Magellan High Conviction Fund
Magellan Infrastructure Fund; and
Magellan Infrastructure Fund (Unhedged), (together "the Funds") as set out on pages 8 to 37;

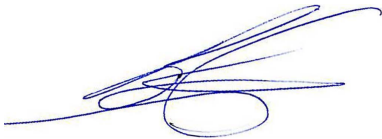
a) are in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the financial position of the Funds as at 30 June 2017 and of their performance as represented by the results of their operations 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.

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 financial year ended 30 June 2017.

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



Brett Cairns
Executive Chairman

Sydney, 1 September 2017



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

Opinion

We have audited the accompanying financial report of Magellan Global Fund, Magellan Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund, and Magellan Infrastructure Fund (Unhedged) (the 'Schemes'), which comprises the statements of financial position as at 30 June 2017, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying 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 2017 and of its financial performance for the year ended on that date; and
- ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Schemes in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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



Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information is the Responsible Entity's report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 1(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.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Ernst & Young



Rita Da Silva

Partner

Sydney

1 September 2017

Corporate Information

Directors of the Responsible Entity

Brett Cairns (Chairman)
Hamish Douglass
John Eales
Robert Fraser
Paul Lewis
Hamish McLennan
Karen Phin

Company Secretary of the Responsible Entity

Geoffrey Stirton

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