

MAGELLAN GLOBAL FUND MAGELLAN INFRASTRUCTURE FUND

Interim Financial Report For the Six Months Ended 31 December 2010

| Contents | Page |
|------------------------------------|-------------|
| Directors' Report | 2 |
| Auditor's Independence Declaration | 5 |
| Statement of Comprehensive Income | 6 |
| Statement of Financial Position | 7 |
| Statement of Changes in Equity | 7 |
| Statement of Cash Flows | 8 |
| Notes to the Financial Statements | 9 |
| Directors' Declaration | 12 |
| Independent Auditor's Report | 13 |

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Directors' Report
For the Six Months Ended 31 December 2010

Directors' Report

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946), the Responsible Entity of Magellan Global Fund and Magellan Infrastructure Fund ("the Funds") submit their report together with the interim financial report in respect of the six months ended 31 December 2010.

Directors

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

| Name | Directorship | Appointed | Resigned | Re-appointed |
|-----------------|--|--------------|-------------|--------------|
| Naomi Milgrom | Independent Non-executive Director | 23 July 2007 | 26 May 2009 | 24 July 2009 |
| Paul Lewis | Independent Non- executive Director | 23 July 2007 | - | - |
| Brett Cairns | Independent Non-executive Director | 23 July 2007 | 10 Nov 2008 | 26 May 2009 |
| Hamish Douglass | Executive Director and Chairman of the Board | 31 July 2006 | - | - |

Review and Result of Operations

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

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

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

The Funds are Australian registered schemes.

The results of the Funds' operations and their performance for the half year period were as follows:

| | Magellan Global Fund | | Magellan Infrastructure Fund | |
|---|-------------------------------|----------------|-------------------------------|----------------|
| | 31 December 2010 \$'000 | 2009 \$'000 | 31 December 2010 \$'000 | 2009 \$'000 |
| Results | | | | |
| Net profit attributable to unit holders | 856 | 12,243 | 17,309 | 12,029 |
| Distribution paid and payable for the period | - | - | - | - |
| Distribution – cents per unit | - | - | - | - |
| Performance for the six month period ended 31 December | | | | |
| Growth return | 1.0% | 12.3% | 21.9% | 24.5% |
| Distribution return | 0.0% | 0.0% | 0.0% | 0.0% |
| Total return | 1.0% | 12.3% | 21.9% | 24.5% |
| Indirect cost ratio | 1.36% | 1.36% | 1.06% | 1.06% |

The unit prices of the Funds at the reporting date and at the most recent year ends were:

| | 2010 | 2009 | 2010 | 2009 |
|---------------------------|----------|----------|----------|----------|
| 31 December | \$0.9583 | \$0.9505 | \$0.7329 | \$0.7495 |
| 30 June (ex-distribution) | \$0.9486 | \$0.8461 | \$0.6013 | \$0.6018 |

Directors' Report (continued)

Review and Result of Operations (continued)

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

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

Units on Issue

Details of the units on issue at the start and end of the period, and of the units issued and redeemed during the period are disclosed in Note 5.

Fund Assets

At 31 December 2010 net assets attributable to unitholders of Magellan Global Fund were \$431,601,000 (30 June 2010: \$257,010,000) and net assets attributable to unitholders of Magellan Infrastructure Fund were \$136,079,000 (30 June 2010: \$70,202,000).

Significant Events After the End of the Reporting Period

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

Likely Developments

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

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

Environmental Regulation

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

Directors' Report (continued)

Indemnification and Insurance of Directors and Officers

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

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

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

The Funds have not indemnified or insured Directors or officers.

Auditors' Independence Declaration

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

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



Hamish Douglass
Chairman
Magellan Asset Management Limited

Sydney
21 February 2011



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

In relation to our review of the financial report of the Schemes for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized signature of the Ernst & Young firm, written in a cursive script.

Ernst & Young

A handwritten signature of Rita Da Silva in a cursive script.

Rita Da Silva
Partner
Sydney
21 February 2011

Liability limited by a scheme approved
under Professional Standards Legislation

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Statement of Comprehensive Income
For the Six Months Ended 31 December 2010

Statement of Comprehensive Income

| | Magellan Global Fund | | Magellan Infrastructure Fund | |
|--|----------------------|---------------|------------------------------|---------------|
| | 31 December | | 31 December | |
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Investment income | | | | |
| Interest income | 210 | 159 | 141 | 101 |
| Dividend and distribution income | 2,791 | 1,128 | 2,023 | 970 |
| Net change in fair value of investments | | | | |
| - held for trading | - | - | 11,791 | 3,693 |
| - designated at fair value through profit or loss | 2,206 | 12,249 | 4,254 | 7,718 |
| Net foreign exchange losses | (1,577) | (267) | (111) | (21) |
| Total investment income | 3,630 | 13,269 | 18,098 | 12,461 |
| Expenses | | | | |
| Management fees | 2,317 | 861 | 568 | 325 |
| Performance fees | 7 | - | - | - |
| Transaction costs | 66 | 32 | 28 | 18 |
| Withholding tax on dividends | 384 | 133 | 193 | 89 |
| Total expenses | 2,774 | 1,026 | 789 | 432 |
| Profit from operating activities | 856 | 12,243 | 17,309 | 12,029 |
| Distributions to unitholders | - | - | - | - |
| Change in net assets attributable to unit holders / Total comprehensive income | 856 | 12,243 | 17,309 | 12,029 |

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

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Statement of Financial Position
As at 31 December 2010

Statement of Financial Position

| | Note | Magellan Global Fund | | Magellan Infrastructure Fund | |
|--|------|----------------------|----------------|------------------------------|---------------|
| | | 31 December | 30 June | 31 December | 30 June |
| | | 2010 | 2010 | 2010 | 2010 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | |
| Cash and cash equivalents | | 19,632 | 14,677 | 1,319 | 6,435 |
| Receivables | | 1,283 | 1,457 | 1,065 | 913 |
| Investments | 4 | 416,851 | 245,372 | 133,820 | 76,986 |
| Total assets | | 437,766 | 261,506 | 136,204 | 84,334 |
| Liabilities | | | | | |
| Investments | 4 | - | - | - | 2,143 |
| Payables | | 6,165 | 4,496 | 125 | 11,989 |
| Total liabilities (excluding net assets attributable to unit holders) | | 6,165 | 4,496 | 125 | 14,132 |
| Net assets attributable to unit holders | 5 | 431,601 | 257,010 | 136,079 | 70,202 |

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

Statement of Changes in Equity

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

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Statement of Cash Flows
For the Six Months Ended 31 December 2010

Statement of Cash Flows

| | Magellan Global Fund | | Magellan Infrastructure Fund | |
|---|----------------------|-----------------|------------------------------|-----------------|
| | 31 December | | 31 December | |
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flows from operating activities | | | | |
| Interest received | 153 | 159 | 97 | 101 |
| Dividends and distributions received | 2,524 | 965 | 1,414 | 701 |
| Responsible Entity fees paid | (2,121) | (773) | (413) | (226) |
| Other expenses paid | (93) | - | (33) | (25) |
| Net cash inflow from operating activities | 463 | 351 | 1,065 | 551 |
| Cash flows from investing activities | | | | |
| Purchase of investments | (195,292) | (91,121) | (63,976) | (38,426) |
| Proceeds from sale of investments | 31,650 | 4,684 | 14,951 | 6,178 |
| Net cash flows from foreign exchange hedging activities | - | - | 4,340 | 3,860 |
| Net foreign exchange losses | (63) | (7) | (225) | (54) |
| Net cash outflow from investing activities | (163,705) | (86,444) | (44,910) | (28,442) |
| Cash flows from financing activities | | | | |
| Receipts from issue of units | 190,786 | 93,586 | 49,711 | 37,887 |
| Payments for redemption of units | (17,645) | (6,612) | (7,017) | (9,830) |
| Distributions paid | (3,458) | (1,058) | (4,091) | (262) |
| Net cash inflow from financing activities | 169,683 | 85,916 | 38,603 | 27,795 |
| Net increase/(decrease) in cash and cash equivalents | 6,441 | (177) | (5,242) | (96) |
| Cash and cash equivalents at the beginning of the period | 14,677 | 8,772 | 6,435 | 5,031 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (1,486) | (261) | 126 | 32 |
| Cash and cash equivalents at the end of the period | 19,632 | 8,334 | 1,319 | 4,967 |

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

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Six Months Ended 31 December 2010

1 Reporting Entity

Magellan Global Fund and Magellan Infrastructure Fund (the "Funds") are registered managed investment schemes under the Corporations Act 2001. In accordance with the Funds' Constitutions, they commenced on the date that the first units were issued, which was 1 July 2007. The condensed interim financial report of the Funds is for the six months ended 31 December 2010.

The Responsible Entity of the Funds is Magellan Asset Management Limited ("The Responsible Entity"). The Responsible Entity's registered office is Level 7, 1 Castlereagh Street, Sydney, NSW 2000. The financial report is presented in Australian currency.

2 Statement of compliance

This general purpose financial report for the six months ended 31 December 2010 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*. The financial report complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made in respect of the Magellan Global Fund and Magellan Infrastructure Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements were authorised for issue by the directors on 21 February 2011. The directors of the Responsible Entity have the power to amend and reissue the financial report.

The Funds are of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 Summary of significant accounting policies

The accounting policies applied by the Funds in this interim financial report are consistent with those applied by the Funds for the year ended 30 June 2010.

4 Investments

| | Magellan Global Fund | | Magellan Infrastructure Fund | |
|---|-----------------------------|----------------|-------------------------------------|----------------|
| | 31 December | 30 June | 31 December | 30 June |
| | 2010 | 2010 | 2010 | 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| a) Financial assets designated at fair value through profit or loss | | | | |
| <i>Equity securities</i> | | | | |
| Australian equity and stapled securities | 6,738 | 15,488 | 26,515 | 18,678 |
| International equity securities | 410,113 | 229,884 | 101,997 | 58,308 |
| Total financial assets designated at fair value through profit or loss | 416,851 | 245,372 | 128,512 | 76,986 |
| b) Held for trading financial assets/(liabilities) | | | | |
| <i>Derivatives</i> | | | | |
| Foreign currency forward contracts | - | - | 5,308 | (2,143) |
| Total held for trading financial assets/(liabilities) | - | - | 5,308 | (2,143) |

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Six Months Ended 31 December 2010

5 Net assets attributable to unit holders

| | Magellan Global Fund | | Magellan Infrastructure Fund | |
|--|----------------------|--------------------|------------------------------|--------------------|
| | 31 December | | 31 December | |
| | 2010 | 2009 | 2010 | 2009 |
| | No. of units | No. of units | No. of units | No. of units |
| (a) Units on issue | | | | |
| Units on issue as at beginning of financial period | 270,467,817 | 81,882,408 | 116,827,074 | 56,551,931 |
| Units issued during the financial period | 196,891,984 | 102,721,958 | 78,478,297 | 59,352,281 |
| Units redeemed during the financial period | (18,056,528) | (7,170,459) | (9,730,791) | (14,533,202) |
| Units on issue at the end of the financial period | 449,303,273 | 177,433,907 | 185,574,580 | 101,371,010 |

Terms and conditions of units

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

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

| | Magellan Global Fund | | Magellan Infrastructure Fund | |
|--|----------------------|----------------|------------------------------|---------------|
| | 31 December | 30 June | 31 December | 30 June |
| | 2010 | 2010 | 2010 | 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (b) Net assets attributable to unit holders are represented by: | | | | |
| Net assets attributable to unit holders at redemption prices | 430,567 | 256,566 | 136,008 | 70,248 |
| Differences between redemption and net asset unit prices | 1,079 | 649 | 334 | 175 |
| Adjustments arising from different unit pricing and AIFRS valuation principles | (45) | (205) | (263) | (221) |
| Net assets attributable to unit holders | 431,601 | 257,010 | 136,079 | 70,202 |

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

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Six Months Ended 31 December 2010

5 Net assets attributable to unit holders (continued)

| | Magellan Global Fund | | Magellan Infrastructure Fund | |
|---|----------------------|----------------|------------------------------|---------------|
| | 31 December | | 31 December | |
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (c) Changes in net assets attributable to unit holders | | | | |
| Balance beginning of the period | 257,010 | 69,421 | 70,202 | 34,034 |
| Profit from operating activities | 856 | 12,243 | 17,309 | 12,029 |
| Transactions with unit holders in their capacity as unit holders | | | | |
| Applications | 191,272 | 93,736 | 55,585 | 39,682 |
| Redemptions | (17,537) | (6,509) | (7,017) | (9,830) |
| Net transactions with unit holders | 173,735 | 87,227 | 48,568 | 29,852 |
| Net assets attributable to unit holders | 431,601 | 168,891 | 136,079 | 75,915 |

6 Related Parties

There have been no significant changes to the related party transactions disclosed in the last Annual Report.

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time director-related entities may invest in or withdraw from the Funds. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors.

7 Financial Risk Management

The Responsible Entity has previously disclosed the International Prime Brokerage Agreements (IPBA) entered into with Merrill Lynch International (MLI), a wholly owned subsidiary of Bank of America, on behalf of the Funds.

During the period, the Responsible Entity amended the IPBA arrangements to include a separate custody facility. Under this new arrangement, the Responsible Entity may, at its sole election and at a time of its own choosing, cause the transfer of the securities of the Funds from MLI to a separate custodian, Prime Asset Custody Transfers Limited (PACT).

PACT forms part of the Bank of America Merrill Lynch group of companies. If transferred to PACT, the Securities of the Unlisted Funds would be held in a custody account by PACT pursuant to a Custody Agreement. PACT may not use in any way the Securities of the Unlisted Funds credited to the PACT custody account for its own purposes.

8 Events Subsequent to the End of the Reporting Period

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

9 Contingent Assets, Liabilities and Commitments for Expenditure

No contingent assets or liabilities, or commitments for expenditure exist as at 31 December 2010.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Directors' Declaration
For the Six Months Ended 31 December 2010

Directors' Declaration

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

- (a) the financial statements, notes and the additional disclosures included in the Directors Report designated as audited, of the Funds are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Funds as at 31 December 2010 and of their performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
- (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.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Hamish Douglass
Chairman
Magellan Asset Management Limited
Sydney

21 February 2011



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To the Unitholders of Magellan Global Fund and Magellan Infrastructure Fund (the "Schemes")

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of the Schemes, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Schemes' financial position as at 31 December 2010 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of the Schemes, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

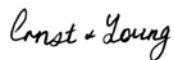
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

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under Professional Standards Legislation

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Schemes is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Schemes' financial position as at 31 December 2010 and of their performance for half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of the Ernst & Young firm, written in a cursive script.

Ernst & Young

A handwritten signature of Rita Da Silva, written in a cursive script.

Rita Da Silva
Partner
Sydney
21 February 2011